Medicaid Overview and Financing

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Presentation Outline

- Federal Overview of Medicaid
- Medicaid in Virginia
- Virginia Medicaid Financing
Both Medicare and Medicaid were created on July 30, 1965, through the Social Security Amendments of 1965.

**Medicare** is established in Title XVIII of the Social Security Act (SSA).

- Provides health insurance to people who are either age 65 and over, or who meet other special criteria.

- Administered by the U.S. government at the Centers for Medicare and Medicaid services (CMS).

- Total Medicare spending is expected to reach $536 billion for fiscal year 2012, or 15.6 percent of all federal spending. The only larger categories of federal spending are Social Security and defense.
Medicaid Plays Many Roles
In Our National Health Care System

- **Health Insurance Coverage**
  31 million children & 16 million adults in low-income families; 16 million elderly

- **Assistance to Medicare Beneficiaries**
  9.4 million aged and disabled — 20% of Medicare beneficiaries

- **Long-Term Care Assistance**
  1.6 million institutional residents; 2.8 million community-based residents

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**MEDICAID**

- **Support for Health Care System and Safety-Net**
  16% of national health spending; 35% of safety-net hospital net revenues

- **State Capacity for Health Coverage**
  FY 2013 FMAPs range from 50% to 73.4%
### Medicaid Fast Facts

| **60 million** | People in the United States with Medicaid coverage. Almost 20% of all Americans. |
| **$427 billion** | Projected Medicaid spending for FY 2010. |
| **1 million** | Medicaid beneficiaries resulting from a 1% increase in unemployment; enrollment growth averaged 8.5% in FY2010, the highest increase in eight years. |
| **16 - 20 million** | New Medicaid beneficiaries expected between 2014-2019 through health reform. |
| **41%** | Births in the U.S. covered by Medicaid. |
| **28%** | Children in the U.S. covered by Medicaid. |
| **29%** | Medicaid beneficiaries under 65 who are from diverse racial/ethnic groups. |
| **49%** | Medicaid beneficiaries with disabilities diagnosed with mental illness. |
| **5%** | Medicaid beneficiaries account for nearly 60% of total program spending. |
| **41%** | Total long-term care costs in U.S. financed by Medicaid; 34% of all Medicaid dollars used for long-term care. |
| **$230 billion** | Projected total Medicare and Medicaid dollars spent on the roughly 9.2 million people who are dually eligible, equaling roughly 39% of all Medicaid spending. |
Medicaid and the Social Security Act

- **Medicaid** is established through Title XIX of the SSA.
- Often considered an “afterthought” to Medicare.
- Each state administers its own Medicaid program, however all rules and services must be approved by the federal government.
- All rules and services must also be approved at the state level.
- Each state submits a “State Plan for Medical Assistance” to CMS for federal approval.
- Title XIX requires that Medicaid services must be provided in the same *amount, duration, and scope* to all beneficiaries within a state.
Children’s Health Insurance Program (CHIP)

- Established in 1997 as Title XXI of the SSA.
- Previously called “SCHIP”
- Expands health insurance coverage to children whose family incomes exceed the amount allowed for Medicaid.
- Like Medicaid, CHIP is administered at the state level, but requires federal approval.
- States receive a higher match rate for CHIP (65/35 in VA).
- CHIPRA (the CHIP Reauthorization Act of 2009) reauthorized/expanded certain services (e.g., dental).
Medicaid Waivers...
When states take the rules into their own hands

• When states want to develop programs and services that do not fit nicely into Title XIX, they submit applications to CMS to “waive” certain rules.

• Most often, waivers are used by states to:
  • Offer home- and community-based services (HCBS) so individuals can receive long-term supports in the community instead of in nursing facilities (§1915(c));
  • Require mandatory participation in managed care (§1915(b)); and
  • §1115 waivers when a state wants to implement innovative or broad based reforms
Why do states care about federal approval?

**MONEY!**

- Medicaid costs are shared by the federal and state governments. To receive federal funding, states must obtain federal approval for all programs and services.

- The amount of funding that a state receives from the federal government is called the Federal Medicaid Assistance Percentage or “FMAP.”

- For majority of programs, 50% FMAP.
Federal Medical Assistance Percentages (FMAP), FY 2010

US Average = 57.1%

67 - 76% (12 states including DC)
51 - 66% (24 states)
50% (15 states)

Who is Eligible for Medicaid?

- Eligibility is EXTRAORDINARILY complex!
- Currently, to qualify for Medicaid, individuals must:
  - Meet financial eligibility requirements; AND
  - Fall into a “covered group” such as:
    - Aged, blind, and disabled;
    - Pregnant;
    - Child; or
    - Caretaker parents of children.
- Currently, Virginia Medicaid does **not** provide medical assistance for all people with limited incomes and resources.
Federally Mandated Minimum Medicaid Eligibility Levels 2013

- Pregnant Women: 133%
- Children 0-5: 133%
- Children 6-18: 100%
- Elderly & Disabled: 75%
- Parents: 64% *

* National median Medicaid income eligibility level

Source: Kaiser Commission on Medicaid and the Uninsured; Sept., 2011
# 2013 Federal Poverty Level (FPL) Guidelines

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<thead>
<tr>
<th>Family Size</th>
<th>Annual Family Income</th>
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<tr>
<td></td>
<td>100% FPL</td>
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<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>$15,510</td>
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<td>3</td>
<td>$19,530</td>
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<tr>
<td>4</td>
<td>$23,550</td>
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<tr>
<td>5</td>
<td>$27,570</td>
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</tbody>
</table>

Source: 2013 Federal Poverty Guidelines, U.S. Dept. of Health and Human Services
Virginia’s Current Medicaid Program

When Compared to other states:

- Virginia ranks 24\textsuperscript{th} in Medicaid spending per recipient.
- Virginia ranks 48\textsuperscript{th} in Medicaid spending per capita.
- No coverage for childless adults
The Supreme Court effectively ruled that the Medicaid Expansion was optional for states. This ruling causes the expansion to be a policy choice for Virginia, as opposed to a federal mandate.
What Services Does Medicaid Cover?

**Mandatory**
- Inpatient Hospitalization
- Outpatient Hospital Services
- Physicians’ Services
- Lab & X-Ray Services
- Home Health
- Nursing Facility Services
- Early and Periodic Screening, Diagnostic and Treatment (EPSDT) Services for Children
- Non-Emergency Transportation

**Optional**
- Prescription Drugs
- Eyeglasses & Hearing Aids (Children Only)
- Organ Transplants
- Psychologists’ Services & other Behavioral Health Services
- Podiatrists’ Services
- Dental Services (Children Only)
- Physical, Occupational and Speech Therapies
- Rehabilitative Services
- Intermediate Care Facilities for Individuals with Intellectual Disabilities
- Case Management (only through select HCBS waivers)
- Emergency Hospital Services
- Hospice
- Prosthetic Devices
- Home and community based care, such as Personal Care (only through HCBS waivers)
Medicaid Service Delivery Structure (Current)

Fee-for-Service

- Directly administered by the state.
- Participants typically fall into these groups:
  - New enrollees waiting for MCO assignment
  - Individuals receiving Home- and Community-Based services
  - Individuals in LTC settings
  - Individuals with other insurance
  - Dual eligibles (Medicaid and Medicare enrollees) (moving to MCOs in 2014)
  - Foster Care Children (moving to MCOs this year)

Contracted

- MCO: Managed care organizations provide care to beneficiaries through contracts with the state. Sometimes the MCOs do not provide certain services. These services are referred to as being “carved out.” (E.g., community mental health and dental for children)
Explaining the Cost of the Virginia Medicaid Program

Dr. William A. Hazel, MD
Secretary of Health and Human Resources
Medicaid Innovation and Reform Commission
June 17, 2013
DMAS Budget by Program
SFY 2013

Notes:
Again, Administration figures shown here reflect funding at DMAS; there is approximately an additional $120 million ($60m GF/$60m NGF) spent by other state agencies in support of the Medicaid and CHIP programs. So the total administrative expenditures for the Virginia Medicaid program are $266 million (approx 3% of total program expenditures).
Administrative Budget Expenditures
SFY 2012

DMAS Expenditures

- Personnel, $30,000,000
- Training & Travel, $100,000
- Claims Processing, MMIS & IT, $70,000,000
- All Other, $7,000,000

Total Medicaid Administrative Expenditures (Includes Eligibility Determinations)

- Outreach & Eligibility Determinations, $100,000,000
- Contracts (Prior Authorization, Enrollment Brokers, Rate Setting, Auditing, etc), $34,000,000
- Personnel, $30,000,000
- All Other, $10,000,000
- Training & Travel, $100,000

Notes:
Expenditures shown here reflect total funds.
All Other expenditures include legal fees, rent, parking, printing. Assessments and screenings are included in the second graph.
Virginia Medicaid Expenditures

Top Expenditure Drivers:

- **Enrollment Growth:** Now provide coverage to over 400,000 more members than 10 years ago (80% increase)

- **Growth in the U.S. cost of health care**

- **Growth in Specific Services:** Significant growth in expenditures for Home & Community Based LTC services and Community Behavioral Health services
Composition of Virginia Medicaid Expenditures – SFY 2012

Long-Term Care Expenditures

- ID/DD: 26%
- Other Waivers: 2%
- Nursing Facility: 39%
- ICF/MR: 13%
- EDCD: 21%

Medical Services by Delivery Type

- Managed Care: $1.7b
- Fee-For-Service: $1.4b

Notes:
- 43% Medical Services
- 34% Long-Term Care Services
- 9% Behavioral Health Services
- 5% Indigent Care
- 7% Medicare Premiums
- 2% Dental
- 2% Other Waivers

Long-Term Care Expenditures:
- ID/DD: 26%
- Other Waivers: 2%
- Nursing Facility: 39%
- ICF/MR: 13%
- EDCD: 21%
Medicaid as a Percent of Total State Expenditures

Medicaid as a percentage of total expenditures in 2010

Note: For the purposes of this presentation, the term “Medicaid” is used to represent both Virginia’s Title XIX Medicaid and Title XXI CHIP programs.


Virginia Medicaid Enrollment – Virginia Department of Medical Assistance Services, Average monthly enrollment in the Virginia Medicaid and CHIP programs, as of the 1st of each month.
Economic Conditions and Policy Changes Affecting the Virginia Medicaid Program

- **1984**: Social Security Disability Benefits Reform Act
- **1996**: PRWORA Federal Welfare Reform Act
- **SFY00**: Behavioral Health services opened to private providers
- **SFY05**: CD Option added to E&D Waiver
- **SFY02-06**: SCHIP outreach & enrollment efforts
- **SFY02-12**: Over 4,600 slots added to ID waiver

**1990s Recession**

**Great Recession**
Growth in Medicaid Program Costs 1990-2012

Source: Virginia Department of Medical Assistance Services. Medicaid & CHIP program expenditures (total funds) associated directly with recipient claims, excludes post payment settlements and indigent care payments.
Growth in Medicaid Program Costs by Enrollment Category

- Low-Income: 1990 $2.1B, 2012 $5.5B
- Aged, Blind & Disabled: 1990 $3.4B

Yearly Enrollment:
- 1990: 200,000
- 1995: 300,000
- 2000: 400,000
- 2005: 600,000
- 2010: 800,000
- 2012: 1,000,000

Legend:
- Black line: Total Enrollment
- Yellow: Low-Income Adults & Children
- Gray: Aged, Blind & Disabled
Medicaid Program
Snapshot: TOTAL

Factors that Contribute to Increased Expenditures

<table>
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<tr>
<th>Factor</th>
<th>Increase in Millions</th>
<th>% of Total Increase</th>
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<tbody>
<tr>
<td>1. Enrollment Growth</td>
<td></td>
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<tr>
<td>Non-Disabled Adults &amp; Children</td>
<td>$523</td>
<td>10%</td>
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<tr>
<td>Aged &amp; Disabled</td>
<td>$734</td>
<td>14%</td>
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<tr>
<td>2. Inflation &amp; Intensity of Services</td>
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<tr>
<td>Non-Disabled Adults &amp; Children</td>
<td>$1,233</td>
<td>23%</td>
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<tr>
<td>Aged &amp; Disabled</td>
<td>$2,331</td>
<td>43%</td>
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<tr>
<td>3. Behavioral Health Services</td>
<td>$572</td>
<td>11%</td>
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<tr>
<td>SUBTOTAL</td>
<td>$5.5B</td>
<td>100%</td>
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Average Cost per Recipient

5.5% Avg Annual Growth

3.5% Avg Annual Growth
Medicaid Program Snapshot: Children

- **Expenditures**
  - Total: $113m (12%)
  - Children: $1.6b (26%)

- **Enrollment**
  - 1990: 100,000
  - 2012: 300,000
  - Growth: 7.1% Average Annual Growth

- **Average Cost per Recipient**
  - 1990: $1,000
  - 2012: $3,500
  - Growth: 5.5% Average Annual Growth

- **Total Increase**
  - $395m – Enrollment Growth
  - $871m – Inflation & Intensity of Services
  - $286m – Behavioral Health Services
  - $1.6B – Total Increase

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Medicaid Program Snapshot: Non-Disabled Adults

Expenditures

- Total: $113m (12%) in 1990, $660m in 2012
- Adults: $113m (12%) in 1990, $547m in 2012

Enrollment

- 3.5% Avg Annual Growth from 1990 to 2012

Average Cost per Recipient

- $113m (12%) in 1990
- $660m (10%) in 2012

Increase:
- $128m – Enrollment Growth
- $362m – Inflation & Intensity of Services
- $57m – Behavioral Health
- $547m – Total Increase

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Medicaid Program Snapshot
Aged & Disabled Adults: Not in Long-Term Care

Expenditures
- Total: $1.5b
- Non-LTC: $210m

Enrollment
- 1990: 23%
- 2012: 24%

Average Cost per Recipient
- 1990: $210m
- 2012: $1.3 B

- $189m – Enrollment Increase
- $895m – Inflation & Intensity of Services
- $225m – Behavioral Health
- Total Increase: $1.3 B

- 3.0% Avg Annual Growth

- 6.3% Avg Annual Growth
Medicaid Program Snapshot
Aged & Disabled Adults: Long-Term Care

Expenditures

- Total
- LTC

1990: $470m (52%)
2012: $2.5b (39%)

Enrollment

- 3.6% Avg Annual Growth

Average Cost per Recipient

- 4.1% Avg Annual Growth

$545m – Enrollment Increase
$1,436m – Inflation & Intensity of Services
$4m – Behavioral Health
$2.0 B - Total Increase

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