Medicaid, the ACA, and the State Budget Conundrum

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Status Update

- So far, 29 states (plus Washington DC) have chosen to expand Medicaid
- Of remaining 21 states, the camps divide into:
  - *Still negotiating:* Willing to expand under certain conditions, usually more state control and conservative features
  - *Still debating:* in legislative discussions.
  - *Never. Ever.*
### Table 2. Common Themes in Governors’ Statements on Expanding Medicaid, Stratified by Support for or Opposition to the Expansion.*

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*Percentages may not sum to 100 due to rounding.

**What the governors are saying…**

*Source: Sommers & Epstein, 2013*
# Medicaid Choices

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Source: Sommers & Epstein, 2013
State Budget Concerns

• “Collectively states are spending more on Medicaid than they do on K-12 education.”

• The ACA expansion is “the classic gift of a baby elephant. . . .The federal government says, ‘We’ll pay for all the hay — for the first few years.’”

• “At any whim [the feds] could just pull the money. So yeah, I’m a little gun-shy.”

Sources: Sommers & Epstein, 2013; PolitiFact 2013
States often report the % they spend including federal dollars, which is misleading

- Medicaid: 22% of state spending
- 60% paid for by feds currently
- Nets out to 12% of state-generated revenue

For pre-ACA eligible, fed gov’t pays 50-83% of total Medicaid costs, depending on the state

For the ACA newly-eligible, 100% funding until 2016, then down to 90% after 2020
Medicaid Costs

• **But** – Medicaid costs *are* the fastest growing part of the state budget

• **And** – Medicaid spending is countercyclical: Enrollment surges when economy stalls, just when tax revenue craters
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  ✓ *Feds have twice increased the match rate to help states during recessions, and once (1981) cut it.*

  ✓ *Costs have grown rapidly primarily because of enrollment growth.*

  ✓ *Per person costs have grown slower in Medicaid than for other types of insurance.*

Source: Holahan & Yemane 2009
ACA & the ‘Woodwork Effect’

- ACA pays 90-100% of *newly-eligible* enrollees in Medicaid
- States still pay traditional match on those eligible under old rules
- Millions of these currently-eligible individuals may come out of the woodwork under the ACA
The ‘Woodwork Effect:’
Medicaid-Eligible but Uninsured

National Total = 3.8% (9.1 million people)

Source: Sommers & Epstein, 2011
ACA & States: The Bottom Line

• Federally-subsidized expansion will offset state spending on uncompensated care
• Increase in effective match rate for some Medicaid enrollees – pregnant women, medically needy
• Estimated net effect if all 50 expand: $130B in state savings over 5 years

Sources: Dorn & Buettgens 2010; Bachrach SHADAC 2015
Medicaid and Cost Growth

• While ACA expansion is not a leading threat to most state budgets, other budgetary concerns are quite real:
  – Costs for pre-ACA eligible individuals with significant medical complexity and LTC needs
  – Rapid increase in federal expenditures on Medicaid under the ACA
Total Medicaid Spending

Source: Iglehart & Sommers NEJM 2015
Enrollment vs. Per Capita Costs

Source: Iglehart & Sommers NEJM 2015
Enrollment versus Costs

15

Enrollees
Total = 68.0 Million

Expenditures
Total = $397.6 Billion

Disabled 15%
Elderly 9%
Adults 27%
Children 48%

Disabled 42%
Elderly 21%
Adults 15%
Children 21%

Costs: Policy Options

• Managed Care: Evidence that it saves money is equivocal, but states are optimistic
• Cutting benefits or requiring cost-sharing
• Cutting provider reimbursement
• Payment reform and care delivery redesign, especially for high-cost complex patients
• State Block Grants: capping total spending and shifting burden to states to save money
Costs: Focus on Duals

- Renewed energy at state and federal level to improve quality and efficiency of care for sickest members
- ACA created the “Duals Office” (Medicare-Medicaid Coordination)
- Overseeing Dual Demonstration Projects
- Aggressive move by some states to shift duals and disabled into MCOs
Physician Participation

% US Office-Based Physicians Accepting New Medicaid Patients

Source: Decker, Health Affairs (2012)
Providers: A Contrarian View

• Do we need 100% of doctors to take Medicaid?
  – If only 82% of doctors take new privately insured patients, is that a problem?

• Do we have evidence that provider participation is a problem for beneficiaries?
Providers: Access to Care
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Figure 3. Proportion of Non-elderly Adults with Any Outpatient or Office Visit in the Past 12 Months by Insurance Status

Source: Urban Institute analysis for MACPAC of the 2009 National Health Interview Survey (NHIS).
Notes: Figure shows unadjusted estimates. Medicaid includes both Medicaid and the Children’s Health Insurance Program (CHIP). ESI is employer-sponsored insurance.
*Unadjusted difference from Medicaid is statistically significant at the 5% level, two-tailed test.
†Regression-adjusted difference from Medicaid controlling for age, gender, health and disability status, and health conditions is statistically significant at the 5% level, two-tailed test.
‡Regression-adjusted difference from Medicaid controlling for age, gender, health and disability status, health conditions, race/ethnicity, and socioeconomic characteristics is statistically significant at the 5% level, two-tailed test.
Providers: Access to Care

Figure 9. Non-elderly Adults' Assessment of Access to Needed Care Overall and to Needed Specialist Care in the Past 12 Months by Insurance Status

Source: Urban Institute analysis for MACPAC of the 2008 Medical Expenditures Panel Survey (MEPS).
Notes: Figure shows unadjusted estimates. Medicaid includes both Medicaid and the Children's Health Insurance Program (CHIP). ESI is employer-sponsored insurance. Specialist includes medical doctors who specialize in a particular field.
Conclusions

- Cost pressures in Medicaid are real
- State opposition to ACA Medicaid expansion cites costs, but main cost burden of ACA is federal
- State costs still largely driven by pre-ACA groups, especially people with disabilities and those in LTC
- Among common cost-control options, enthusiasm for MMC and concerns about provider pay cuts are supported by mixed/weak evidence.
- Care delivery redesign may be most promising.