

# Medicaid: Current and Future Challenges

for the

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# Medicaid Today: America's Largest Health Program

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- Average enrollment (person-year equivalents):  
**57 Million** (2012)
  - 68 million “ever enrolled”; 1 in 5 Americans annually
- Projected total spending: **\$457 billion** (2012)
  - 40% for dual eligibles
  - Federal share = 50% to 74%

Sources: CBO, *Medicaid Baseline*, 2012; and CMS Office of the Actuary, “2011 Actuarial Report on the Financial Outlook for Medicaid,” March 2012.

# Primary Issues for Medicaid Now

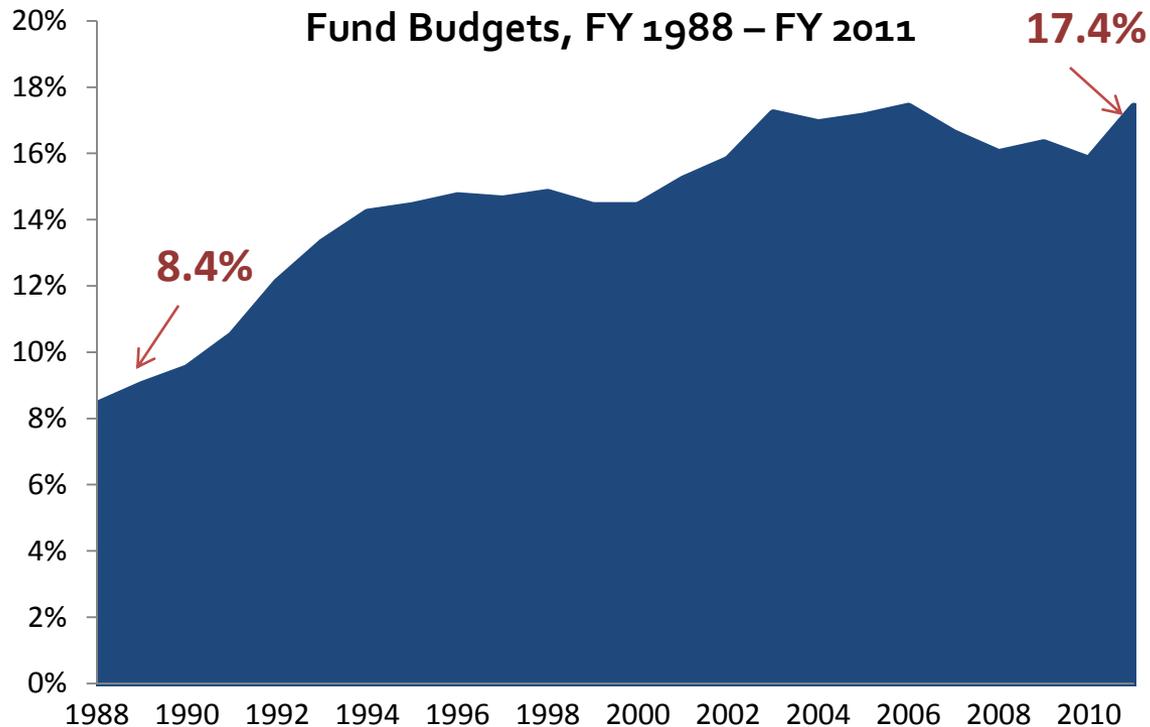
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- **Unrelenting fiscal pressure:** Continuous search for new options to control spending growth.
  - *"Medicaid growth is simply unsustainable and threatens to consume the core functions of state government."*
    - AZ Gov. Jan Brewer signing MOE waiver request to cut Medicaid adults.
  - *"We must act quickly to save the entire Medicaid system from collapse, and protect providers and the millions of Illinois residents that depend upon Medicaid for their healthcare..."*
    - IL Gov. Pat Quinn announcing \$2.7 billion Medicaid cost containment plan (4/19/12)
- **Quality improvement:** Making Medicaid a more effective, higher value program
- **Health reform:** Preparing for a significant role in an uncertain political environment.

SOURCE: Vernon Smith, Kathy Gifford, Eileen s, Robin Rudowitz and Laura Snyder, "Moving Ahead Amid Fiscal Challenges: A Look at Medicaid Spending, Coverage and Policy Trends," The Kaiser Commission on Medicaid and the Uninsured, October 2011. <http://www.kff.org/medicaid/8248.cfm>

# Medicaid has been unsustainable for a long time . . .

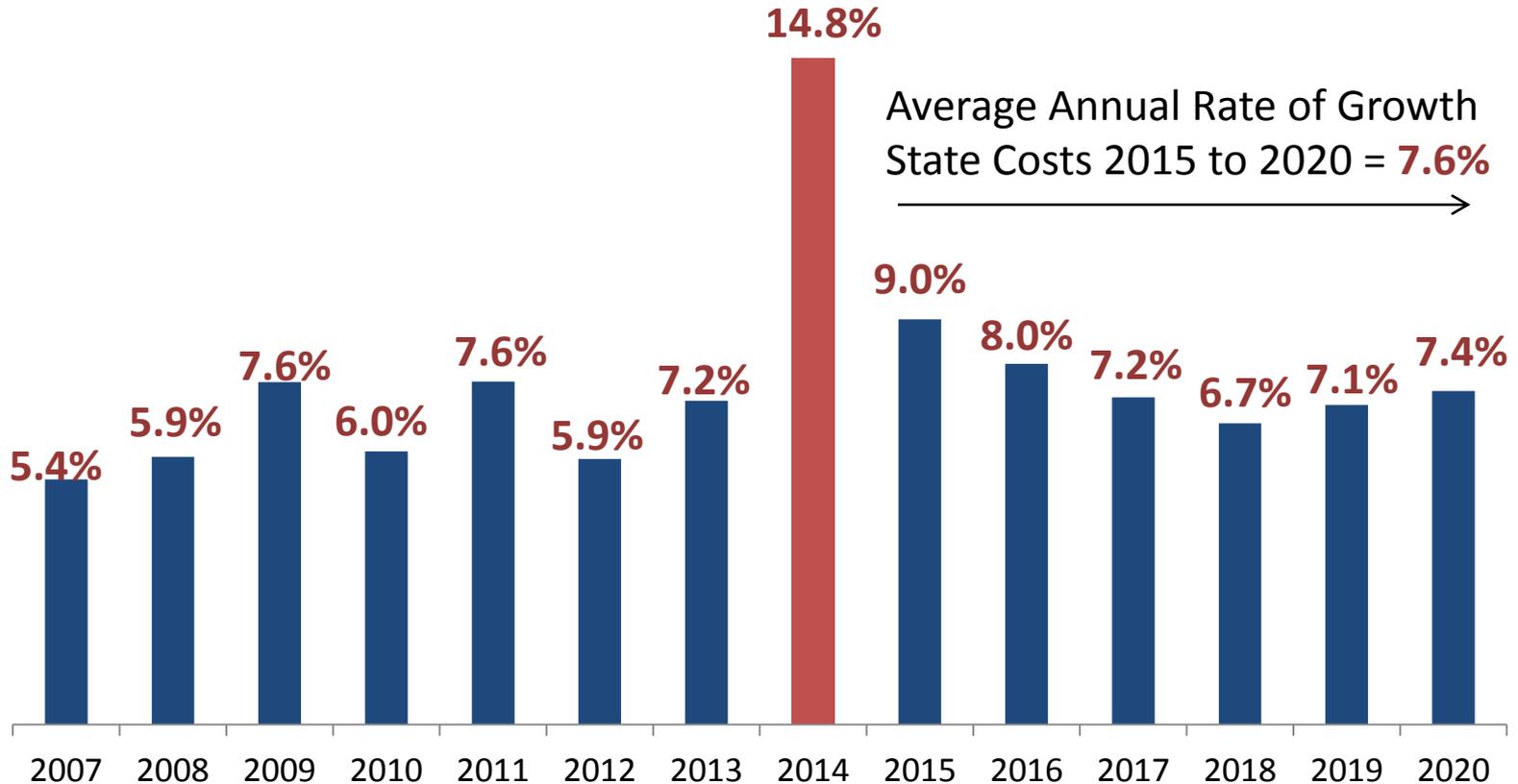
Medicaid as a Percent of State General  
Fund Budgets, FY 1988 – FY 2011



— **23.6%** of Total State Expenditures (K-12=20.1%)  
— Largest source of federal funds (**42.3%** in FY 2010)

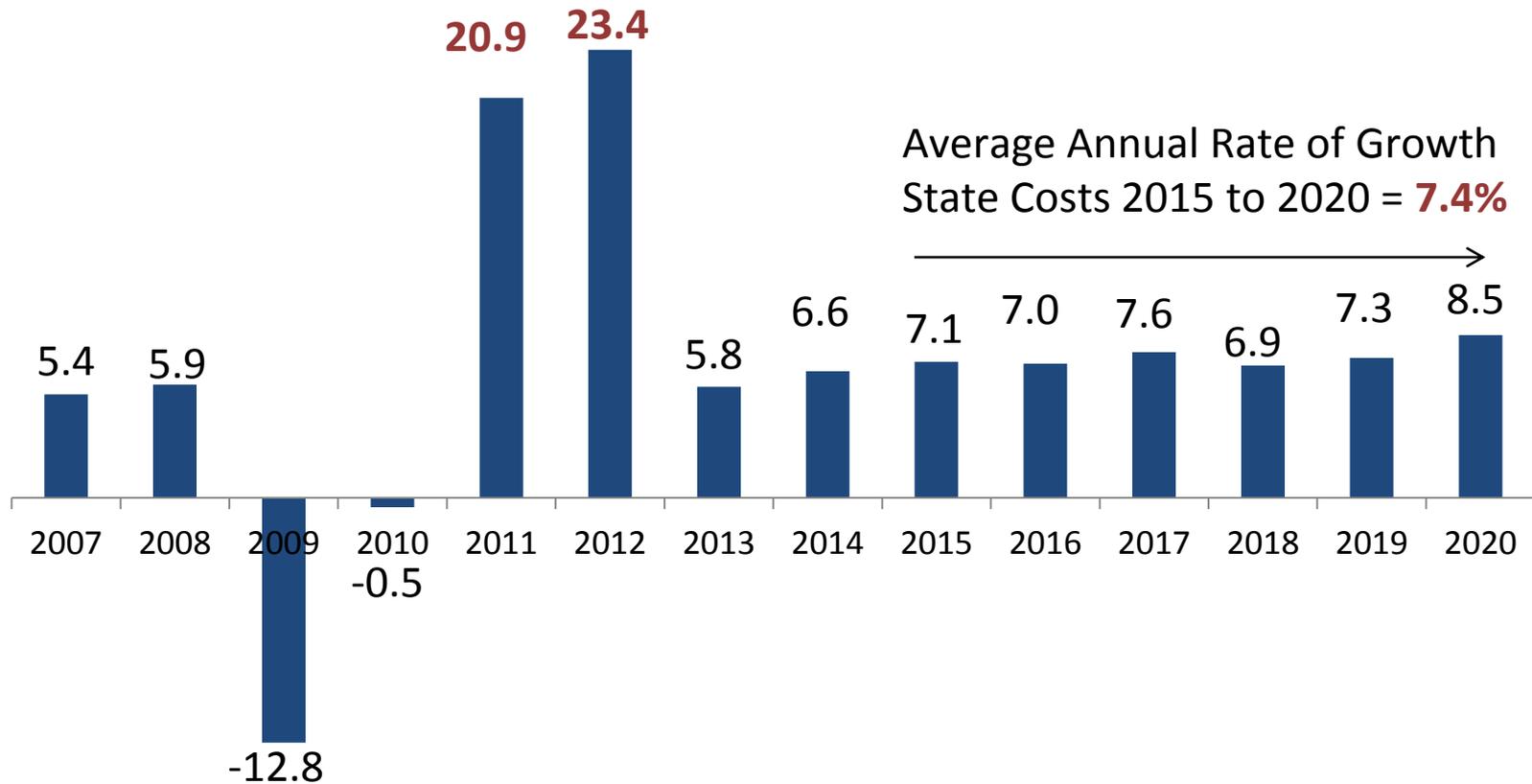
SOURCE: NASBO State Expenditure Reports, 1988, 2001 and 2011.

# Total Medicaid Spending Growth Rates, All Funds, FFYs 2007 - 2020



SOURCE: HMA based on CMS Office of the Actuary, "2011 Actuarial Report on the Financial Outlook for Medicaid," March 2012.

# State Share of Medicaid Spending Growth Rates, FFYs 2007 - 2020



SOURCE: HMA based on CMS Office of Actuary, March 2012. 2011–2020 are projections.

# States Continue to Look for New Ways to Slow Medicaid Cost Growth, But ...

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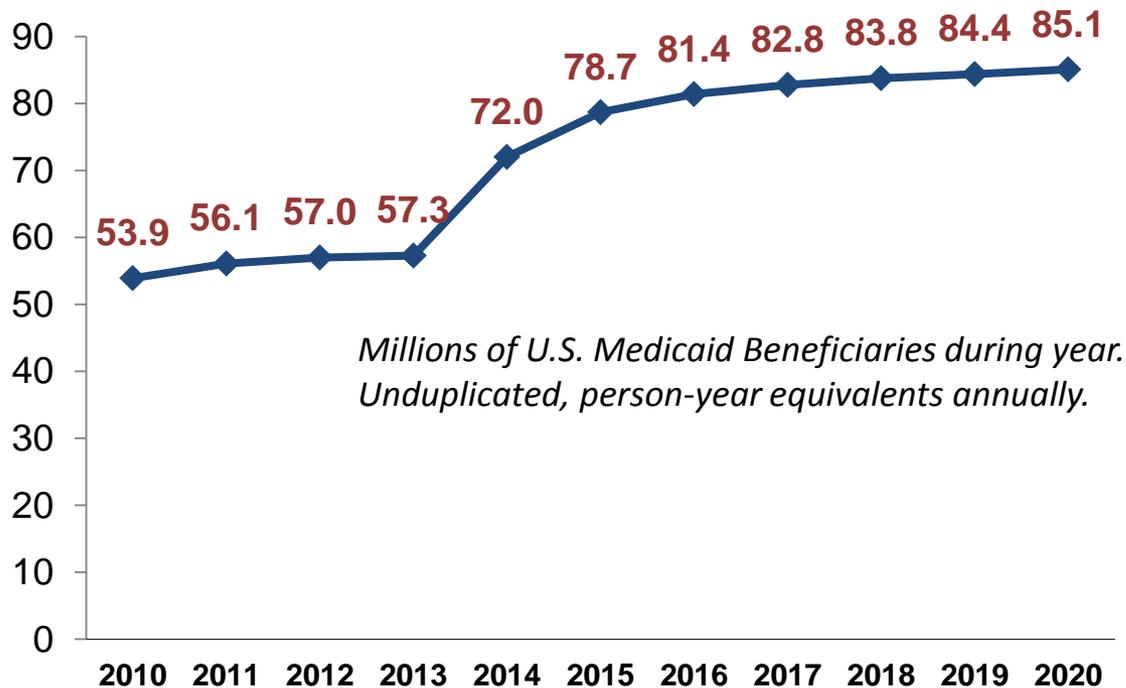
- Easy actions have been taken
- Eligibility reductions currently restricted by ACA MOE
- Provider reimbursement cuts could jeopardize access; disproportionately impact safety-net providers
- Optional benefit cuts may shift utilization to higher cost mandatory services/settings

Also:

- Medicaid patients are sicker
- Medicaid costs are already lower than other payers'
- Medicaid cost growth has been lower

# Can Medicaid Absorb the New Enrollment Expected in 2014 and Beyond?

- Medicaid added 19.2M enrollees between 2001 and 2011 (+52%) — Health Care Reform Will Add 15M in 2014



— **25.7%**  
enrollment  
increase  
expected in  
2014

SOURCE: CMS Office of the Actuary, “2011 Actuarial Report on the Financial Outlook for Medicaid,” March 2012.

# Managed Care to the Rescue?

## Recent Upsurge in Medicaid MCO RFP Activity

	State	Implementations	Enrollees
<b>2011</b>	Mississippi	<b>Expansion</b>	52,500
	South Carolina	<b>Expansion</b> of current contracts	80,000
	Illinois	ABD <b>Expansion</b>	40,000
	California	ABD <b>Expansion</b>	380,000
	Arizona	LTC Rebid	25,000
	Kentucky	Rebid/ <b>Expansion</b>	460,000
<b>2012</b>	Virginia	<b>Expansion</b>	68,000
	Texas	Rebid/ <b>Expansion</b>	3,200,000
	New York	LTC Rebid/ <b>Expansion</b>	200,000
	Louisiana	<b>Expansion</b>	870,000
	Washington	Rebid/ <b>Expansion</b>	800,000
	Nebraska	<b>Expansion</b>	75,000
	Missouri	Rebid	425,000
	New Hampshire	<b>Expansion</b>	130,000
	Hawaii	Rebid	225,000
	Pennsylvania	New West Zone – <b>Expansion</b>	175,000

# More expected in 2013 and 2014

	State	Implementations	Enrollees
<b>2013</b>	Kansas	Rebid/ <b>Expansion</b>	313,000
	Ohio	Rebid	1,650,000
	Pennsylvania	New East Zone – <b>Expansion</b>	290,000
	Florida	LTC Rebid/ <b>Expansion</b>	90,000
<b>2014</b>	Georgia	RFP Release Expected July/August 2012 – Rebid/ <b>Expansion</b>	1,500,000
	Arizona	Acute Care RFP Release Expected November 2012 — Rebid	1,100,000
	Florida	TANF/CHIP RFP Release Expected 1/1/13 – Rebid/ <b>Expansion</b>	2,800,000

# States Turning to Other Care Management, Delivery System and Payment Reforms

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- Patient-Centered Medical Home Initiatives
- ACA Health Homes for Persons with Chronic Conditions
- New Integrated Delivery System Models (ACOs, etc.)
- P4P/Other Reimbursement Reforms
- ***Dual Eligible Integration Initiatives***

# Conclusion: Historic but Uncertain Time for Medicaid

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- Significant state and federal budget issue
  - Extended economic downturn and rising health care costs add to challenge
- Primary health reform coverage expansion vehicle
  - States face major system, financial, administrative resource and political challenges
- Medicaid will increasingly rely on managed care
  - Helps to assure access, quality, cost savings
  - Focus now is on innovations and quality in serving dual eligibles, persons with disabilities, long term care
- Future is clouded by political uncertainty