



Update on Trends in Medicaid Spending and State Budgets



Medicaid and CHIP Payment and Access Commission

April Grady and Nicholas Elan

Presentation Overview

- Medicaid spending context
- Medicaid's share of state budgets
- Changes in FY 2014 and beyond

Medicaid Spending Context

Medicaid Spending Context

- Growth in aggregate Medicaid spending has led program to account for an increasing share of:
 - national health expenditures,
 - gross domestic product (GDP), and
 - state and federal budgets
- However, recent growth in Medicaid spending per enrollee has generally been moderate compared to other benchmarks

Medicaid Spending Context

Share of U.S. health care spending

- From 1975 to 1989, Medicaid's share was about 10%; by 1996, program's share was 15%
- In 2013, continued to account for about 15%
 - Medicare accounted for about 20%
 - Private insurance accounted for about 33%
- Medicaid's share projected to reach 18% in 2017 and remain at that level through 2023
 - Medicare projected to reach 22% through a steady climb over the same period
 - Private insurance projected to fall to 32%

Medicaid Spending Context

Share of GDP

- Health care spending is growing as a share of the nation's economy, and Medicaid mirrors that trend
- Between 1970 and 2013, U.S. health care spending increased from 7.0% of GDP to 17.4%
- Over the same period, Medicaid spending increased from 0.5% of GDP to 2.7%

Medicaid Spending Context

Share of federal and state budgets

- Medicaid has increased from 1.4% of federal outlays in FY 1970 to 8.6% in FY 2014
 - Medicare increased from 3% to 14.4% over the same period
- Medicaid's share of state budgets
 - May be measured in a number of ways
 - Its share relative to other programs and activities (such as education) differs when examining both state and local spending together

Average Annual Growth in Medicaid Spending Per Enrollee Compared to Various Benchmarks

	1987– 1991	1991– 1999	1999– 2005	2005– 2006	2006– 2013	2013– 2014	2014– 2022
Spending per enrollee by coverage type							
Medicaid	9.5%	5.6%	2.8%	-1.1%	1.6%	-0.6%	4.1%
Medicare	7.7%	5.8%	6.5%	14.9%	2.5%	0.8%	3.9%
Private	13.5%	5.4%	8.1%	5.0%	4.7%	6.0%	4–6%*
Medical prices							
CPI-U MC	8.0%	4.4%	4.3%	4.0%	3.4%	2.4%	—**

Notes: CPI-U MC is medical care component of the Consumer Price Index for All Urban Consumers. Growth rates reflect calendar years except in the case of Medicaid and private insurance for 2014-2022, which reflect fiscal years. Time periods displayed through 2013 were selected by grouping years with roughly similar Medicaid growth rates.

*Congressional Budget Office projects 4.3% per year over the 2014–2018 period and 5.9% over 2019–2025 period.

**Specific estimates are not readily available, but Centers for Medicare Services projects a modest increase.

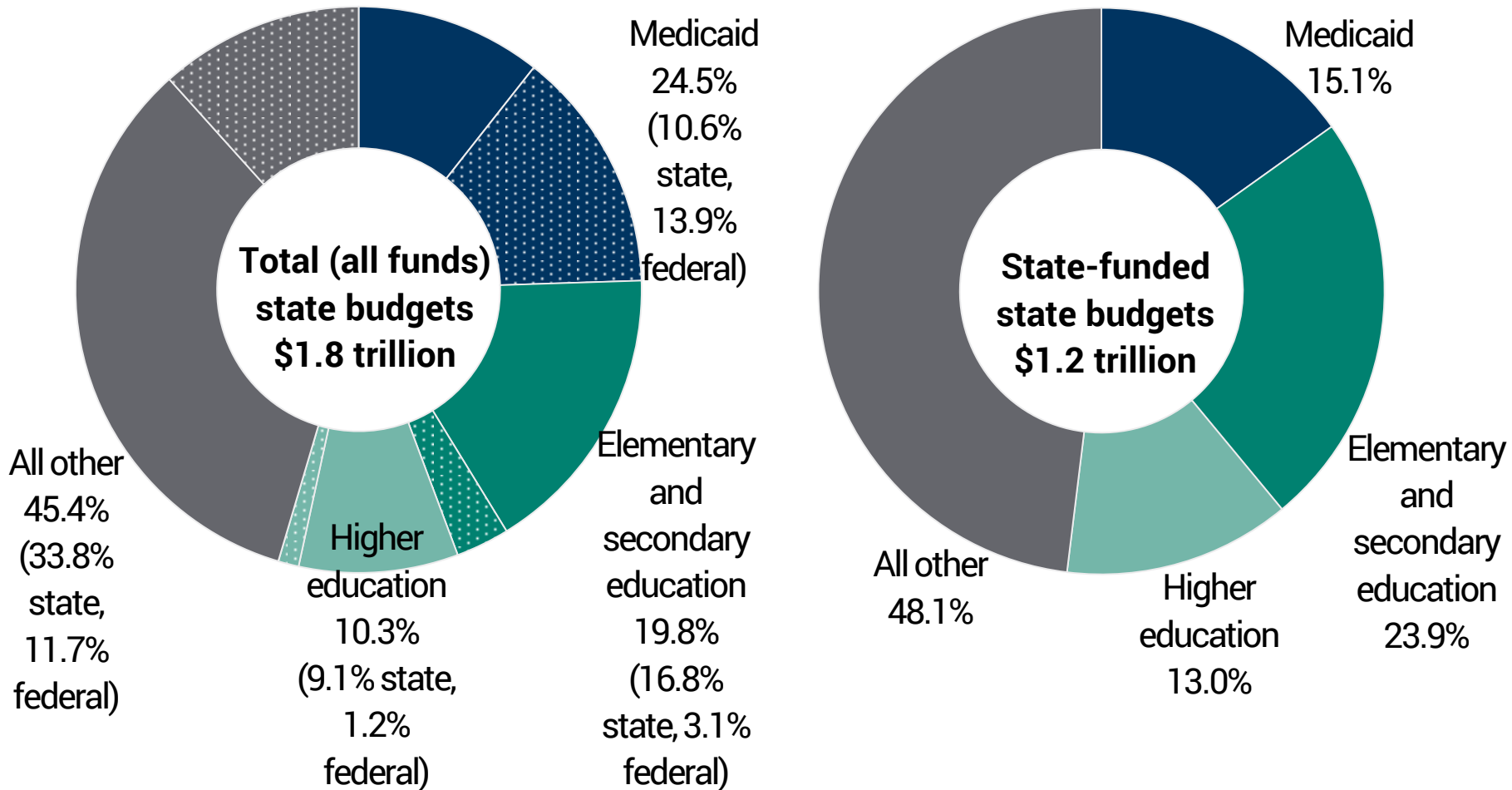
Source: MACPAC analysis of information from Bureau of Labor Statistics, Congressional Budget Office, Centers for Medicare & Medicaid Services, and Medicare Trustees.

Medicaid's Share of State Budgets

Medicaid's Share of State Budgets

- Total state budgets
 - 24.5% of spending from all state and federal sources in state fiscal year (SFY) 2013
- State-funded portion of state budgets
 - 18.9% of spending from state general funds
 - State general funds are raised through income, sales, and other broad-based state taxes
 - 15.1% of spending from all state funds
 - State general funds
 - Bonds (the sale of which generally funds capital projects)
 - Other state funds (for Medicaid this includes provider taxes and local funds that flow through the state budget)

Distribution of Spending from Total State Budgets Versus State-Funded State Budgets, SFY 2013



Note: Total state budgets include all state and federal funds; state-funded state budgets include all nonfederal funds.

Source: MACPAC analysis of information from National Association of State Budget Officers.

Medicaid's Share When Examining Both State and Local Spending

- Spending by state governments only (from all revenue sources, including federal dollars)
 - Medicaid's share was nearly 25% in SFY 2013
 - Education's share was about 30%
- Spending by state and local governments (from all revenue sources)
 - Medicaid's estimated share was smaller: 17% or less in SFY 2012
 - Education's share was about the same: 28%

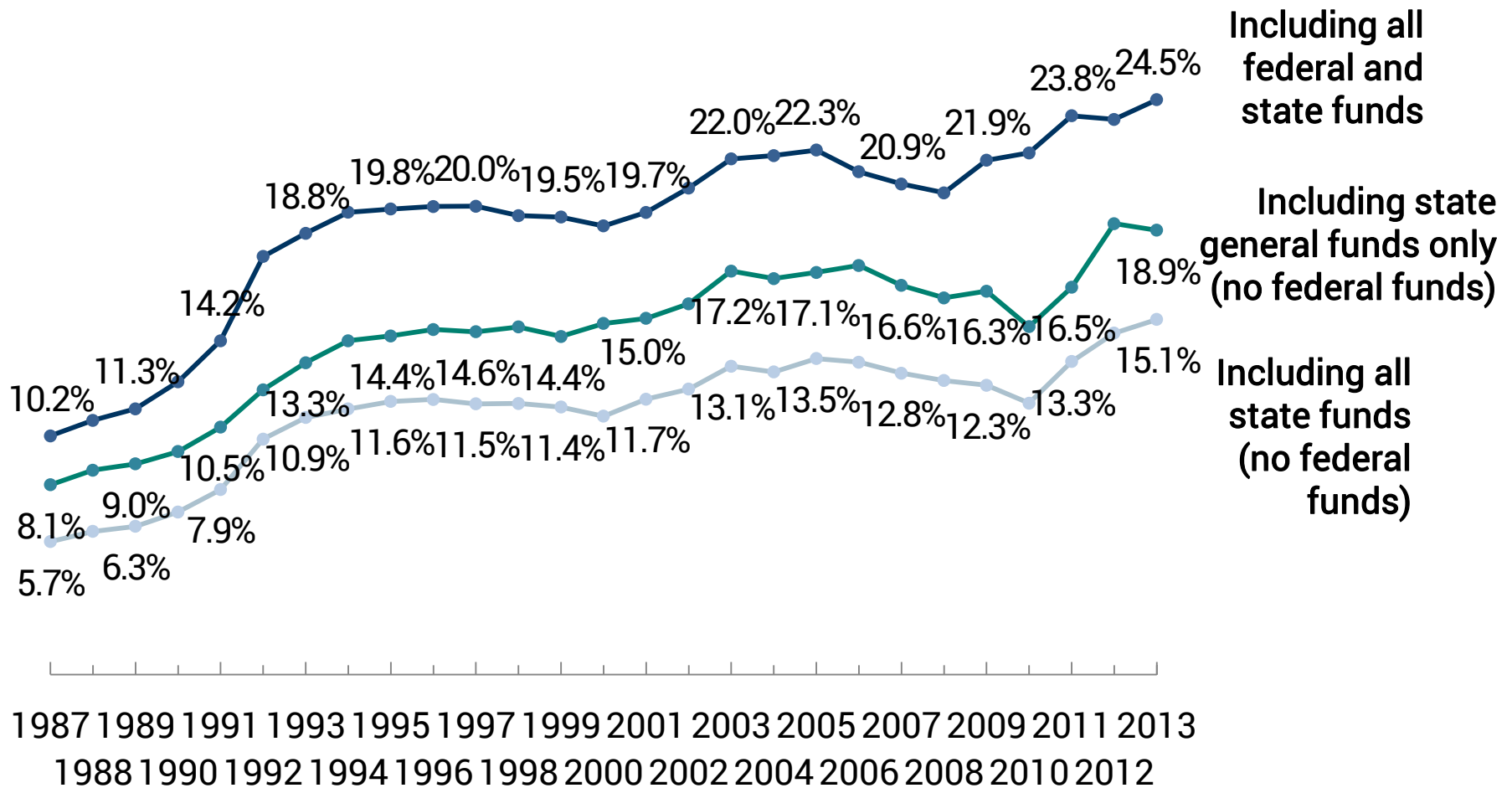
Note: Medicaid's share is estimated because spending for the program cannot be precisely isolated in the data on combined state and local spending from the Survey of Government Finances (SGF). The 17% share is a high estimate obtained by summing two SGF categories that are not limited to amounts paid by Medicaid.

Source: MACPAC preliminary analysis of SGF information from U.S. Census Bureau.

Trends in Medicaid's Share of State Budgets

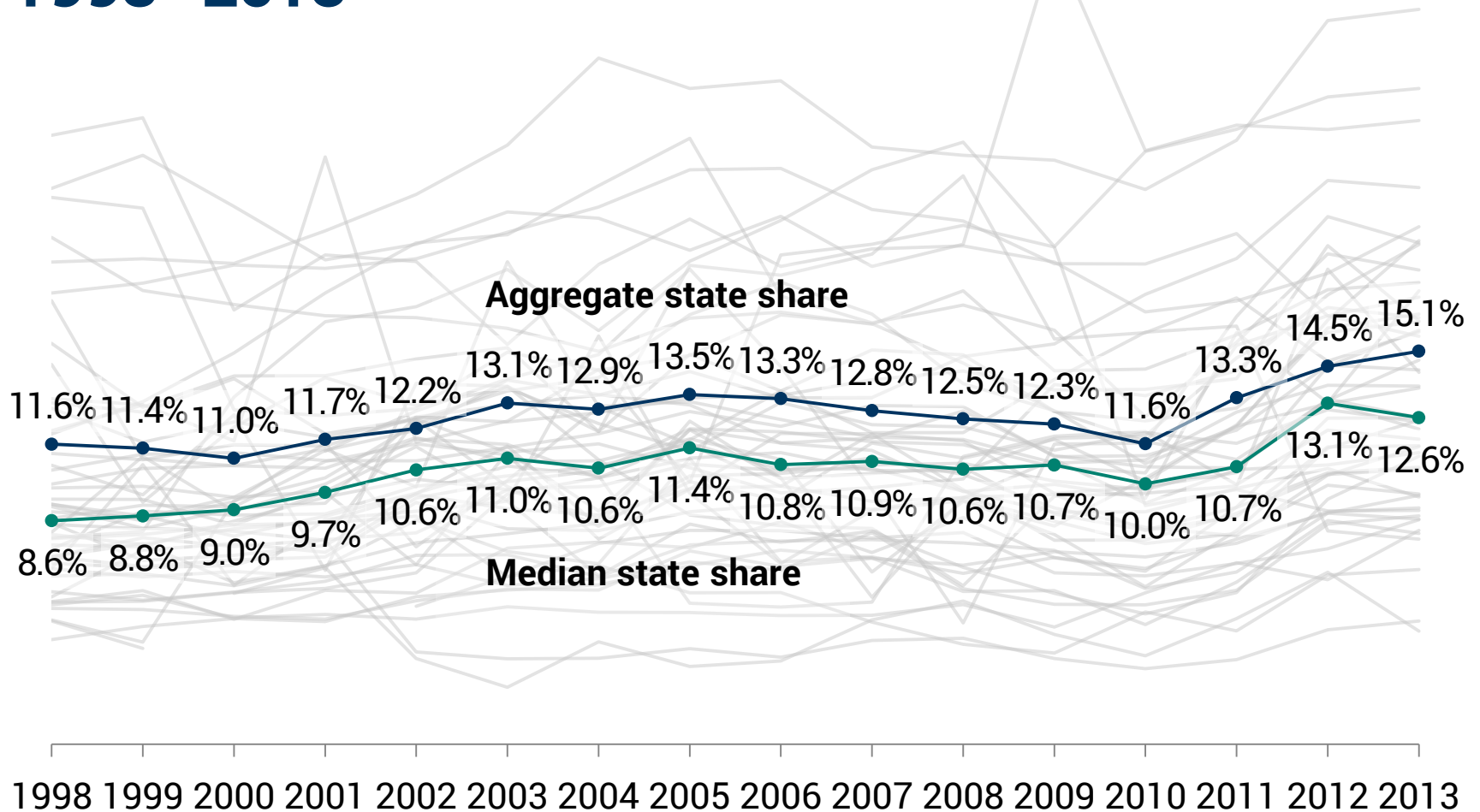
- Regardless of how Medicaid's share is measured, a similar trajectory is generally observed over the SFY 1987–2008 period
- In SFYs 2009 and 2010, share of total state budgets continued to increase while share of state-funded budgets remained stable or dropped
 - Temporary increase in federal medical assistance percentage (FMAP) for state fiscal relief effectively allowed states to maintain their Medicaid programs with a smaller state contribution
- By SFY 2011, Medicaid's share of state-funded budgets had returned to previous levels

Medicaid's Share of State Budgets Including and Excluding Federal Funds, SFYs 1987–2013



Note: Total state budgets include all state and federal funds; state-funded state budgets include all nonfederal funds.
Source: MACPAC analysis of information from National Association of State Budget Officers.

State Variation in Medicaid's Share of State-Funded Budgets (Excluding Federal Funds), SFYs 1998–2013



Note: State-funded state budgets include all nonfederal funds.

Source: MACPAC analysis of information from National Association of State Budget Officers.

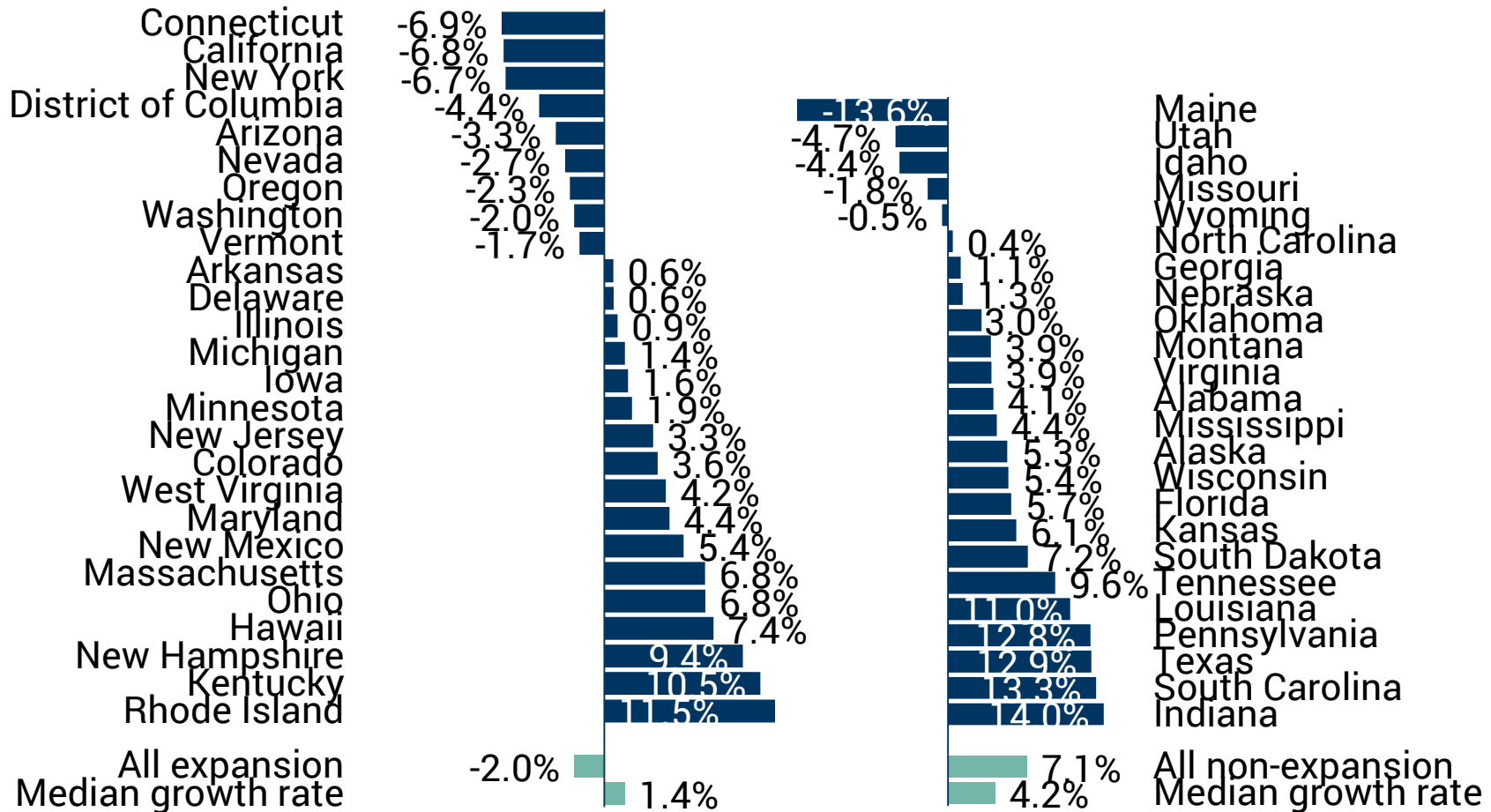
May 14, 2015

Changes in FY 2014 and Beyond

Overview of Medicaid Spending Changes in FY 2014

- Growth in FY 2014 varied by source of funds
 - Total: 8% (FY 2014 \$498 billion; FY 2013 \$460 billion)
 - Federal: 13% (FY 2014 \$303 billion; FY 2013 \$267 billion)
 - State: 1% (FY 2014 \$195 billion; FY 2013 \$193 billion)
- At national level, federal share of benefit spending increased to 60% from historical average of 57%
 - Driven by 100% FMAP for newly eligible adults
- Substantial variation in growth of state spending
 - Median growth rate among expansion states was 1.4%; median for non-expansion states was 4.2%
 - Overall decrease among expansion states of 2.0%; in contrast, increase among non-expansion states of 7.1%

Growth in State Medicaid Spending in Expansion and Non-Expansion States, FY 2014



Note: Expansion state group only includes those that expanded before the end of FY 2014; coverage became effective 1/1/2014 in these states except for Michigan (4/1/2014) and New Hampshire (8/15/2014). North Dakota expanded in FY 2014 but is not shown because the state has not reported 3rd and 4th quarter spending.

Source: MACPAC analysis of CMS-64 Financial Management Report net expenditure data as of February 25, 2015.

Expansion State Budget Effects

- Potential budget savings for expansion states
 - Federal Medicaid funding for activities and populations previously financed with state-only dollars (e.g., programs for the uninsured, inpatient hospital care for those in correctional facilities)
 - Enhanced FMAP for some new adult enrollees who otherwise would qualify under regular FMAP pathway
 - Increased collections from taxes on providers and plans whose revenues have increased
- Information from nine states indicates that savings offset cost of increased Medicaid participation among those previously eligible but not enrolled

Next Steps

- Issue brief to be posted on MACPAC's website
- Continued monitoring of relevant issues, including:
 - Medicaid's share of federal and state budgets;
 - program financing, including proposals for restructuring;
 - the effects of Medicaid expansions on state budgets;
 - state experiences, federal guidance, and federal reporting with regard to newly eligible FMAP claiming;
 - the experiences of beneficiaries with disabilities and others enrolling through the new adult group



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