



Medicaid Spending Trends

Medicaid and CHIP Payment and Access Commission
Chris Park

Overview

- Medicaid spending trends in context of national health care spending and federal and state budgets
 - Share of national health expenditures
 - Share of federal outlays
 - Share of state budgets
- Spending per enrollee trends
- Components of spending growth
- Recent spending changes and future projections

Medicaid Spending Trends in Context

Share of National Health Expenditures, 2014

Type of expenditure	Payer share of total							
	Total	Medicaid	CHIP	Medicare	Private insurance	Other health insurance ¹	Other third party payers ²	Out of pocket
Total	100.0%	16.4%	0.4%	20.4%	32.7%	3.2%	16.0%	10.9%
Hospital care	100.0%	17.3%	0.3%	25.8%	37.3%	5.9%	10.3%	3.2%
Physician and clinical services	100.0%	10.6%	0.5%	22.9%	42.2%	3.7%	11.2%	9.0%
Dental services	100.0%	8.9%	1.3%	0.4%	47.6%	1.2%	0.4%	40.3%
Other professional services	100.0%	7.4%	0.3%	23.2%	35.2%	–	8.6%	25.2%
Home health care	100.0%	35.6%	0.0%	41.7%	9.9%	0.5%	3.3%	8.9%
Other non-durable medical products	100.0%	–	–	4.0%	–	–	–	96.0%
Prescription drugs	100.0%	9.2%	0.5%	29.0%	42.8%	2.9%	0.7%	15.0%
Durable medical equipment	100.0%	13.2%	0.3%	16.7%	17.6%	–	1.3%	50.9%
Nursing care facilities and continuing care retirement communities	100.0%	31.9%	0.0%	22.9%	8.4%	3.0%	7.3%	26.5%
Other health, residential, and personal care services	100.0%	55.8%	0.7%	3.4%	7.6%	0.6%	28.0%	3.9%
Administration	100.0%	21.7%	1.0%	16.2%	52.0%	1.4%	7.8%	–
Public health activity	100.0%	–	–	–	–	–	100.0%	–
Investment	100.0%	–	–	–	–	–	100.0%	–

¹ U.S. Department of Defense and U.S. Department of Veterans' Affairs.

² Includes all other public and private programs and expenditures except for out-of-pocket amounts.

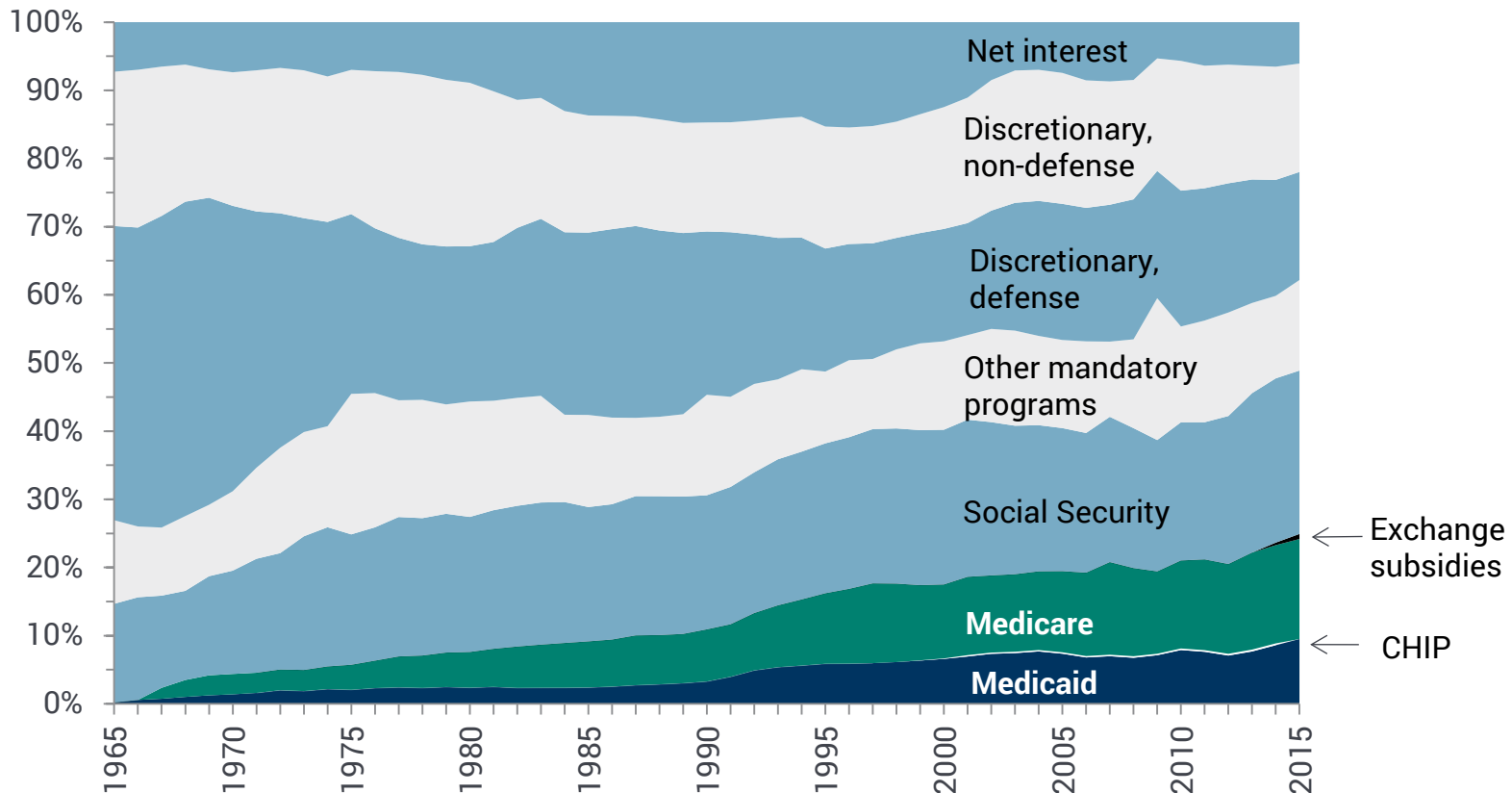
Sources: CMS Office of the Actuary, *National health expenditures by type of service and source of funds: Calendar years 1960-2014*.

Share of National Health Expenditures, 2015–2024

Year	Total (Billions)	Medicaid	Medicare	Private Insurance
2015	\$3,244	\$544	\$646	\$1,085
2016	\$3,403	\$569	\$685	\$1,140
2017	\$3,587	\$599	\$728	\$1,198
2018	\$3,785	\$632	\$775	\$1,258
2019	\$4,020	\$669	\$838	\$1,329
2020	\$4,274	\$709	\$906	\$1,406
2021	\$4,543	\$750	\$977	\$1,488
2022	\$4,825	\$794	\$1,054	\$1,572
2023	\$5,119	\$841	\$1,135	\$1,658
2024	\$5,425	\$890	\$1,221	\$1,746

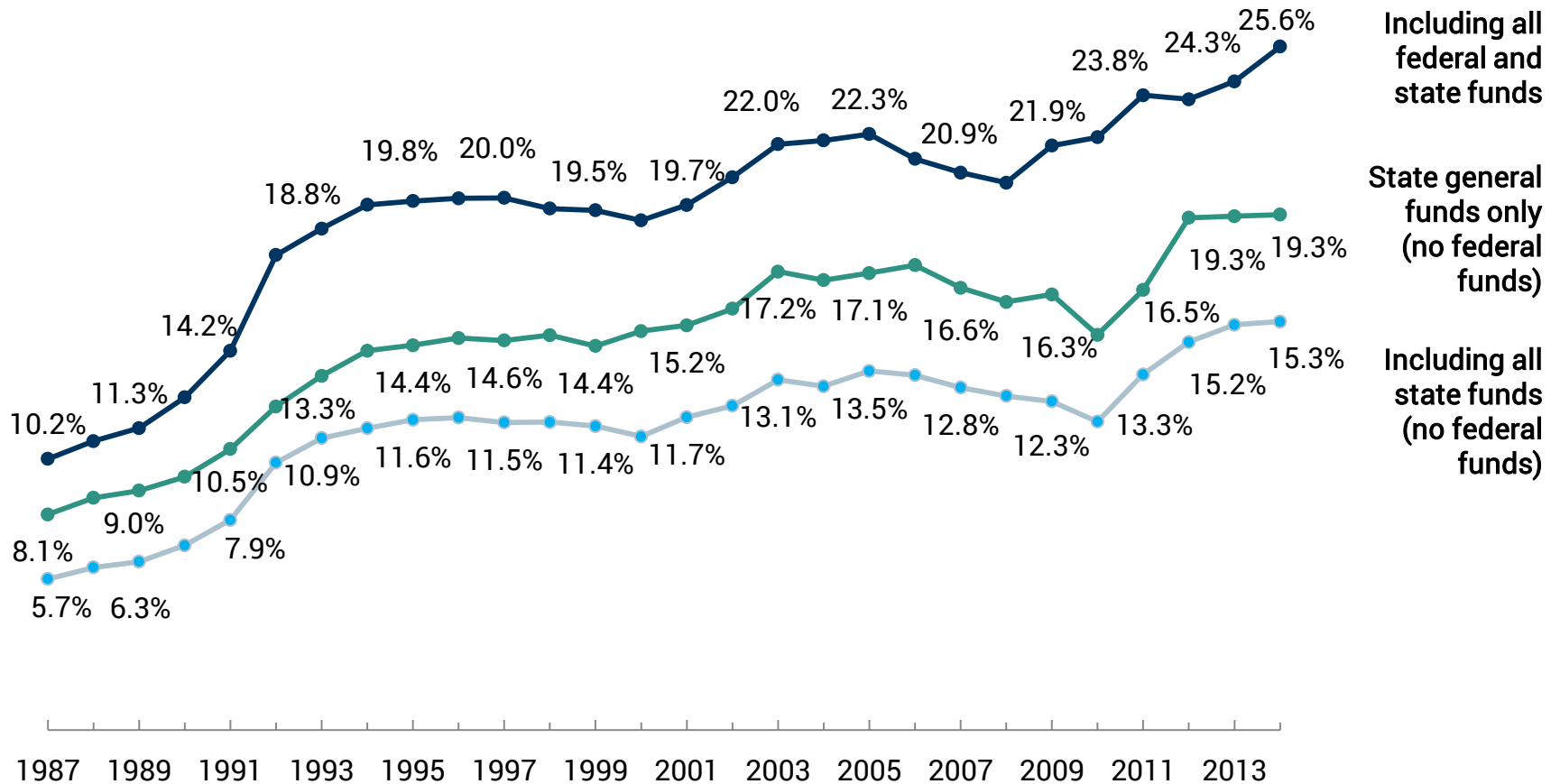
Sources: CMS Office of the Actuary, *National health expenditure (NHE) amounts by type of expenditure and source of funds: Calendar years 1960-2024 in projections format.*

Major Components of Total Federal Outlays, FY 1965–2015



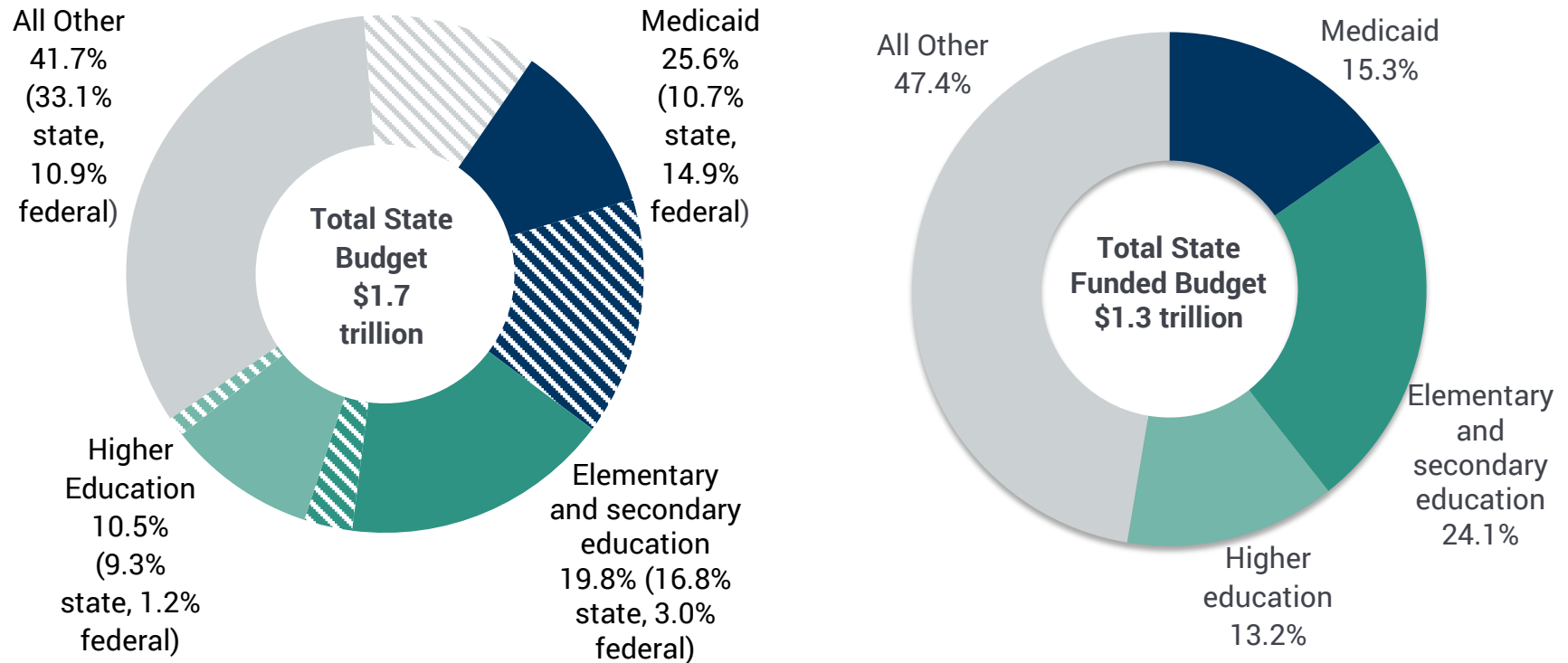
Source: MACPAC, 2016, analysis of *Fiscal year 2017 Historical Tables: Budget of the U.S. Government*, Tables 6.1, 8.5, and 8.7, Washington, DC: Office of Management and Budget.

Medicaid's Share of State Budgets Including and Excluding Federal Funds, SFYs 1987–2014



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.

Distribution of Spending from Total State Budgets Versus State-Funded State Budgets, SFY 2014



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.

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– 2023
Average annual growth in spending per enrollee by coverage type							
Medicaid	9.2%	5.9%	2.8%	-0.3%	1.9%	-2.0%	3.6%
Medicare	7.8%	5.9%	6.6%	16.5%	2.6%	2.4%	3.9%
Private	14.2%	5.3%	8.8%	4.8%	4.4%	3.2%	4–6%*
Average annual growth in medical prices							
CPI-U MC	8.0%	4.4%	4.3%	4.0%	3.4%	2.4%	4.0%

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 2014-2023, which reflect fiscal years. Time periods displayed through 2014 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.

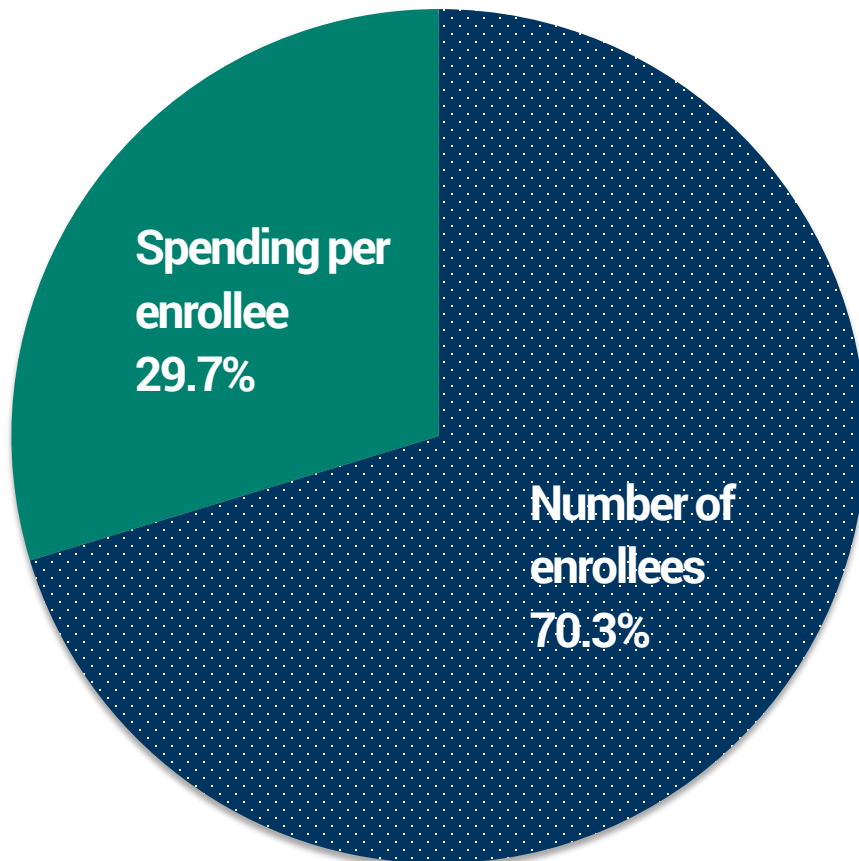
Source: MACPAC analysis of information from Bureau of Labor Statistics, Congressional Budget Office, Centers for Medicare & Medicaid Services, and Medicare Trustees.

Components of Spending Growth

Components of Spending Growth

- Number of enrollees
 - Eligibility expansion
 - Economic downturns
 - Population aging
- Spending per enrollee
 - Enrollment mix
 - Volume and mix of services used
 - Prices paid for items and services

Components of Spending Growth in Real Medicaid Benefit Spending 1975–2010

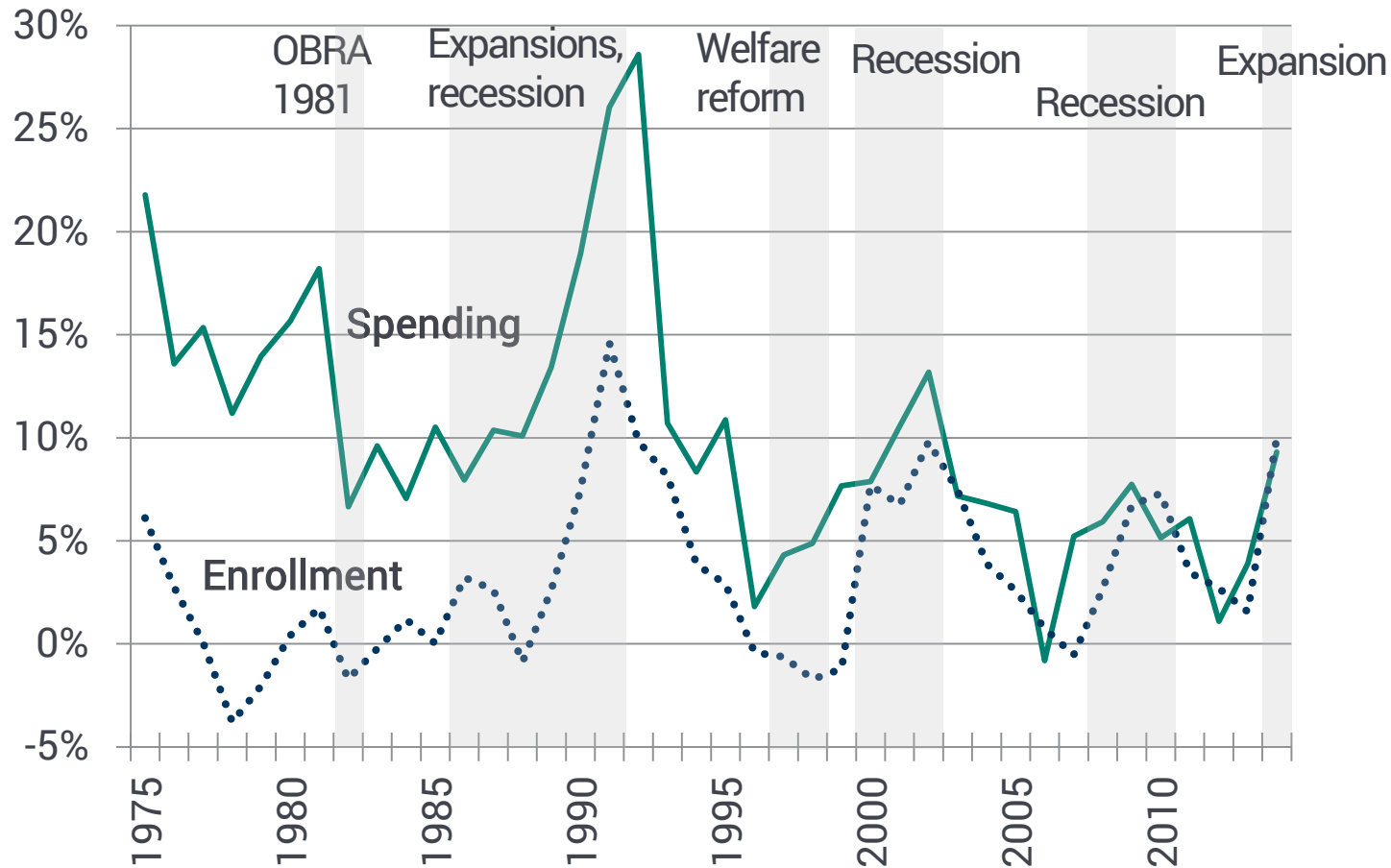


- Majority of historical growth in real (inflation-adjusted) Medicaid spending has been attributable to enrollment

Note: Dollar amounts were adjusted for inflation using the gross domestic product (GDP) price deflator for health care.

Source: MACPAC, 2013, June MACStats Table 2.

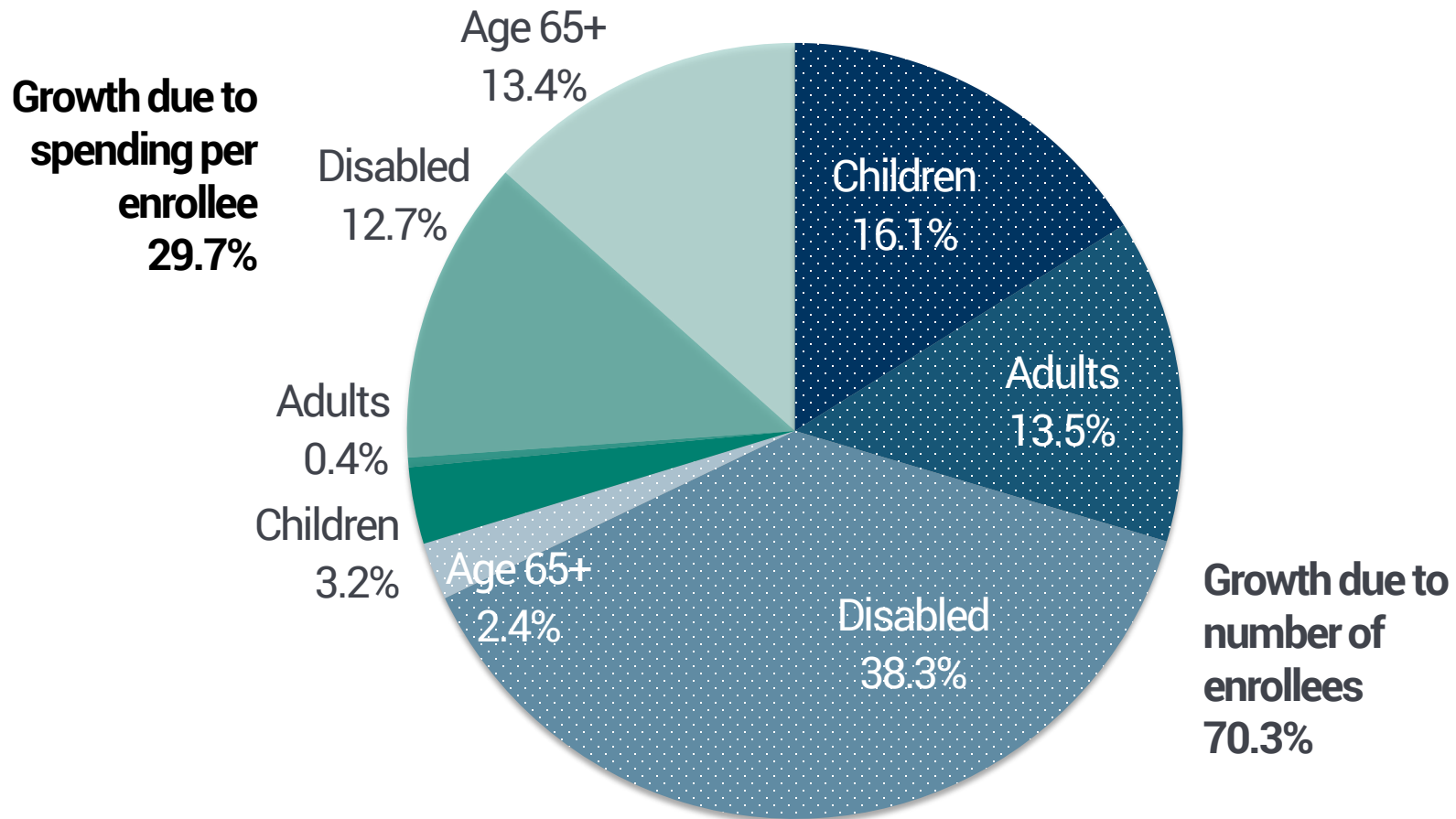
Annual Growth Rates in Medicaid Enrollment and Spending, FY 1975–2014



Note: OBRA is Omnibus Budget Reconciliation Act.

Source: MACPAC, 2015, *MACStats*, Exhibit 10, December 2015. Data compilation provided CMS Office of the Actuary.

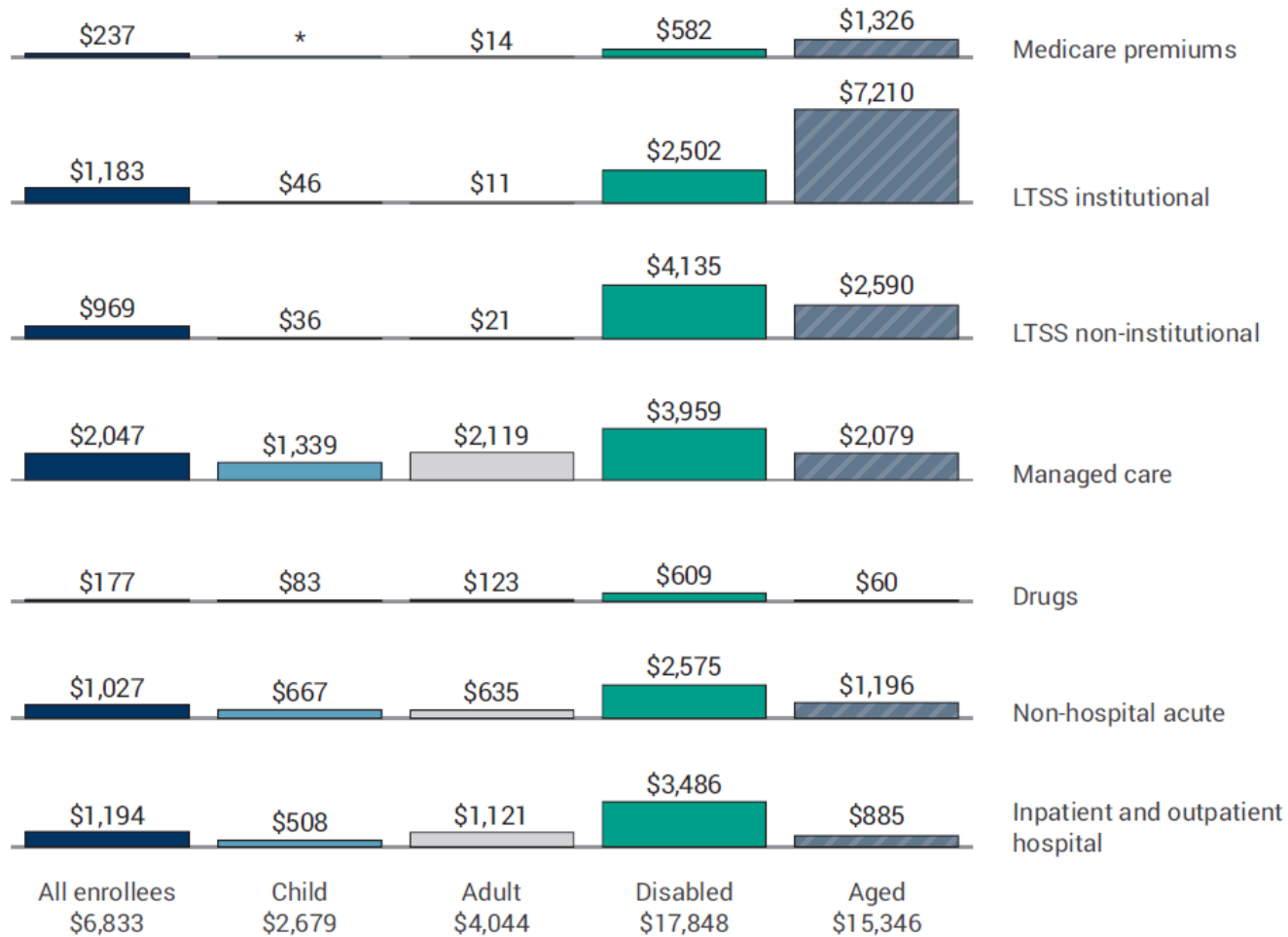
Components of Growth in Real Medicaid Benefit Spending by Eligibility Group, FY 1975–2010



Note: Dollar amounts were adjusted for inflation using the gross domestic product (GDP) price deflator for health care.

Source: MACPAC, 2013, June MACStats Table 2.

Medicaid Benefit Spending Per Full-Year Equivalent Enrollee by Eligibility Group and Service Category, FY 2012



* Values less than \$1 are not shown.

Source: MACPAC, 2015, *MACStats*, Exhibit 19, December 2015.
March 31, 2016

Prices

- States have flexibility to set provider payment rates
- May not track with underlying growth in health care prices
- May be influenced by mechanisms for financing the state share

Spending in 2014 and Beyond

Spending Growth in 2014 and Beyond

- Medicaid spending increased 8 percent from FY 2013 (\$460 billion) to FY 2014 (\$498 billion)
 - Federal spending increased 13 percent
 - State spending increased 1 percent
- Largely driven by the eligibility expansion, but primary care payment bump and high-cost drugs also contribute to spending growth
- Spending growth rates projected for 2015 and beyond are lower, reflecting moderation of expansion effects, expiration of primary care payment bump, and an increase in drug rebates

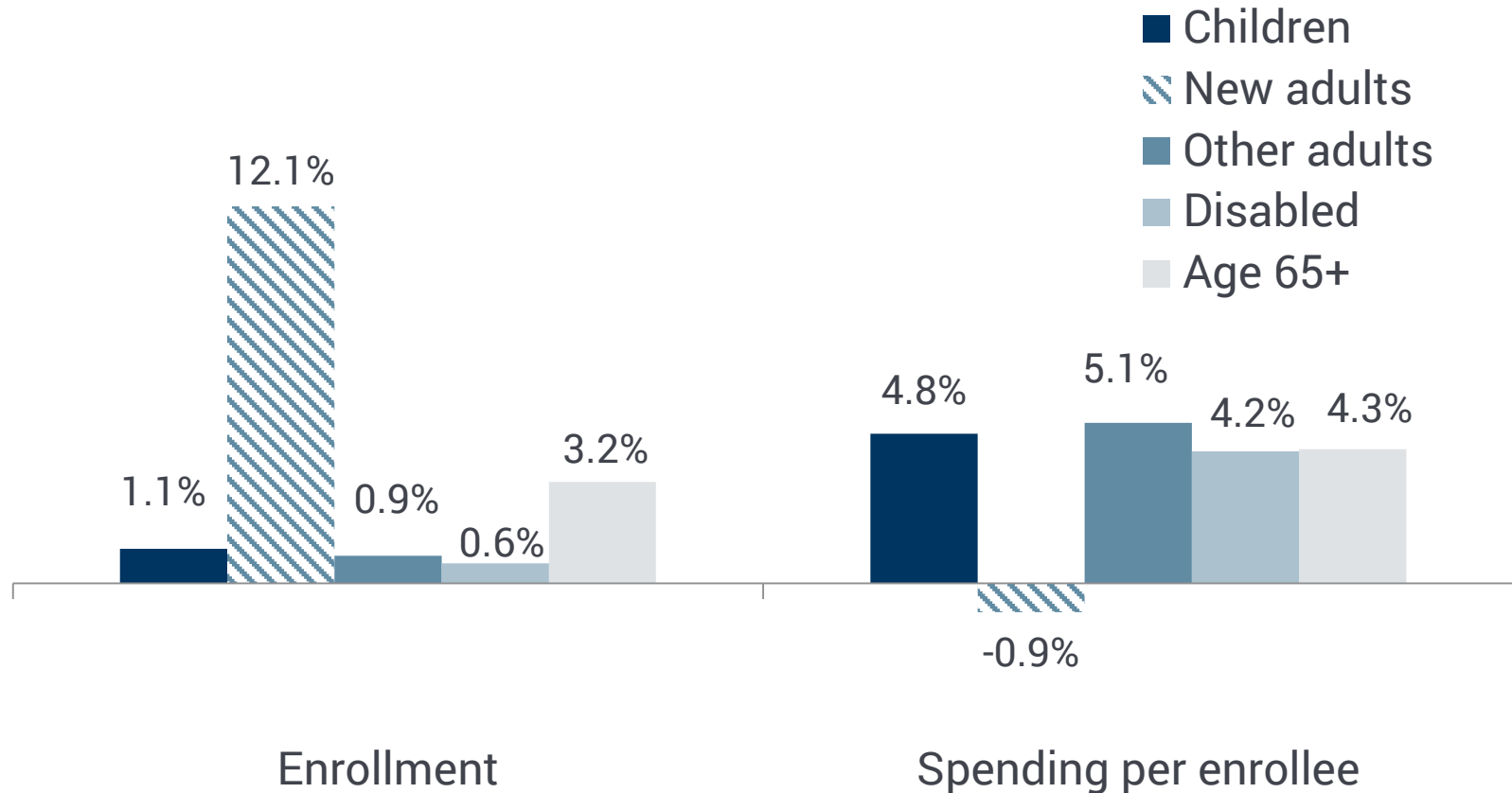
Distribution and Annual Growth of Medicaid Benefit Spending by Type of Service

Type of service	Share of benefit spending, 2013*	Average annual growth, 2006–2013	2013–2014	Projected Growth	
				2015	2016
Hospital	40%	5%	8%	9%	6%
Other health, residential, & personal care	20%	6%	3%	4%	5%
Physician & clinical	12%	7%	23%	6%	0%
Nursing & retirement facilities	11%	2%	3%	3%	4%
Home health	7%	8%	4%	7%	6%
Prescription drugs	5%	2%	24%	13%	3%
Dental	2%	9%	14%	13%	6%
Other professional	1%	7%	17%	15%	6%
Durable medical equipment	1%	6%	12%	9%	7%

* Components may not sum to 100% due to rounding.

Source: MACPAC analysis of Centers for Medicare and Medicaid Services, National health expenditures by type of service and source of funds: Calendar years 1960 to 2014 and National health expenditure amounts by type of expenditure and source of funds: Calendar years 1960-2024 in PROJECTIONS format.

Average annual growth in projected enrollment and spending per enrollee, FY 2014–2023



Source: MACPAC analysis of Centers for Medicare and Medicaid Services, *2014 Actuarial report on the financial outlook for Medicaid*, Tables 13, 15, and 16.



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