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MACPAC June 2016 Report to Congress Examines Medicaid Spending and Financing

Medicaid accounts for smaller share of national health spending and lower per-beneficiary spending growth than Medicare or private insurance, Congressional advisory body says

Washington, DC—The Medicaid and CHIP Payment and Access Commission (MACPAC) today released its June 2016 *Report to Congress on Medicaid and CHIP*, showing that growth in Medicaid spending per beneficiary has been less than that of Medicare or private insurance over the past 15 years, and that this trend is expected to continue in the future.

Although Medicaid spending, like other health care spending, is growing faster than the rest of the economy and accounted for about 16 percent of U.S. health care spending in calendar year 2014, it accounted for a smaller share of national health expenditures than Medicare (20 percent) and private insurance (33 percent). At the same time, Medicaid accounted for the largest portion of total U.S. spending for high-cost services such as long-term services and supports (LTSS), financing one-third of nursing facility services and over half of the category of other health, residential, and personal care services that include a variety of home and community-based LTSS.

The first three chapters of the June report discuss spending and financing issues in the context of Medicaid's multiple roles—providing access to medical care and LTSS for low-income Americans, wrapping around other sources of coverage, and as a critical source of revenue for safety-net providers delivering care to both Medicaid beneficiaries and the uninsured.

The Commission finds that, nationwide, more than two-thirds of expenditure growth since the mid-1970s has been due to increases in enrollment, and less than one-third due to increases in spending per beneficiary. An increase in enrollment of newly eligible adults in states that expanded Medicaid accounted for much of the growth in Medicaid spending in fiscal year 2014, but prescription drug spending also increased due to the introduction of new high-cost drugs. These trends are expected to moderate over the next several years. Although Medicaid is one of the largest budget items for states, it accounted for only about 15 percent of the state-funded portion of state budgets in 2014.

“States generally have been successful in holding down growth in spending per beneficiary,” said MACPAC chair Sara Rosenbaum, noting that federal spending is largely a function of the choices states make,



including how they use eligibility pathways, design delivery systems, limit provider payment, and manage coverage and utilization. Rosenbaum cautioned that growth in Medicaid spending not only reflects decisions made by federal and state policymakers but also economic and demographic factors beyond the control of government officials.

The June report also considers the implications of different approaches to Medicaid financing, a topic that congressional leaders have signaled will be high on the agenda in the next Congress. The report outlines several major approaches to financing reforms—block grants, capped allotments, per capita caps, and shared savings—and discusses how different approaches to the design of these policies might result in federal savings and affect state decision making, as well as how such constraints might affect beneficiaries, providers, and others.

In addition to its spending and financing analyses, the report discusses functional assessment tools that Medicaid programs use to determine eligibility and create specific care plans, including MACPAC analysis finding that at least 124 different tools are in use across the 50 states and the District of Columbia. The federal government does not require states to use a particular functional assessment tool. Although replacing the state-specific tools with one national tool would make LTSS use easier to evaluate, the Commission concludes that moving to a single national tool now would be premature given rapid changes in the delivery of LTSS and federal efforts to develop more standardized measures for assessing functional status.

The [June 2016 Report to Congress on Medicaid and CHIP](#), and each of its chapters—[Trends in Medicaid Spending](#), [Addressing Growth in Medicaid Spending: State Options](#), [Alternative Approaches to Federal Medicaid Financing](#), and [Functional Assessments for Long-Term Services and Supports](#)—are available at macpac.gov.

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ABOUT MACPAC

The Medicaid and CHIP Payment and Access Commission is a non-partisan legislative-branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children's Health Insurance Program (CHIP). For more information, please visit: www.macpac.gov.

