Center *for* Public Policy Priorities

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Medicaid and Health Care Costs: Recent Trends

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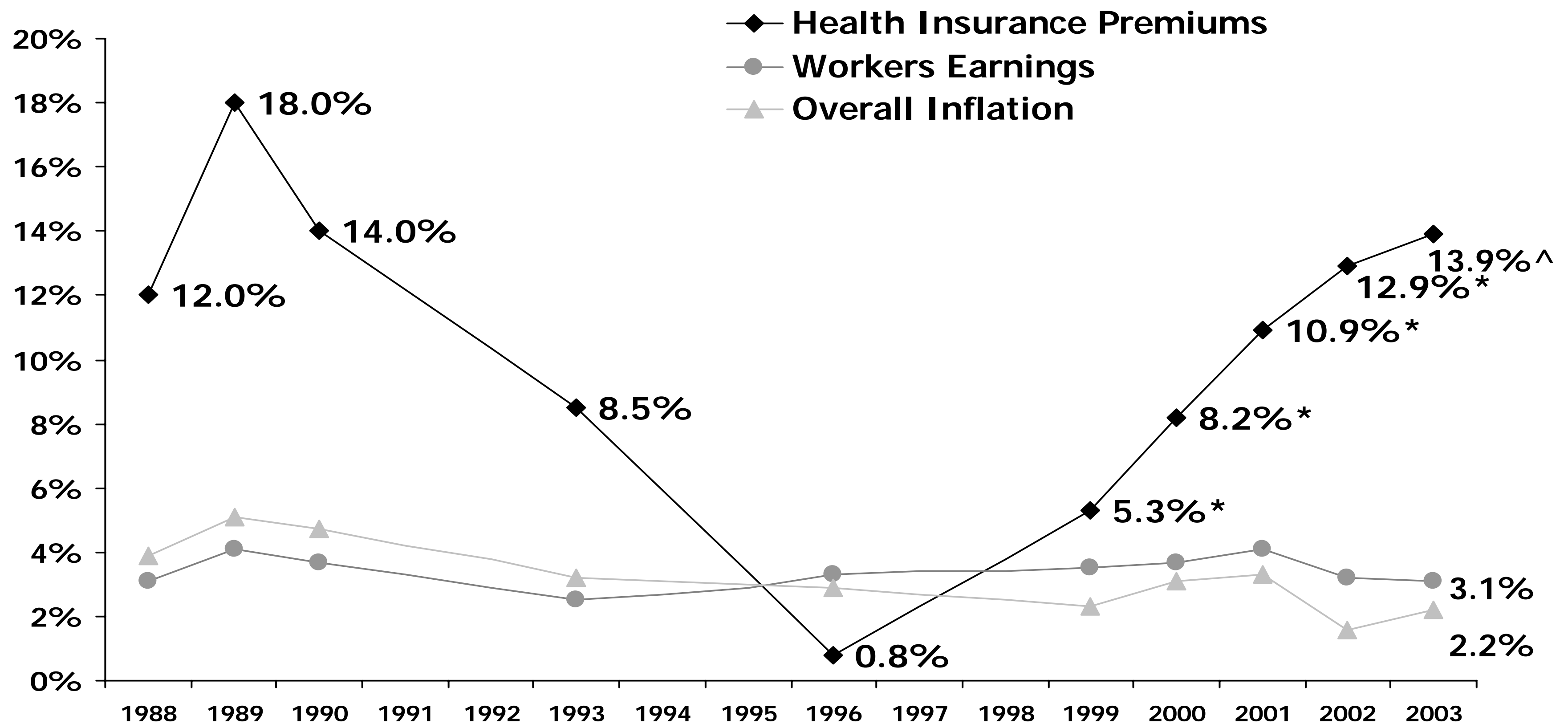
Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2003



Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003; KPMG Survey of Employer-Sponsored Health Benefits:1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2003; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2003.

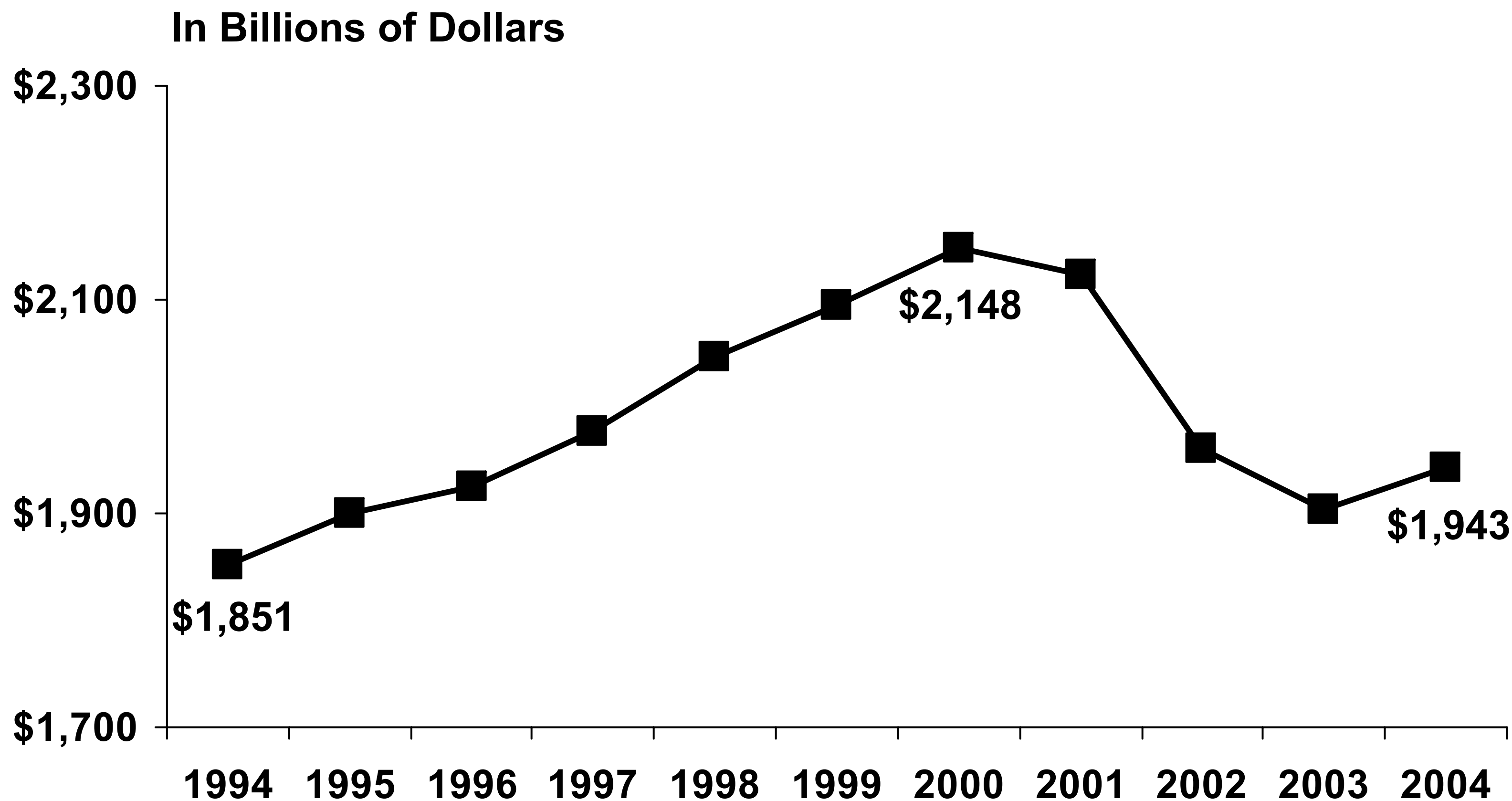
*Estimate is statistically different from the previous year shown at p<0.05: 1996-1999, 1999-2000, 2000-2001, 2001-2002.

^ Estimate is statistically different from the previous year shown at p<0.1: 2002-2003.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

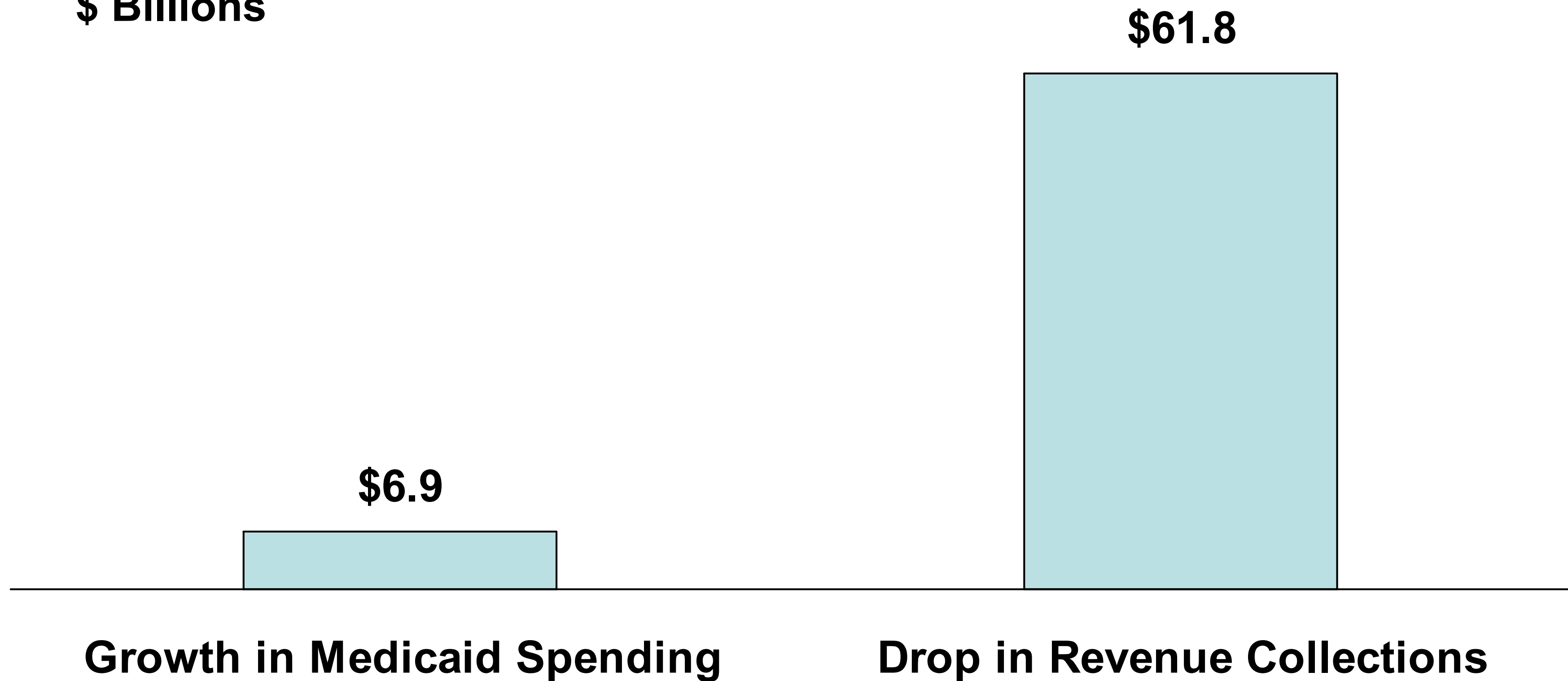
Real State Collections Per Capita

by Fiscal Year, 1994-2004



SOURCE: Analysis by the Rockefeller Institute of Government of data from Advisory Commission on Intergovernmental Relations, the Tax Foundation, NCSL, and NASBO

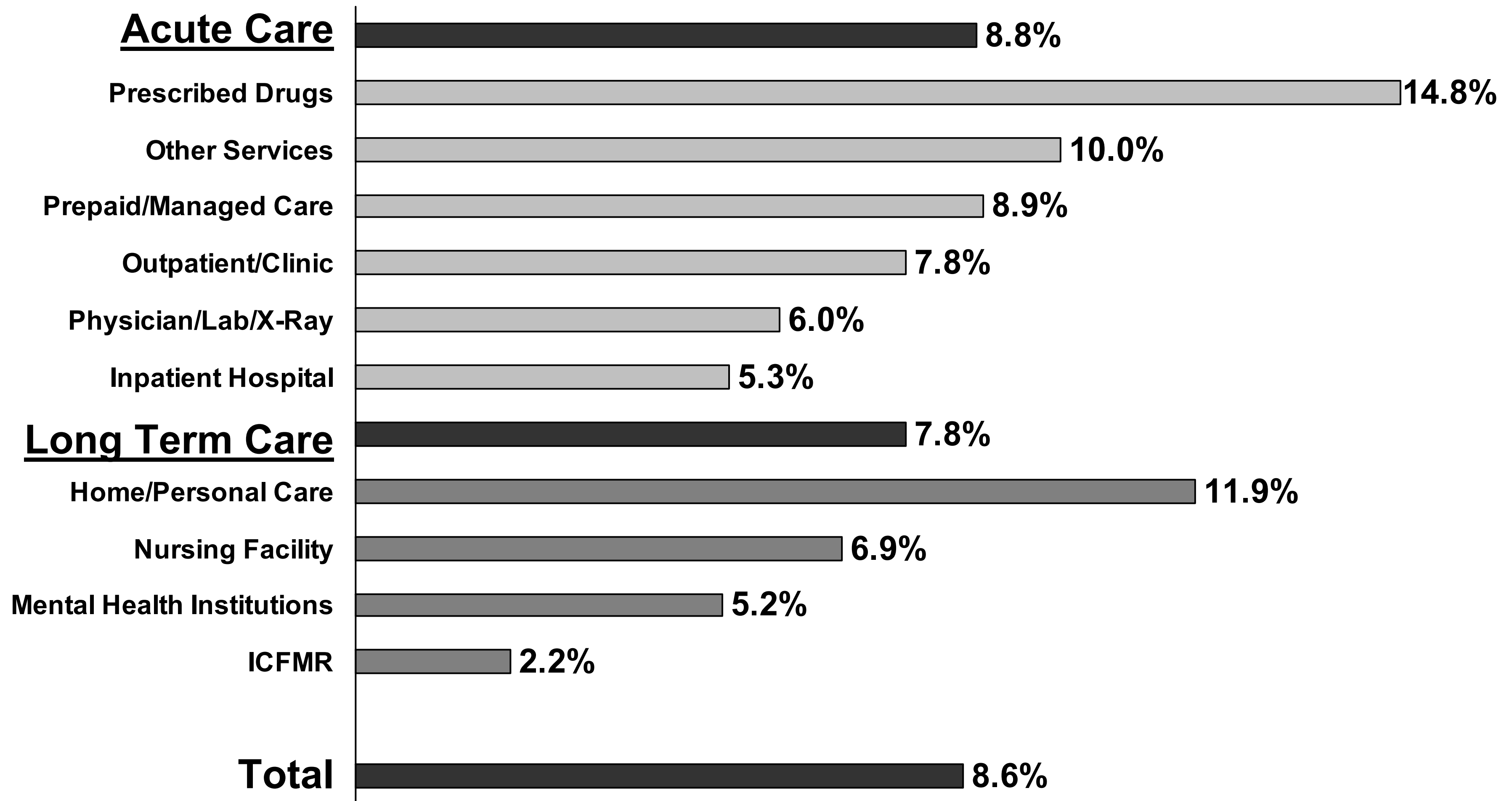
Contributing Factors to State Budget Shortfalls in FY 2002



NOTE: Growth in Medicaid spending and drop in revenue collections calculated compared to average growth rates for FY1994-FY2000.
SOURCE: Rockefeller Institute of Government for the Kaiser Commission on Medicaid and the Uninsured.

Figure 5

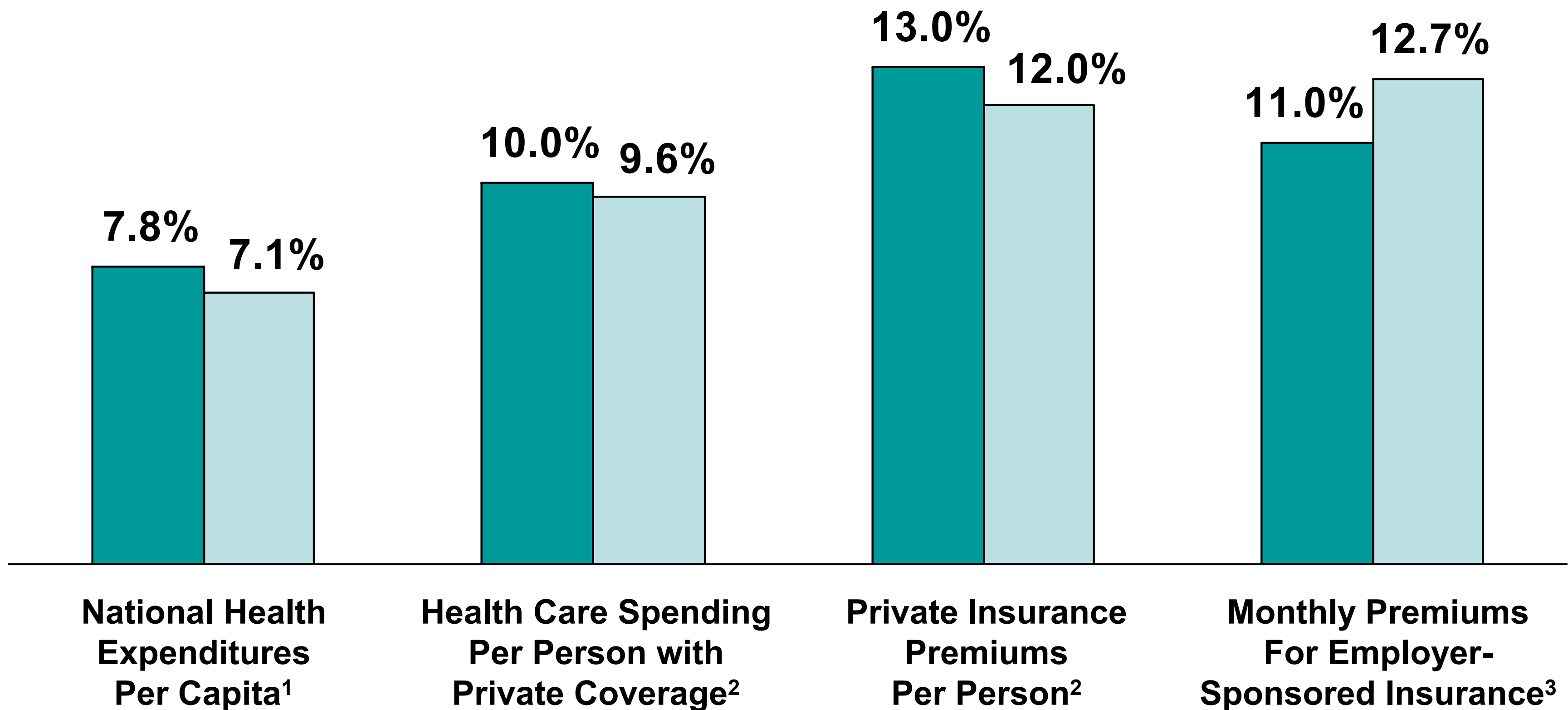
Average Annual Percentage Change in Spending Per Enrollee by Service, 2000-2002



SOURCE: Urban Institute estimates based on data from HCFA Financial Management Reports (HCFA-64/CMS-64).

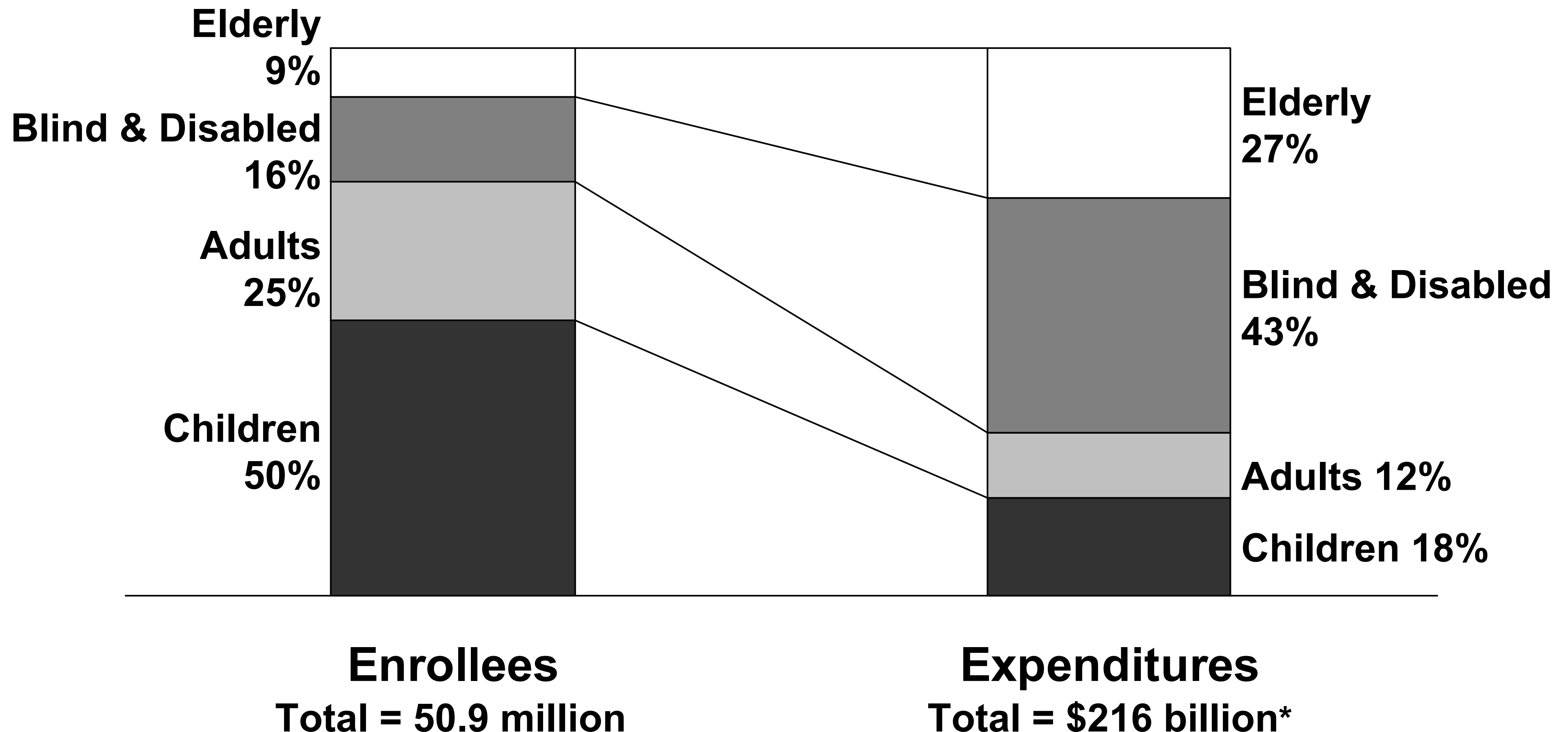
Figure 6

Annual Change in Measures of Private Health Spending



[1] CMS Office of the Actuary, 2003.
[2] Strunk and Ginsburg, 2003.
[3] Kaiser/HRET Survey, 2002.

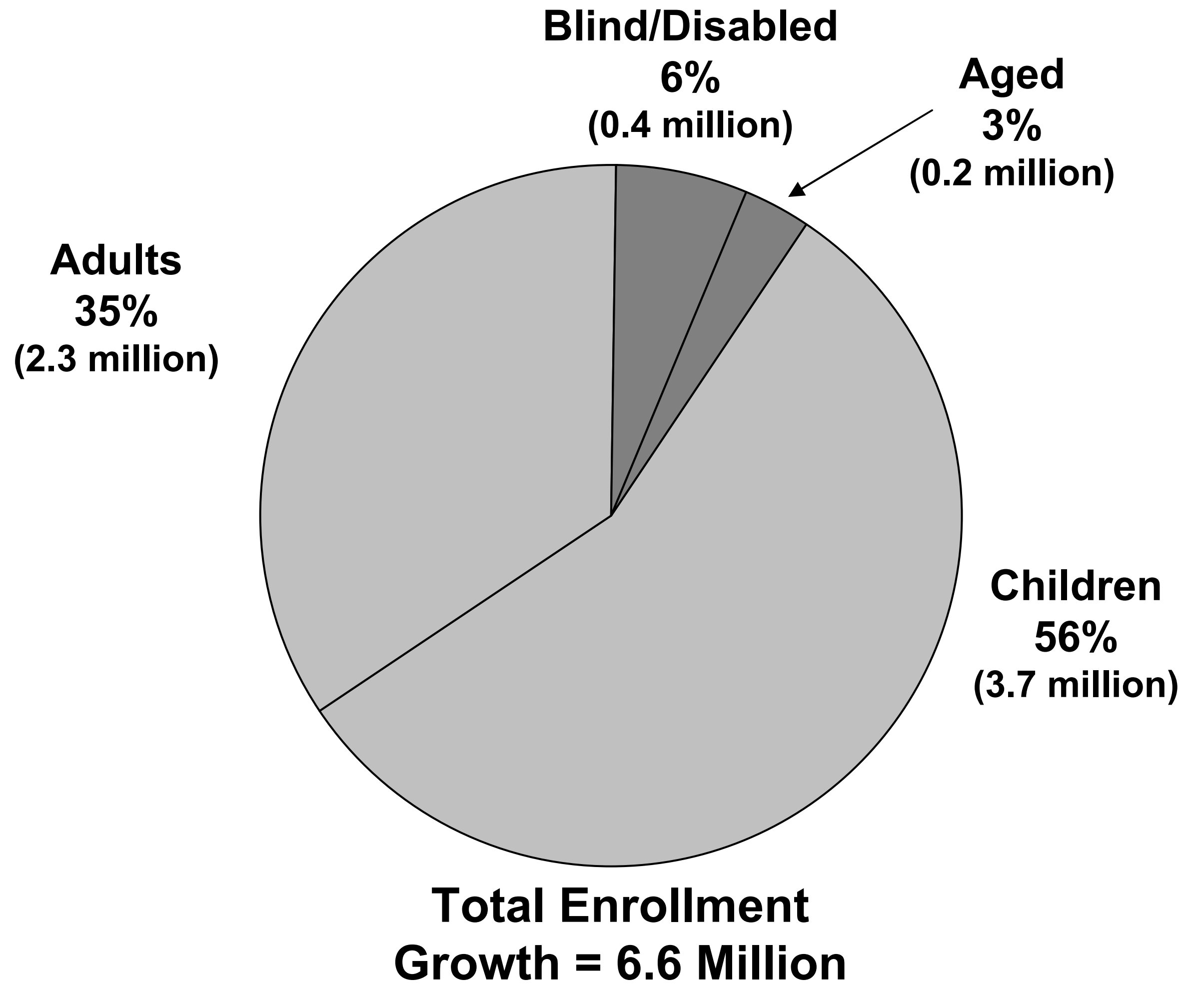
Medicaid Enrollees and Expenditures by Enrollment Group, 2002



Expenditure distribution based on CBO data that includes only spending on services and excludes DSH, supplemental provider payments, vaccines for children, and administration.
SOURCE: Kaiser Commission estimates based on CBO and OMB data, 2003.

Figure 8

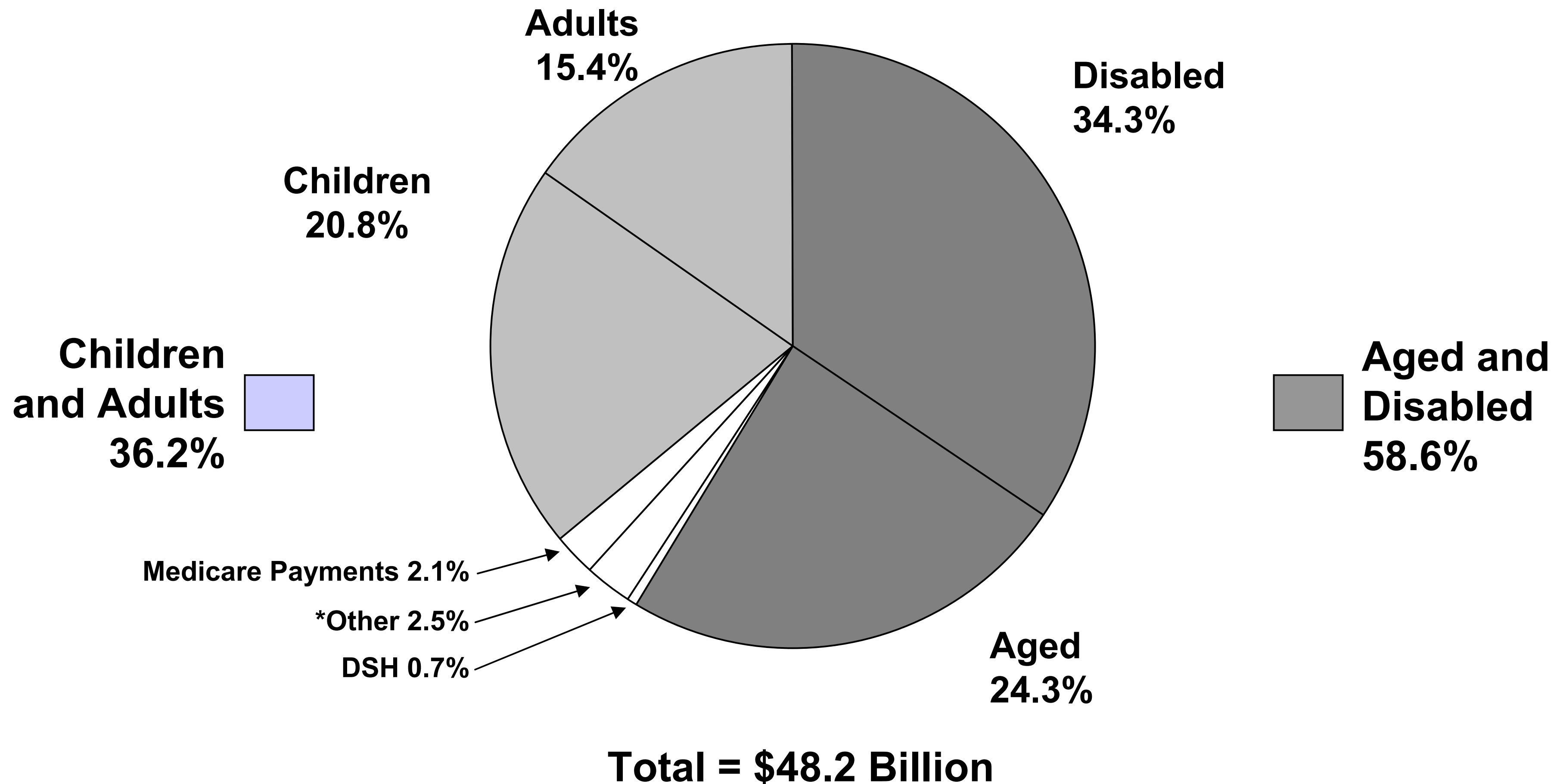
Contributors to Change in Medicaid Enrollment*, 2000-2002



* Ever Enrolled
SOURCE: Urban Institute, 2003; estimates of the 2000 MSIS Annual Person Level Summary Files; 2002 data from the CBO March 2003 baseline.

Figure 9

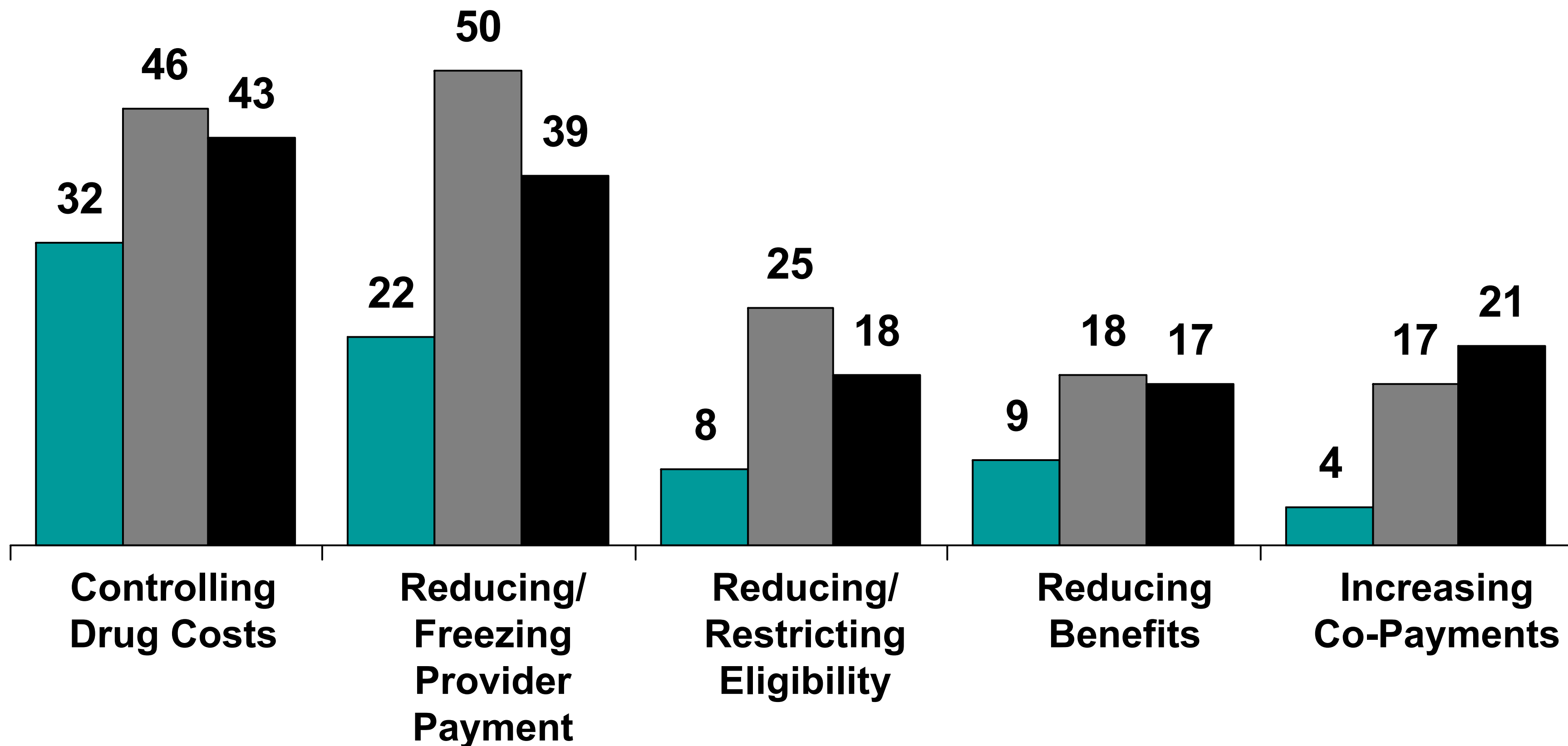
Contributors to Medicaid Expenditure Growth by Enrollment Group, 2000-2002



Total = $48.2 Billion

* Other = Administrative costs and adjustments.
SOURCE: Urban Institute, 2003; estimates based on data from CMS, CMSO, Medicaid Statistical Information System (MSIS) and HCFA/CMS-64 Reports.

States Undertaking Medicaid Cost Containment Strategies, FY 2002 - FY 2004



SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, June and December 2002 and September and December 2003.

Health Affairs, “Health Spending Rebound Continues In 2002” Katharine Levit, *et. al.,* January 2004.

EXHIBIT 6

Providers' Shares Of Health Spending And Of The Increase In Health Spending, 2002

	Share of spending	Share of spending increase
Hospital	31%	32%
Physician	22%	18%
Prescription drugs	11%	16%
All other [a]	36%	34%

SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

[a] Includes spending for dental, other professional, and other personal health care services; home health and nursing home care; durable and other nondurable medical products; administration and insurance net cost; government public health; medical research; and medical construction.

Why Medicaid Costs ≠ Health Insurance Costs

- Medicaid covers huge numbers of medically uninsurable Americans (increases costs)
  - Most Americans with Mental Retardation
  - Most Americans with Serious mental illness that began before or in early adulthood
  - Most Americans in Nursing Homes (~ 70% in Texas)
  - Many Americans with Disabilities acquired before adulthood
- Medicaid can/does pay some providers well below private market rates (lowers cost)

The Bigger Picture

- **Congress' message to the states in Medicare Rx Bill: Expect little or No fiscal relief for Medicaid costs of about 363,000 aged or disabled "dual eligibles" (who are on both Medicare and Medicaid). May even cost Texas MORE.**

- **The "low-hanging fruit" of Medicaid cost containment are gone. Many promising strategies improving medical care coordination (e.g., ways to maximize information technology to improve outcomes and reduce costs) to reap eventual savings may require <u>up-front</u> investment.**

- **OECD data show that the United States spends more on health care than any other country. However, on most measures of health services use, the United States is below the OECD median. These facts suggest that the difference in spending is caused mostly by higher prices for health care goods and services in the United States.**

- **Reducing Costs often means reducing profits and jobs.**