

Is Medicaid Retrenching?

*Evidence from New
York and The Nation*

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Medicaid in the News

“You will see huge cuts in Medicaid” next year, beyond the cutbacks already enacted

--- Ray Scheppach in the New York Times 11/26/02

“Utah Medical Coverage Plan Draws Fire for Cutting Services”

— Wall Street Journal 10/23/02

“States Budget Woes Fuel Medicaid Cuts”

— Washington Post 10/11/02

“Medicaid to Stress State Budgets”

--- NASBO 3/15/02

Medicaid's Growth Rate

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- 1995-97 – 3.2% (lowest ever)
 - 1997-99 - 5.4%
 - 1999-01 - 9.0%
 - 2002 – 13.2%

Source: "Medicaid Spending Growth, Results from a 2002 Survey," written by Vernon Smith, Eileen Ellis, Kathy Gifford for the Kaiser Family Foundation, 9/02.

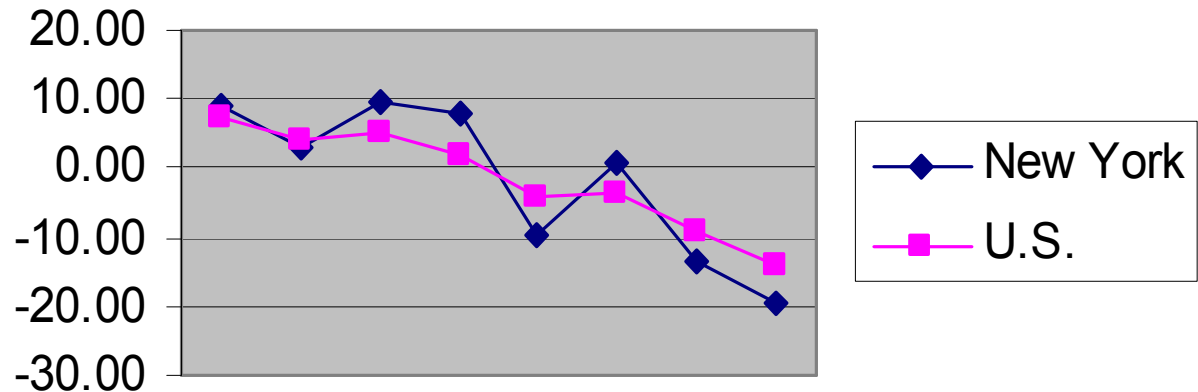
What is Driving Medicaid Costs?



- Private market inflation (12.7%)
- Enrollment growth (47 million)
- Increased costs in certain areas (Rx - 19.7%)

State Revenue Collection

Year over Year Percent Change in Tax Revenue: US and New York



Sept 2000-June 2002

*Source: Rockefeller Institute of Government,
Fiscal Studies Program*

New York's Medicaid Program

One-third (31.5%) of all health care spending in the state is Medicaid

**Highest per capita cost in the nation
Estimated at \$9,474 in 1998**

Approximately one-eighth of all Medicaid \$ is spent in New York

Approximately \$1.575 billion in additional federal revenue generated via DSH/UPL in 2000

- *Sources: "Healthcare Spending During 1991-1998: A 50 State Review" Martin, Anne, et al, Health Affairs, July/August 2002 and "States' Use of Medicaid Maximization Strategies to Tap Federal Revenues," Teresa Coughlin, Stephen Zuckerman, Urban Institute, June 1, 2002*

Rockefeller Institute's Study on Sustainability

- Budget trends
- Medicaid expenditure growth
- Budget balancing for FY 02, 03
- Budget actions affecting MA/CHIP
- Administrative actions
- 17 States examined

States in Study

- Arizona
- Colorado
- Georgia
- Florida
- Kansas
- Mississippi
- Michigan
- New Jersey
- New York
- Ohio
- Oregon
- Tennessee
- Texas
- Utah
- West Virginia
- Washington
- Wisconsin

Overall Findings

- Many states use one-time measures
- Hiring freeze, administrative cuts early retirement common
- States use revenue sources and spending cuts fairly equally

Budget Balancing Methods

State	% Revenue	%Spend	MA as %of cut
UT	58%	42%	*app. <1%
OH	33%	66%	
WI	91%	9%	app. 1%
NJ	40%	60%	app 1%
AR	20%	80%	*increase
TN	75%	25%	100%
MI	80%	20%	25% increase
CO	18%	82%	app. 4%
KS	50%	50%	<1%
NY	67%	33%	increase

- West Virginia, Georgia, Florida, Texas did no unusual gap filling in FY '03 budget as enacted – mid year corrections are either enacted or likely in most of these states.
 - Mississippi's budget is not yet final
 - *Arizona & Utah made across the board agency cuts but Medicaid spending was not significantly impacted.
- Oregon had five special sessions to deal with shortfalls and is planning on increasing revenue through a “yet-to-be-passed” tax increase

Findings on Medicaid

- Cuts to Medicaid in the 1-4% range
- Cuts in optional services, provider rates, outreach, administrative cuts impact some local areas
- Eligibility largely untouched and some states expand eligibility
- Other services receive bigger hits such as education, public safety

Cost Saving Actions for Medicaid/CHIP

- Caps on prescriptions, generics
- Elimination of optional benefits such as adult dental care
- Cuts to provider rates
- Co-payments
- Enrollment caps
- Less outreach

Findings on New York

- **Budget Trends – tax cuts largely offset by revenue growth, until recently**
- **Expenditure Growth – 1997-2001 -27% growth overall 13.5% at local level**
- **Budget Balancing Methods – \$5.7 billion gap - 33% spending, 67% revenue to close gap**
- **Budget Actions Affecting Medicaid/CHIP –expanded eligibility, simplified access**

Source: "New York State: Medicaid Update," prepared by Sarah Liebschutz, Distinguished Service Professor Emeritus for the Rockefeller Institute, 9/02. NYS Comptroller's 2001 Report on the Financial Condition of NYS, p. 6. HCRA 2002, NYSAC, 1/01

Conclusions

- 2003 not much retrenchment , 2004 more retrenchment possible
- Why Target Medicaid in FY04?:
 1. It's the largest/fastest growing part of many state budgets
 2. Other programs were already cut
- Why Avoid Cutting Medicaid in FY'04?
 1. It is a revenue source
 2. Sizeable, geographically spread constituency impacted

Other Research Questions

- Is there adequate administrative capacity to manage Medicaid at the local level?
- Is there a measurable cumulative effect on local capacity from the gradual retrenchment of social service funding?

