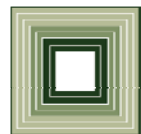


Medicaid Overview

**MELANIE BUSH
FISCAL RESEARCH DIVISION**

March 11, 2009



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Overview

- Brief program overview
- Budget impact
- Economic stimulus
- Cost Containment Options

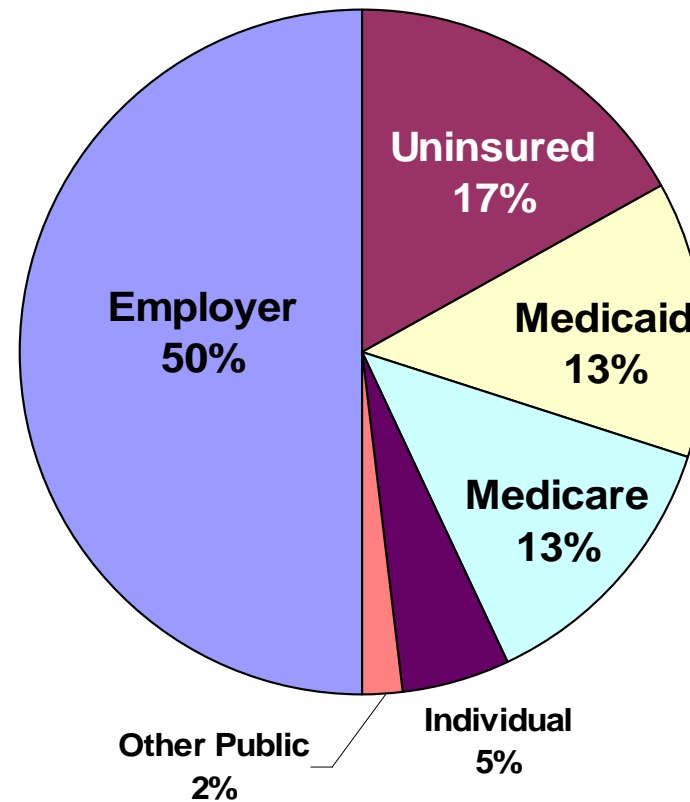


What is Medicaid?

- Health insurance for low-income North Carolinians
- Long-term care for the elderly
- Services for people with disabilities

What is Medicaid?

NC INSURANCE STATUS, 2006-07



Source: Kaiser Family Foundation, statehealthfacts.org

What is Medicaid?

Medicaid

Who:

- Low-income families, children, seniors, and people with disabilities

How:

- Federal, State, and county funds
- Eligibility determined by income, assets, age, and disability

Medicare

Who:

- People over 65 and people with disabilities who receive SSDI

How:

- Financed by employee contributions to SS Trust Fund

What is Medicaid?

- Within broad federal guidelines, each state:
 1. Establishes its own eligibility standards
 2. Determines the covered services
 3. Sets the payment rate for services
 4. Administers its own program

Who Receives Medicaid?

MANDATORY

- Aged, blind, disabled on Supplemental Security Income (SSI)
- Certain Medicare recipients
- Low-income pregnant women and infants \leq 133% poverty
- Low-income children through age 18
- Low-income families with children who meet 1996 income restrictions
- Foster and adoptive children

Who Receives Medicaid?

OPTIONAL

- Aged, blind, disabled not on SSI \leq 100% poverty
- Medically needy
- Pregnant women \leq 185% poverty
- Children 0 - 5 between \leq 200% poverty
- Children ages 19 and 20 \leq 100% poverty
- Certain foster and adoptive children not otherwise eligible
- Women in the NC Breast and Cervical Cancer Control Program
- Family planning for adults up to 185% poverty

Who Receives Medicaid?

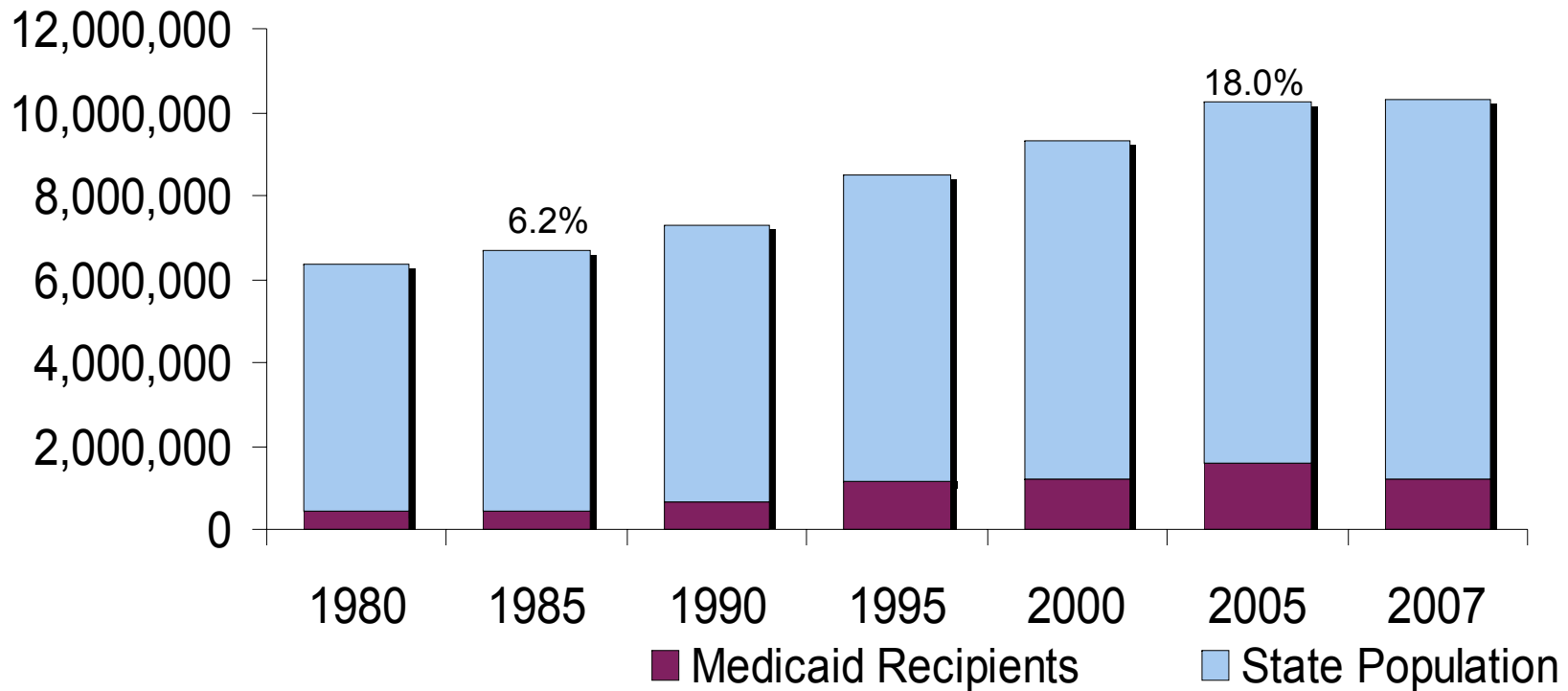
INCOME LIMITS

Seniors, 65+	100% Poverty 1 - \$ 851/month 2 - \$1,141/month	Low-Income Parents	45% of Poverty 2 - \$362/month 4 - \$594/month
Blind/Disabled	100% of Poverty 1 - \$ 851/month 2 - \$1,141/month	Children < 6	200% of Poverty 2 - \$2,334/month 4 - \$3,534/month
Pregnant women	185% of Poverty 1 - \$1,575/month 2 - \$2,111/month	Children 6 – 18	100% of Poverty 2 - \$1,141/month 4 - \$3,184/month

Source: DHHS, DMA Medicaid Annual Report, SFY 2007

Who Receives Medicaid?

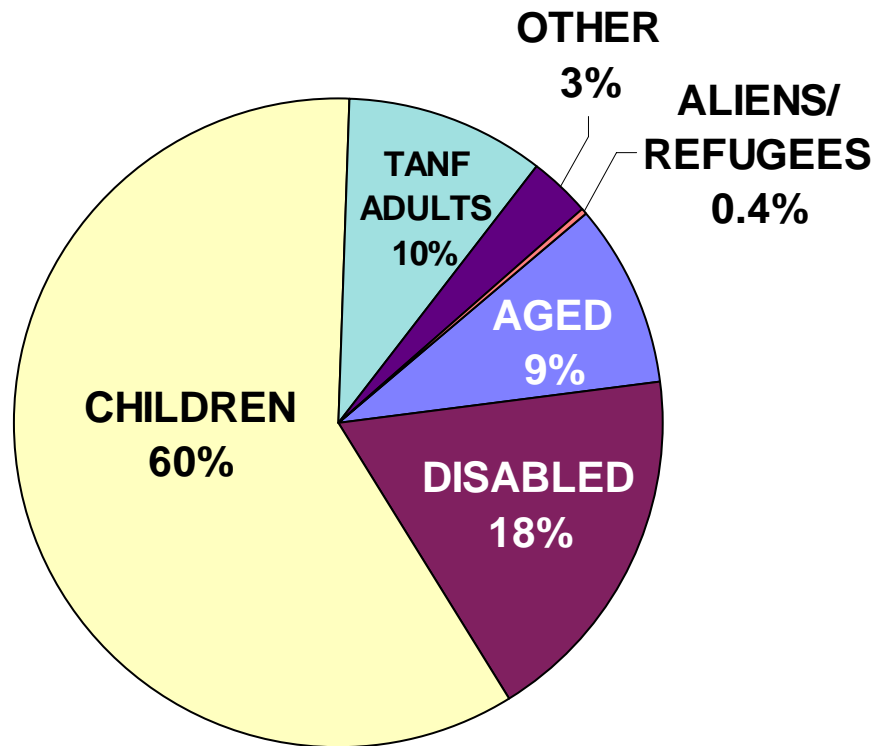
MEDICAID RECIPIENTS AS A PORTION OF STATE POPULATION



Source: NC State Data Center, OSBM; DHHS, DMA

Who Receives Medicaid?

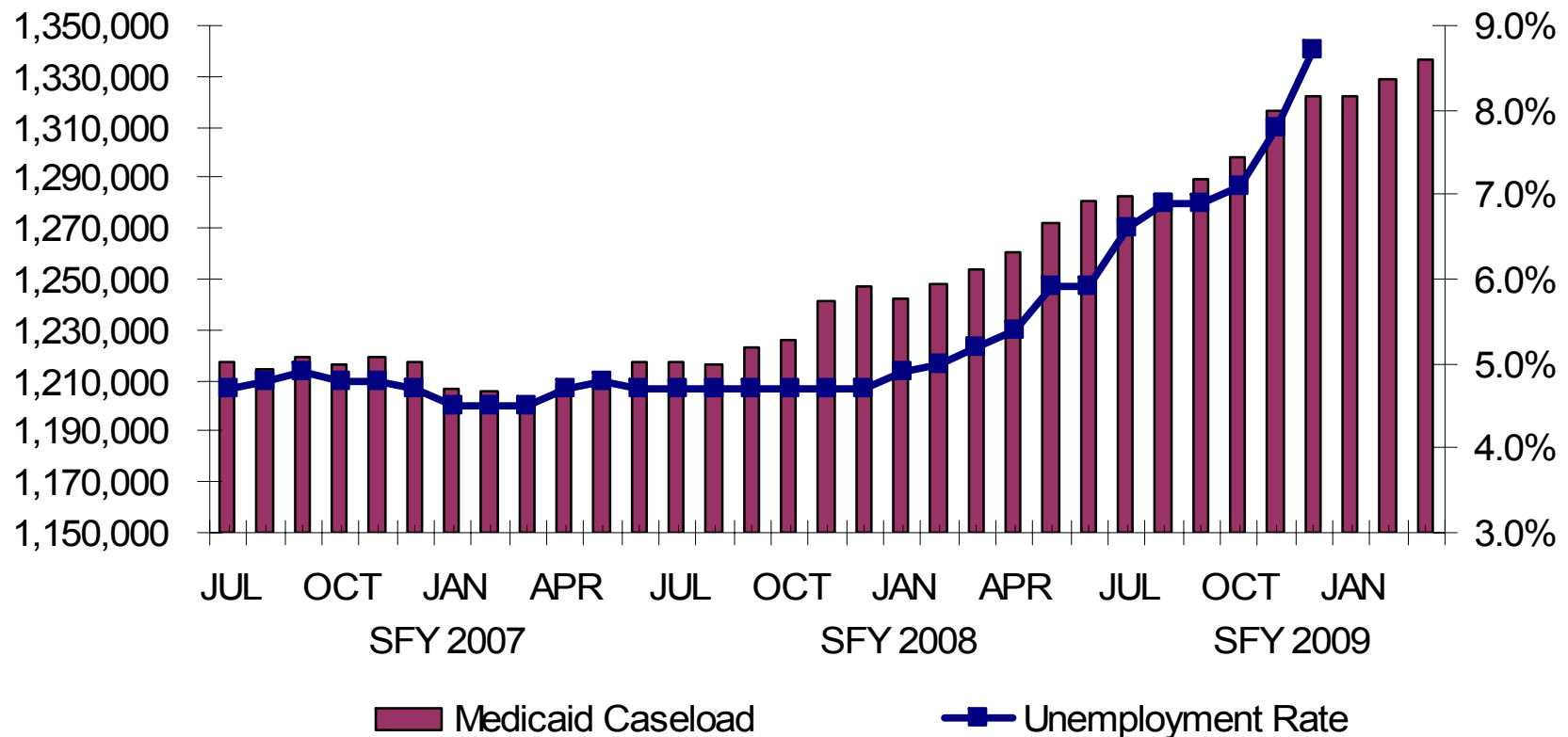
**FY 2008 NC MEDICAID CASELOAD:
1.25 MILLION**



Source: DHHS, DMA Program Expenditure Report, June 2008

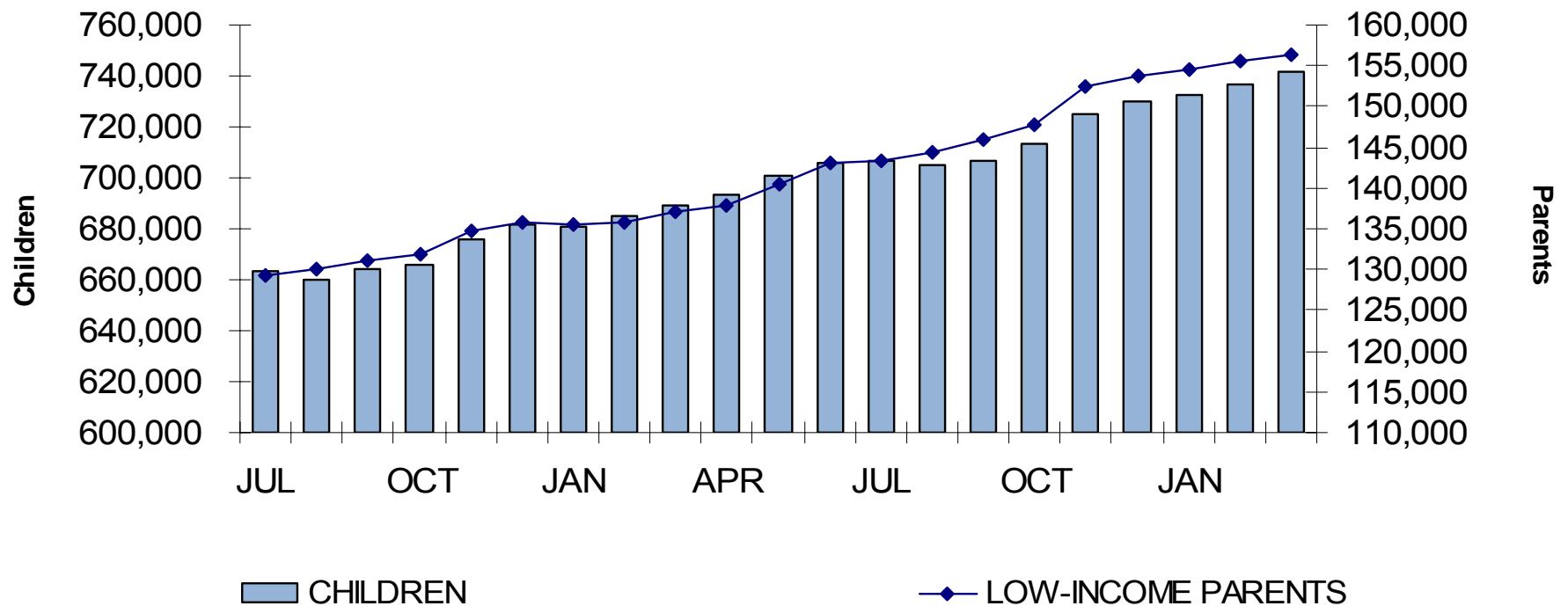
Who Receives Medicaid?

MEDICAID CASELOAD AND UNEMPLOYMENT: FY 2007 - PRESENT



Who Receives Medicaid?

MEDICAID CASELOAD GROWTH: FY 2007 - PRESENT



Source: DHHS, DMA Monthly Eligibles Report

What is Paid by Medicaid?

MANDATORY SERVICES

- Ambulance
- Durable Medical Equipment
- Family Planning
- Federally Qualified Health Centers (FQHCs)
- Health Check (EPSDT)
- Hearing Aids (children)
- Home Health
- Hospital Inpatient/Outpatient
- Nurse Midwife/Nurse Practitioner
- Nursing Facility
- Labs and X-rays
- Physician
- Psychiatric Residential Treatment and Residential Services
- Routine eye exams and visual aids (children)

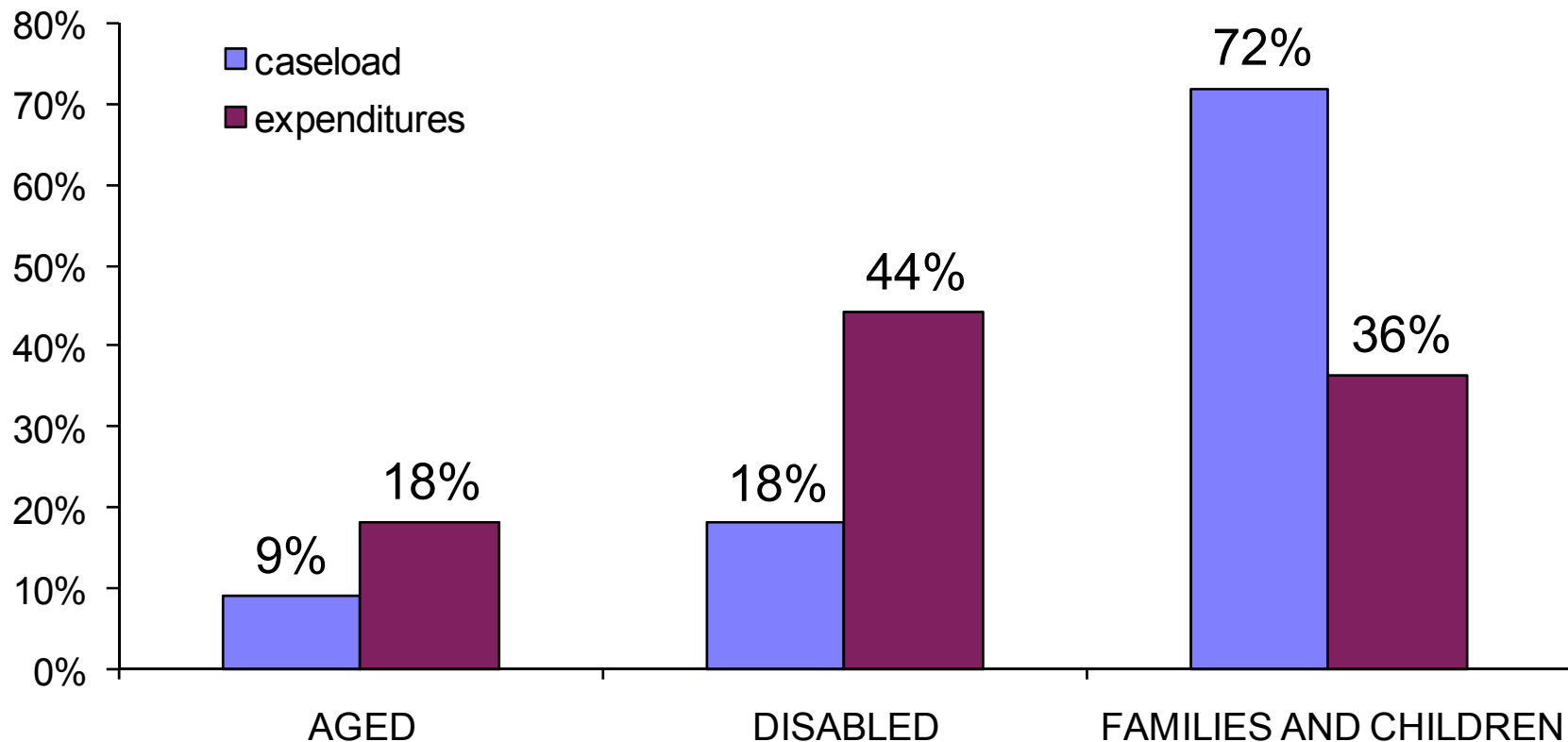
What is Paid by Medicaid?

OPTIONAL SERVICES

- Case management
- Chiropractor
- Community Alternatives Programs (CAP)
- Dental and dentures
- Eye care
- Home infusion therapy
- Hospice
- Intermediate care facilities for the mentally retarded (ICF-MRs)
- Mental health services
- Orthotics and prosthetics
- Personal care services
- Physical, occupational, and speech therapies
- Podiatrist
- Prescription drugs
- Preventive care
- Private duty nursing
- Rehabilitative services
- Transportation

What is Paid by Medicaid?

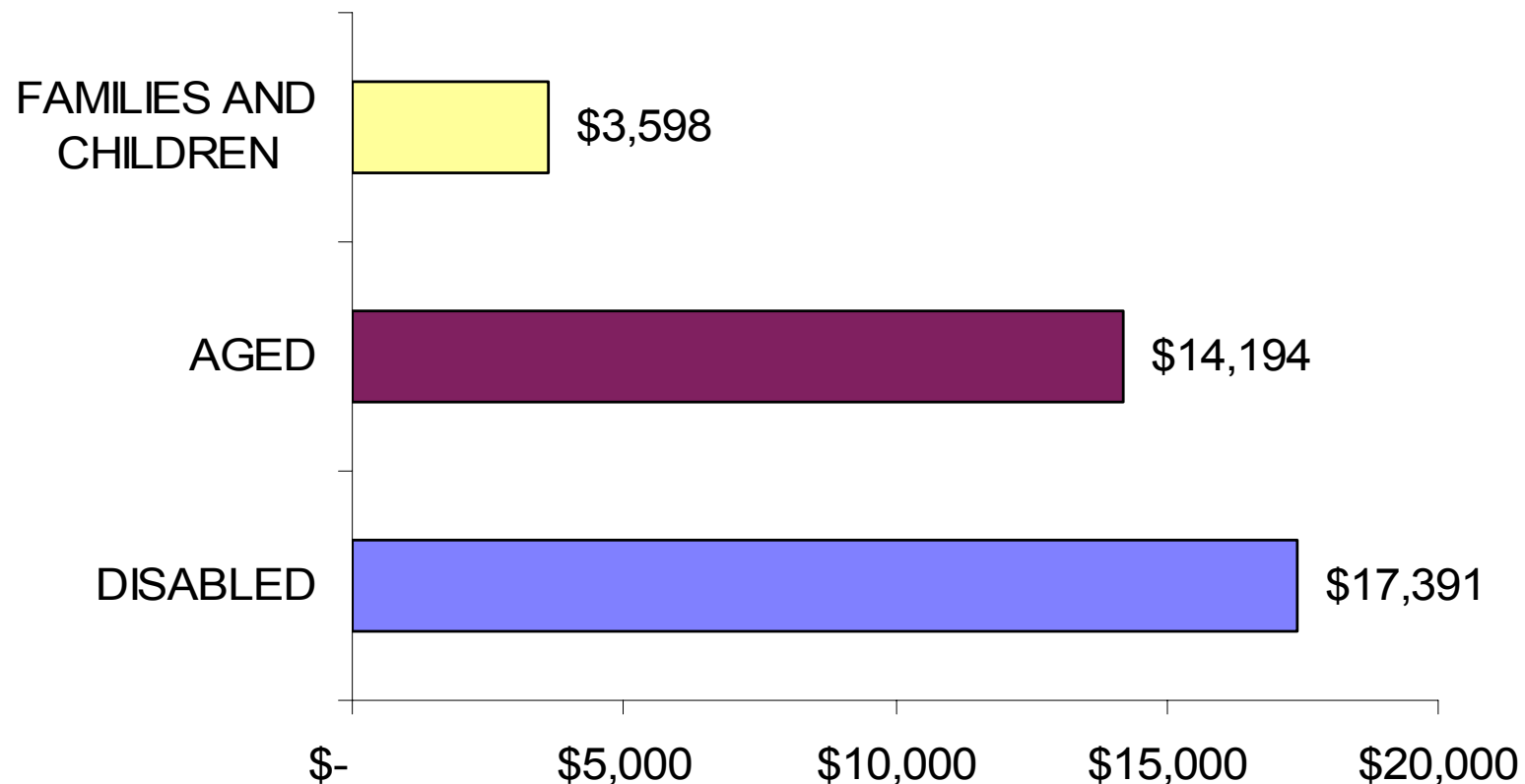
FY 2008 MEDICAID CASELOAD AND EXPENDITURES



Source: DHHS, DMA Program Expenditure Report, June 2008

What is Paid by Medicaid?

FY 2008 AVERAGE PAID PER RECIPIENT



Source: DHHS, DMA Program Expenditure Report, June 2008

What is Paid by Medicaid?

TOP 15 MOST EXPENSIVE SERVICES	FY 2008	% TOTAL EXPENDITURES
1 HOSPITAL INPATIENT	\$ 1,013,427,058	11.3%
2 PRACTITIONER-NON PHYSICIAN	999,990,508	11.1%
3 PRESCRIBED DRUGS	922,219,826	10.2%
4 PHYSICIAN	853,358,974	9.5%
5 NURSING FACILITIES	831,829,853	9.2%
6 HOSPITAL OUTPATIENT	396,011,598	4.4%
7 CAP-MENTALLY RETARDED	376,114,378	4.2%
8 PERSONAL CARE	299,741,176	3.3%
9 CAP-DISABLED	256,895,512	2.9%
10 DENTAL	239,997,938	2.7%
11 ICF-MRC, STATE-OWNED	225,820,988	2.5%
12 PART B BUY-IN MEDICARE DUAL	218,833,357	2.4%
13 ICF-MR, NON STATE-OWNED	216,515,478	2.4%
14 EMERGENCY ROOM	214,508,708	2.4%
15 HIGH RISK INTERVENTION	143,758,944	1.6%
TOTAL	\$ 7,209,024,296	80.1%

Source: DHHS, DMA Top 15 Categories of Service: BD 701

Budget Impact

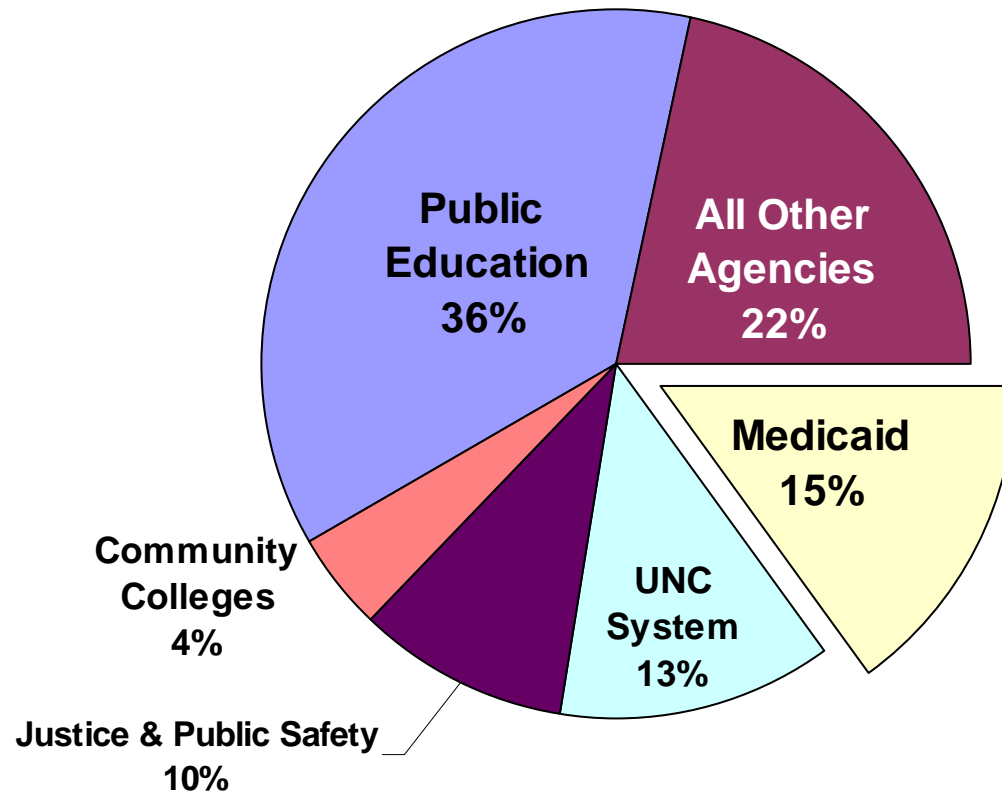
FEDERAL ENTITLEMENT PROGRAM

- If eligible, cannot legally be denied service
- If State must pay for Medicaid regardless of revenue or appropriations shortfalls



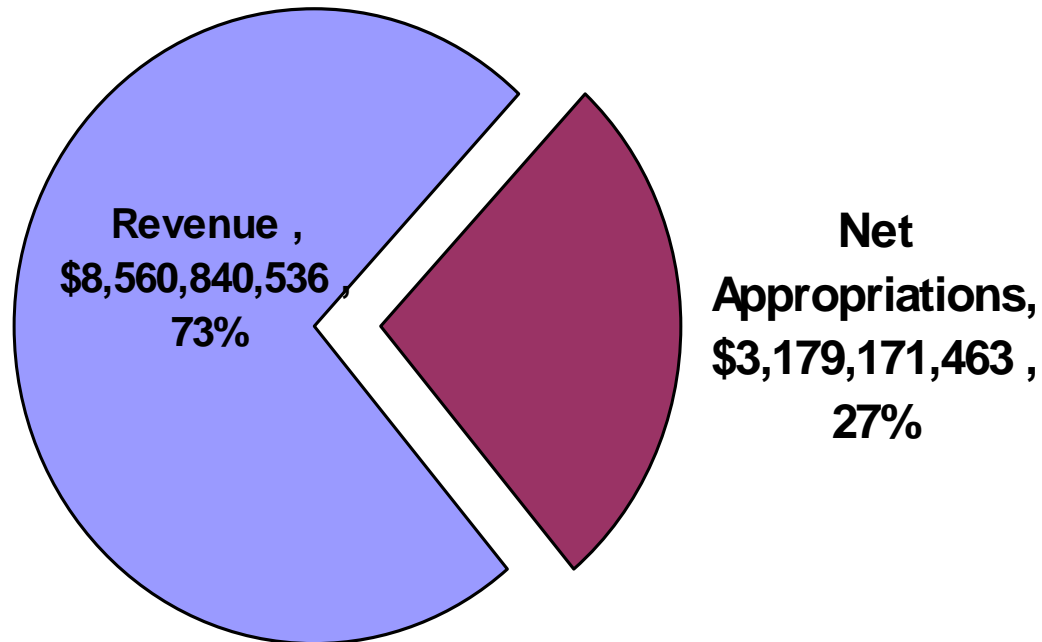
Budget Impact

FY 2008-09 NC NET GENERAL FUND APPROPRIATION
\$21.4 billion



Budget Impact

FY 2008-09 MEDICAID CERTIFIED BUDGET
\$11,740,011,999



Budget Impact

FINANCIAL RESPONSIBILITY

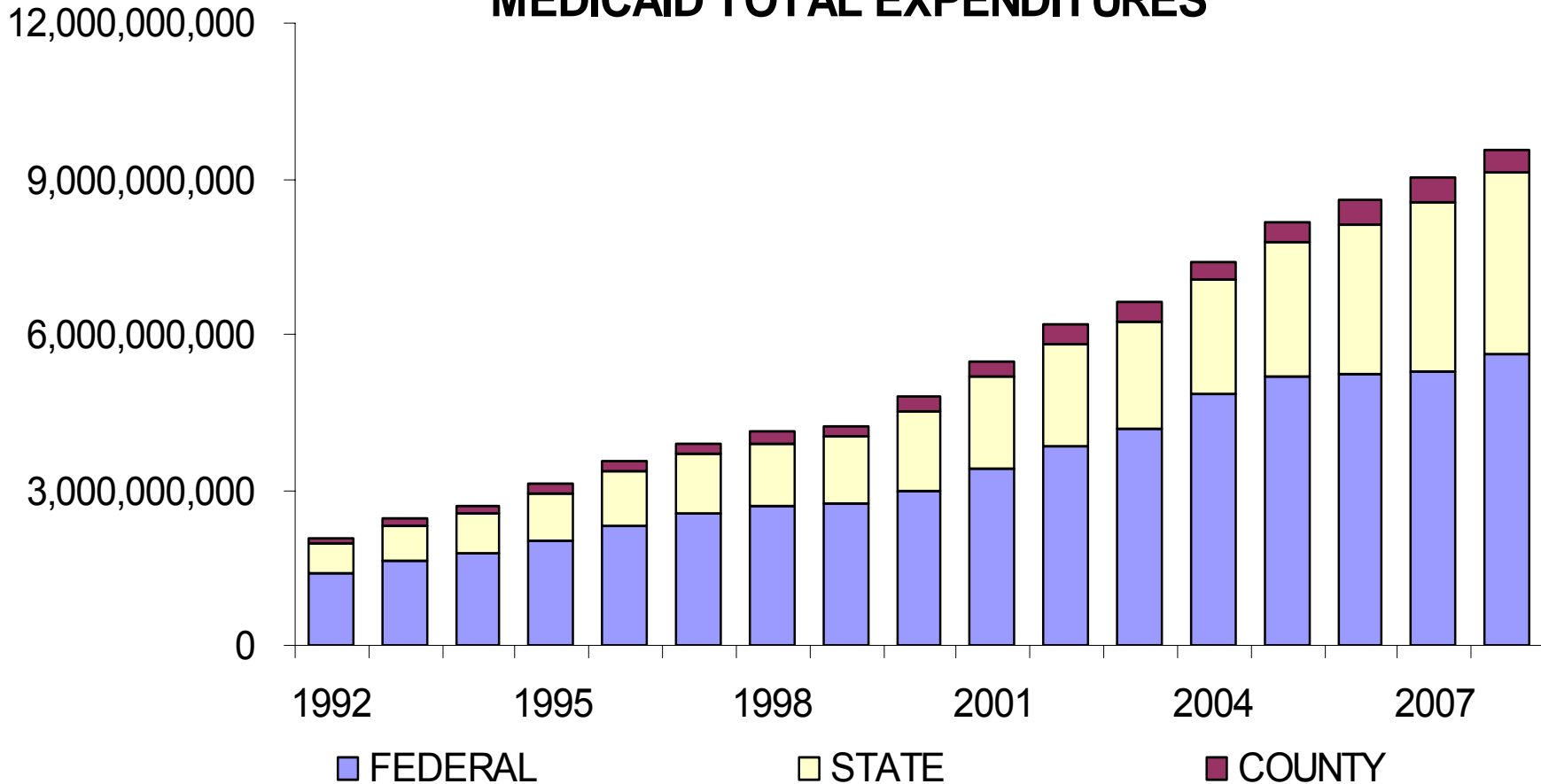
- SFY 2008-09 costs split between federal, State, and county governments

Federal (FMAP):	64.46%
State (SMAP):	32.87%
County:	2.67%

- S.L. 2007-323: NCGA began phase out of county share over 3 years
- SFY 2009-10 State assumes 100% county share = \$592 million

Budget Impact

MEDICAID TOTAL EXPENDITURES



Source: DHHS, DMA

Budget Impact

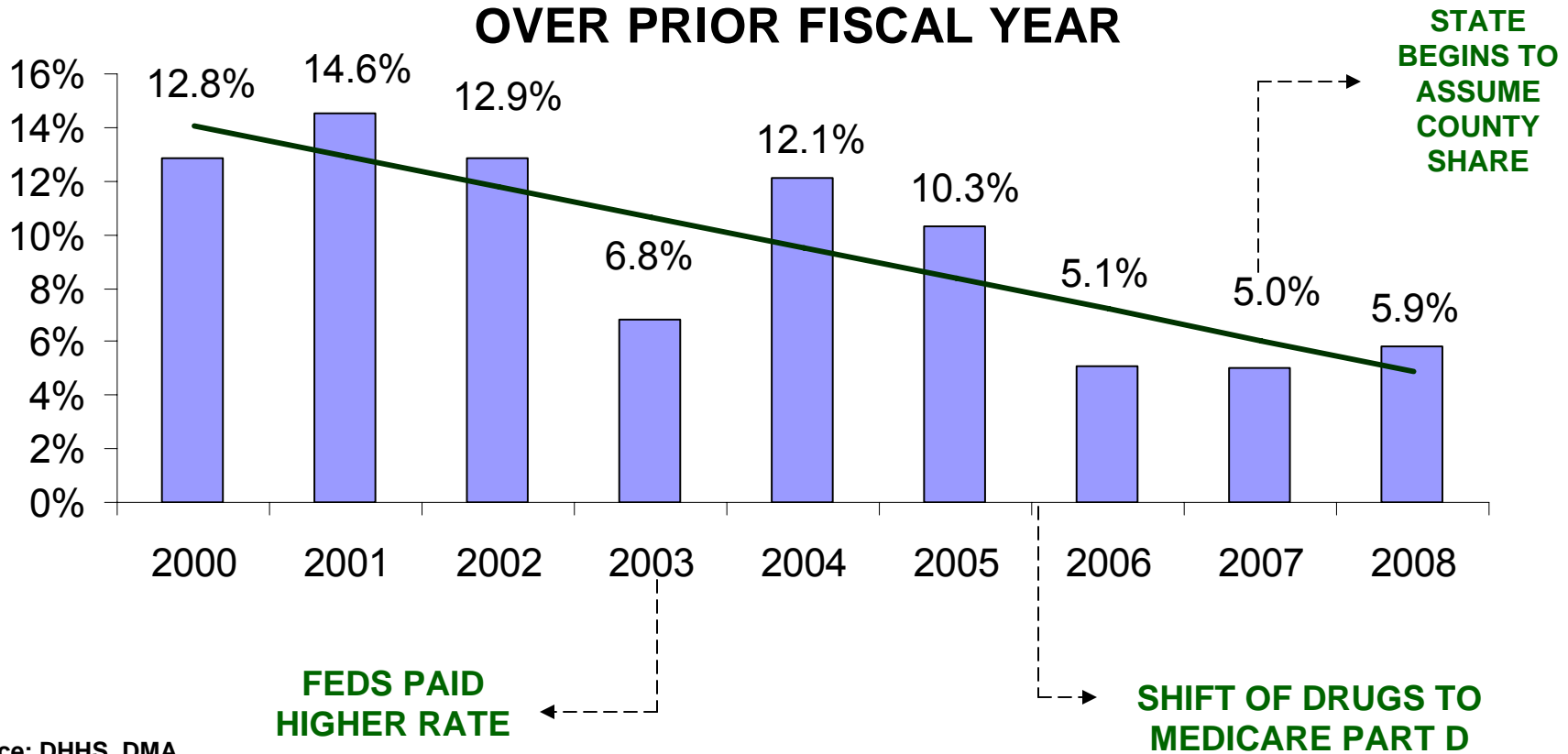
PAST COST CONTAINMENT EFFORTS (FY 2001-2008)

- Limits on prescription drugs
- Changes for Medicaid providers
- Changes for Medicaid recipients
- Changes to Medicaid services
- Managed care initiative: Community Care of NC (CCNC)
- Shift of prescription drug coverage to Medicare Part D for dually eligible recipients



Budget Impact

MEDICAID EXPENDITURES: PERCENT GROWTH OVER PRIOR FISCAL YEAR



Source: DHHS, DMA

Budget Impact

CURRENT RECESSION

- Latest data shows FY 2008-09 Medicaid expenditures about even with last year's spending
- Latest caseload data shows similar growth as last year
- Unemployment continues to rise

Budget Impact

- For 1% increase in unemployment in NC ~
 - + 17,000 children on Medicaid/SCHIP: \$17 million
 - + 11,000 adults on Medicaid: \$24 million
-
- \$41 million GF for every 1% increase in unemployment
- December 2008 NC unemployment: 8.1%

Source: Kaiser Commission on the Uninsured (<http://www.kff.org/uninsured/upload/7850.pdf>); State Data Center; DMA; BLS

Economic Stimulus

FINAL BILL

- Increases amount federal government pays for Medicaid by:
 - + 6.2% points for all states
 - + percentage points for state-specific unemployment increases
- Effective for claims paid October 2008 through December 2010

Economic Stimulus

FEDERAL MEDICAL ASSISTANCE PERCENTAGES (FMAP)

	OLD		NEW
SFY 2008-09	64.60%	=	74.51%
SFY 2009-10	65.16%	=	74.98%
SFY 2010-11	65.56%	=	75.36%

Economic Stimulus

ESTIMATED FEDERAL ASSISTANCE

FY 2008-09:	\$670.5 million
FY 2009-10:	\$1.05 billion
FY 2010-11:	\$535 million
TOTAL:	\$2.255 billion

Source: FFIS estimates, February 24, 2009

Economic Stimulus

FINAL BILL

- Cannot decrease eligibility
- Must comply with Medicaid “prompt pay” provisions
- Prohibits moving any savings directly or indirectly into any reserve or rainy day fund

Economic Stimulus

CONSIDERATIONS

- Stimulus funds are time-limited
- Caseloads will likely increase
- Currently facing significant revenue shortfall



Cost Containment Options

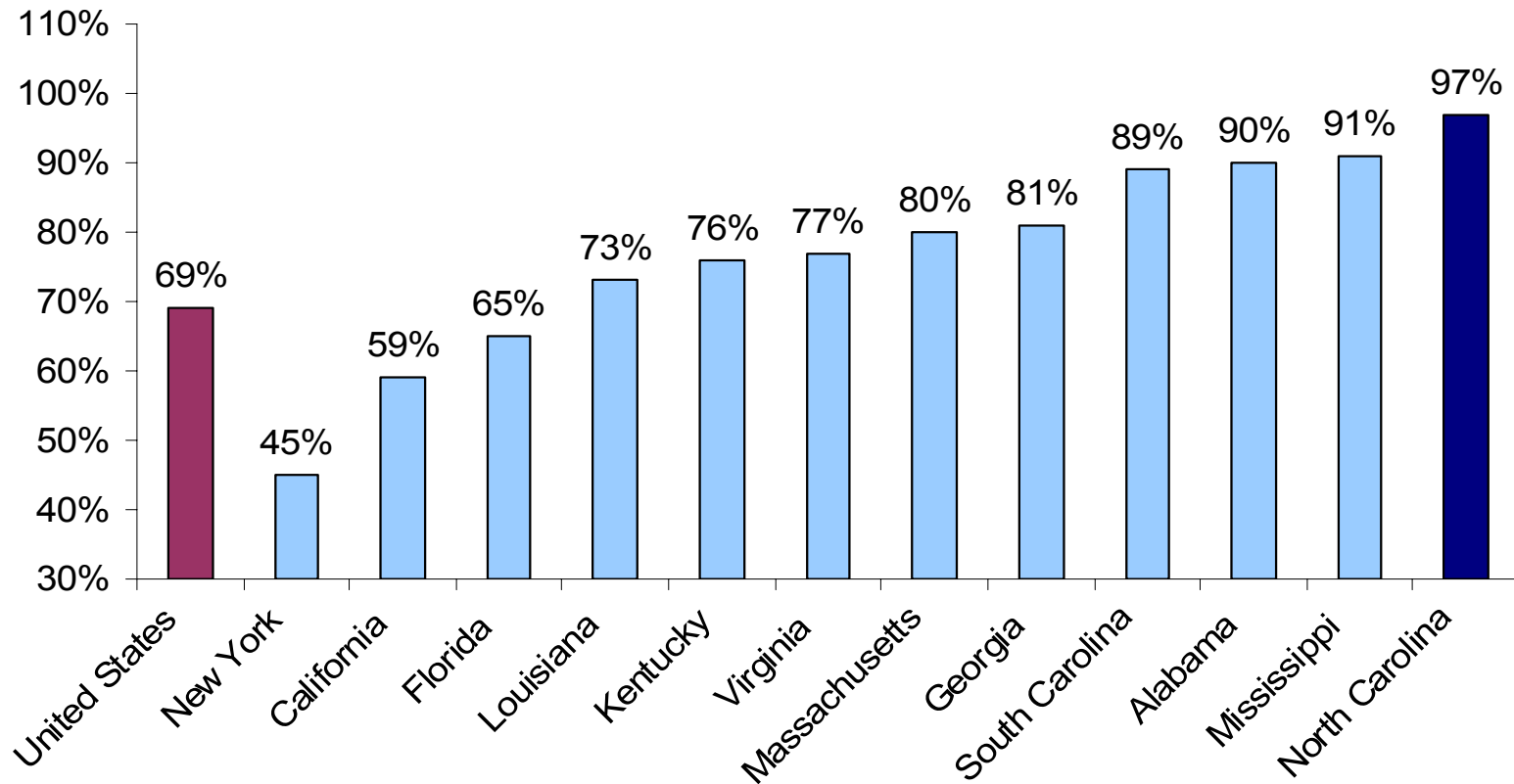
CONSIDERATIONS

- Provider rates
- Prescription drugs
- Optional services



Cost Containment Options

MEDICAID-TO-MEDICARE PROVIDER FEE INDEX



Source: Kaiser Family Foundation (2003): <http://www.statehealthfacts.org/comparetable.jsp?ind=196&cat=4>

Cost Containment Options

PRESCRIPTION DRUG PRICING

	<u>Per Script</u>	<u>Supplemental Rebate Program?</u>
North Carolina	AWP – 10%	No
Alabama	AWP – 10%	Yes
Virginia	AWP – 10.25%	Yes
South Carolina	AWP – 10.5%	Yes
Georgia	AWP – 11%	Yes
Mississippi	AWP – 12 - 25%	Yes
Louisiana	AWP – 13.5 -15%	Yes
Kentucky	AWP – 14 -15%	Yes
Tennessee	AWP – 13 -16%	Yes
Florida	AWP – 16.4%	Yes
West Virginia	AWP – 15 - 30%	Yes

Source: Centers for Medicare and Medicaid Services. AWP = Average Wholesale Price

Cost Containment Options

SERVICES

- Can limit amount of service provided for adults
- Can better manage utilization of services
- Can look at optional services
 - NC covers all but 2 optional services allowed by Medicaid

Questions

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