Perspectives on the Medicaid Cost Problem

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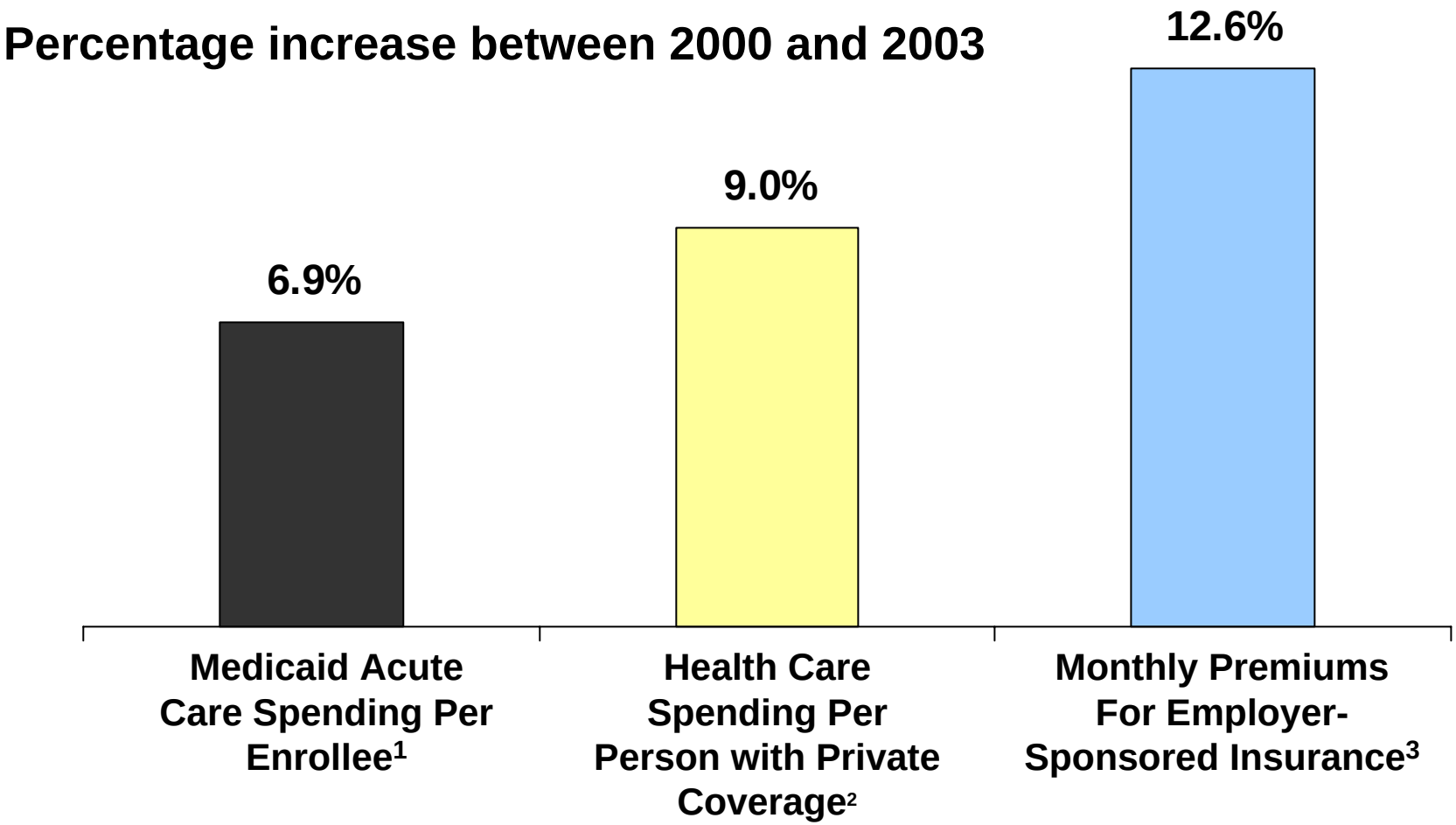
Figure 1
Medicaid Expenditure Growth, U.S. and Wisconsin, 2000-2004
(in billions)

	2000	2004	Four Year Growth	Average Annual Growth
U.S.	$205.7	$295.9	44%	9.5%
Wisconsin	$3.4	$4.6	34%	7.6%

Figure 2
Increases in Medicaid spending per person on acute care services has been less than for those with private insurance

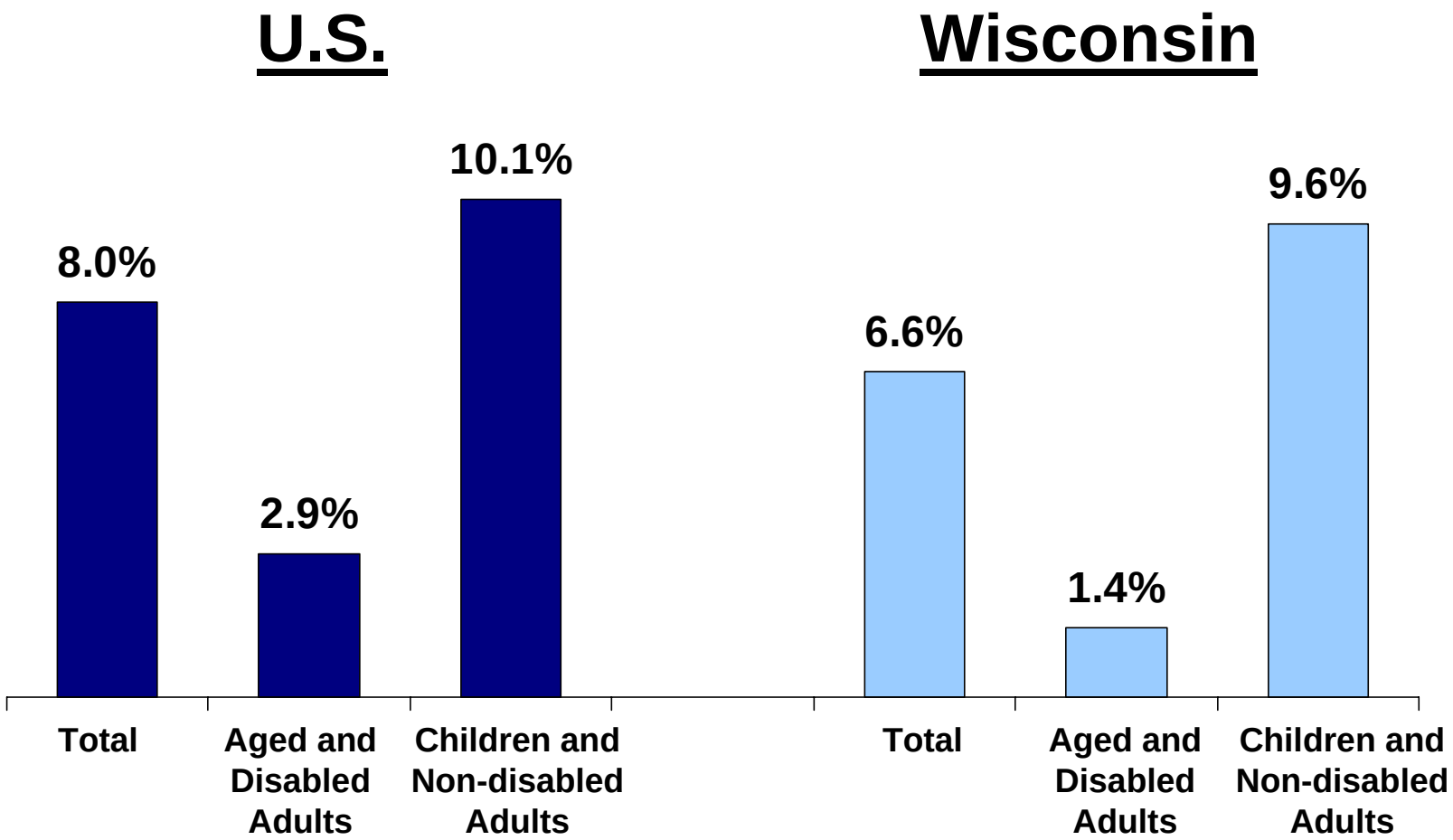


[1] Holahan and Ghosh (2004)
[2] Strunk and Ginsburg (2004)
[3] Kaiser/HRET Survey (2003)

*Significantly different from zero at 5% level.

Figure 3
Medicaid enrollment growth has been a major reason for the growth in total Medicaid expenditures

Percent increase in Medicaid enrollment



SOURCE: Urban Institute estimates based on KCMU Medicaid enrollment data collected by Health Management Associates from 44 states inflated proportionally to national totals, 2004.

*Significantly different from zero at 5% level.

Figure 4

Sources of Enrollment Growth

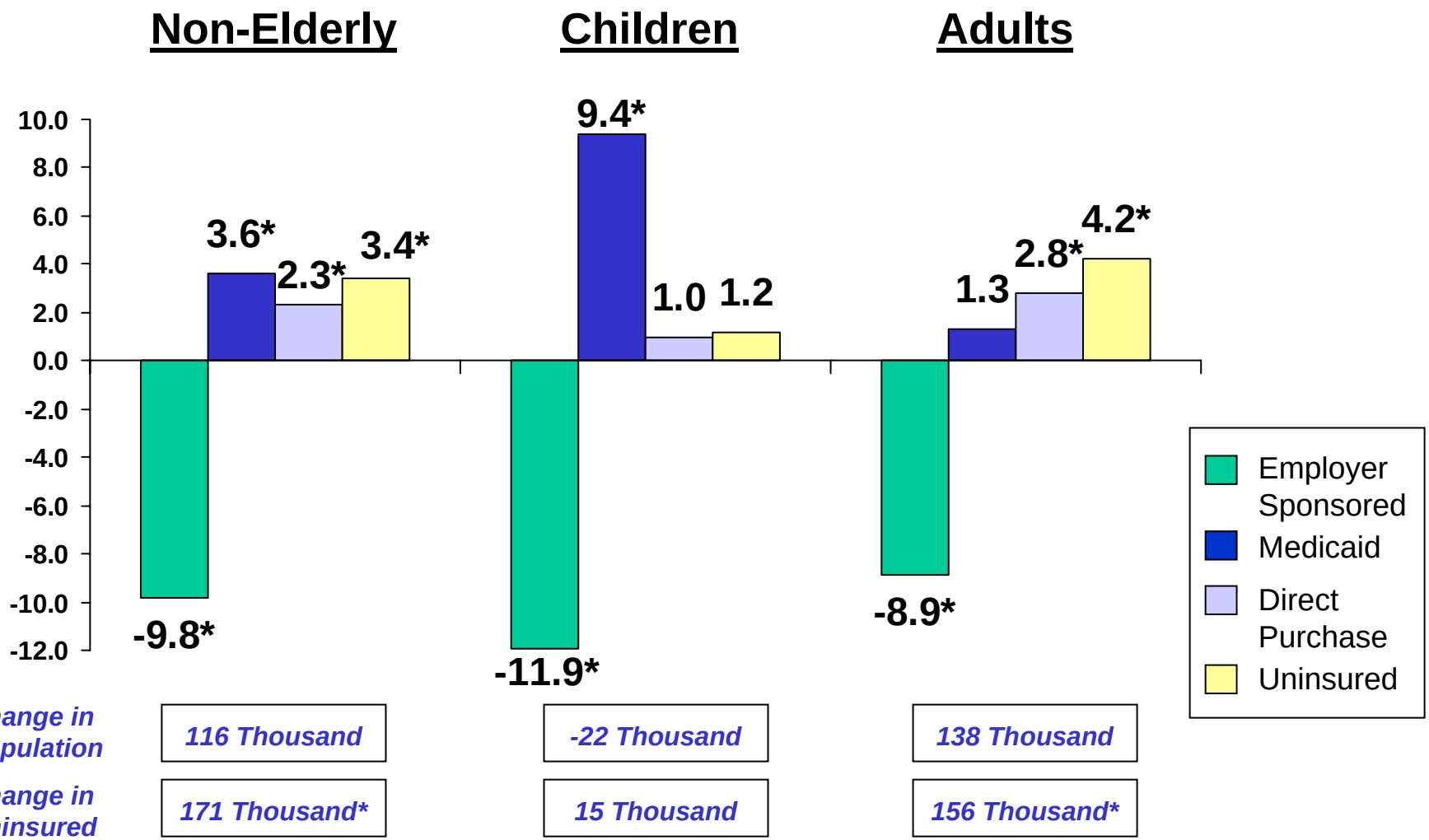
Families and Children

- The Recession
- Rising Health Care Costs

Aged and Disabled

- Increased participation in Medicaid, likely due to rising health care costs, e.g., prescription drugs
- Aging of the baby boomers affecting disability rates
- Medical technology
- Increased participation in home- and community-based waiver programs

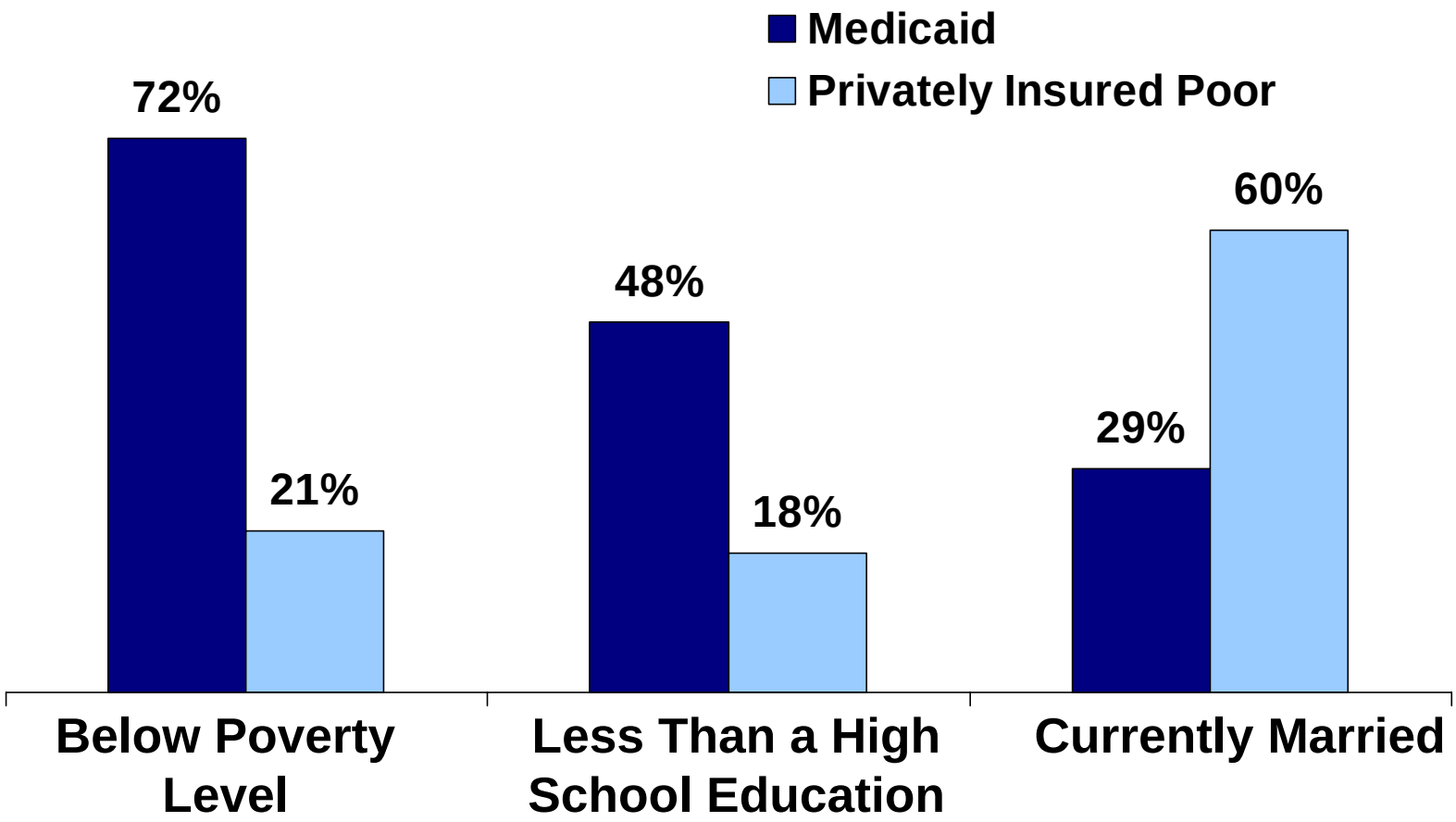
Figure 5
Changes in Health Insurance Coverage in Wisconsin, Percentage Point Changes



* Statistically significant change between 2000 and 2002 (p<.10)
Medicaid also includes S-CHIP, other state programs.

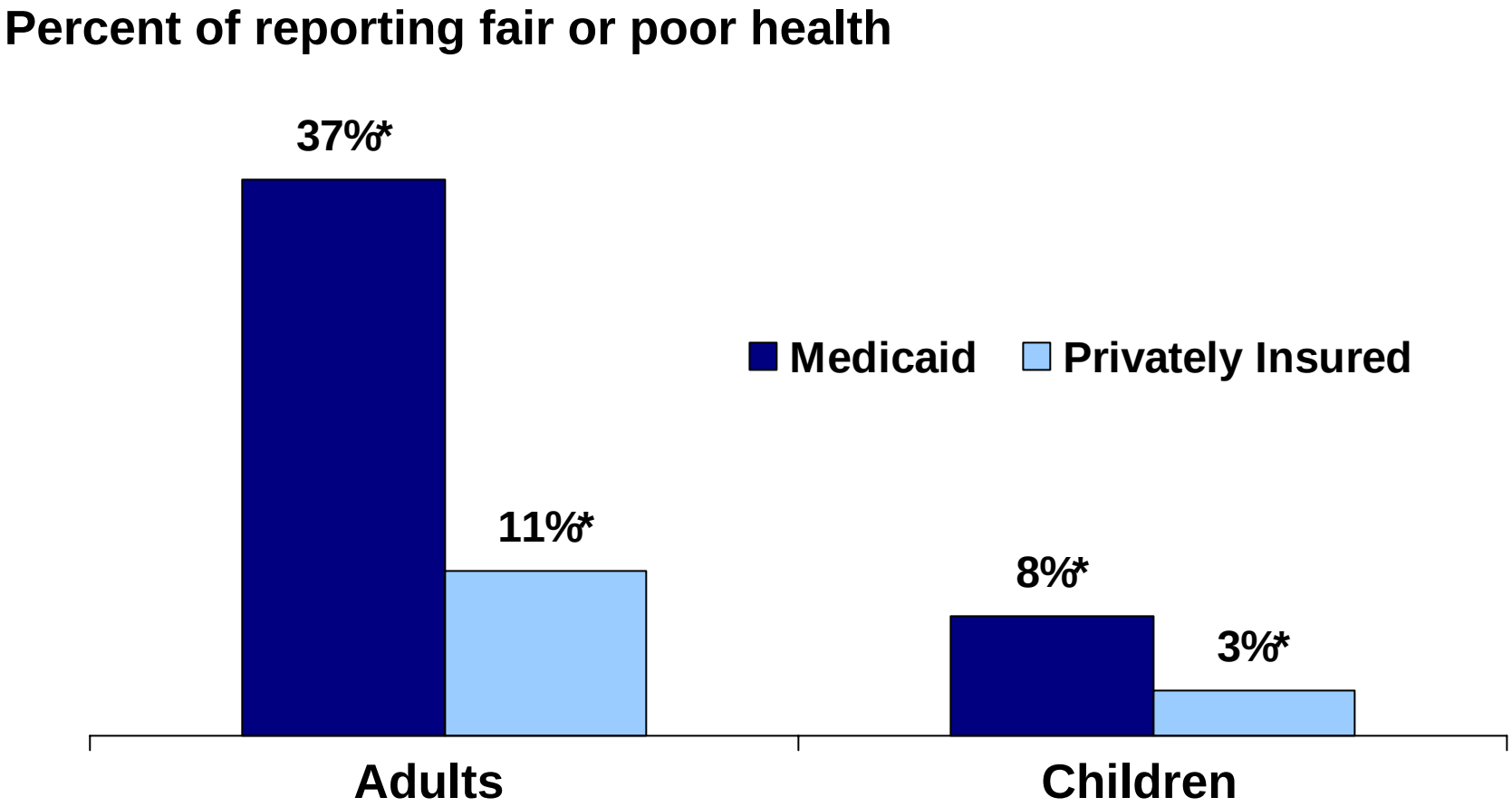
Source: Urban Institute

Figure 6
Medicaid families are poorer, less educated, and less likely to be married than low income people with private coverage



Note: All differences are significant at the .05 level. This chart compares families with income below 200% of the Federal Poverty Level that were covered by Medicaid or private insurance between 1996 and 1999.

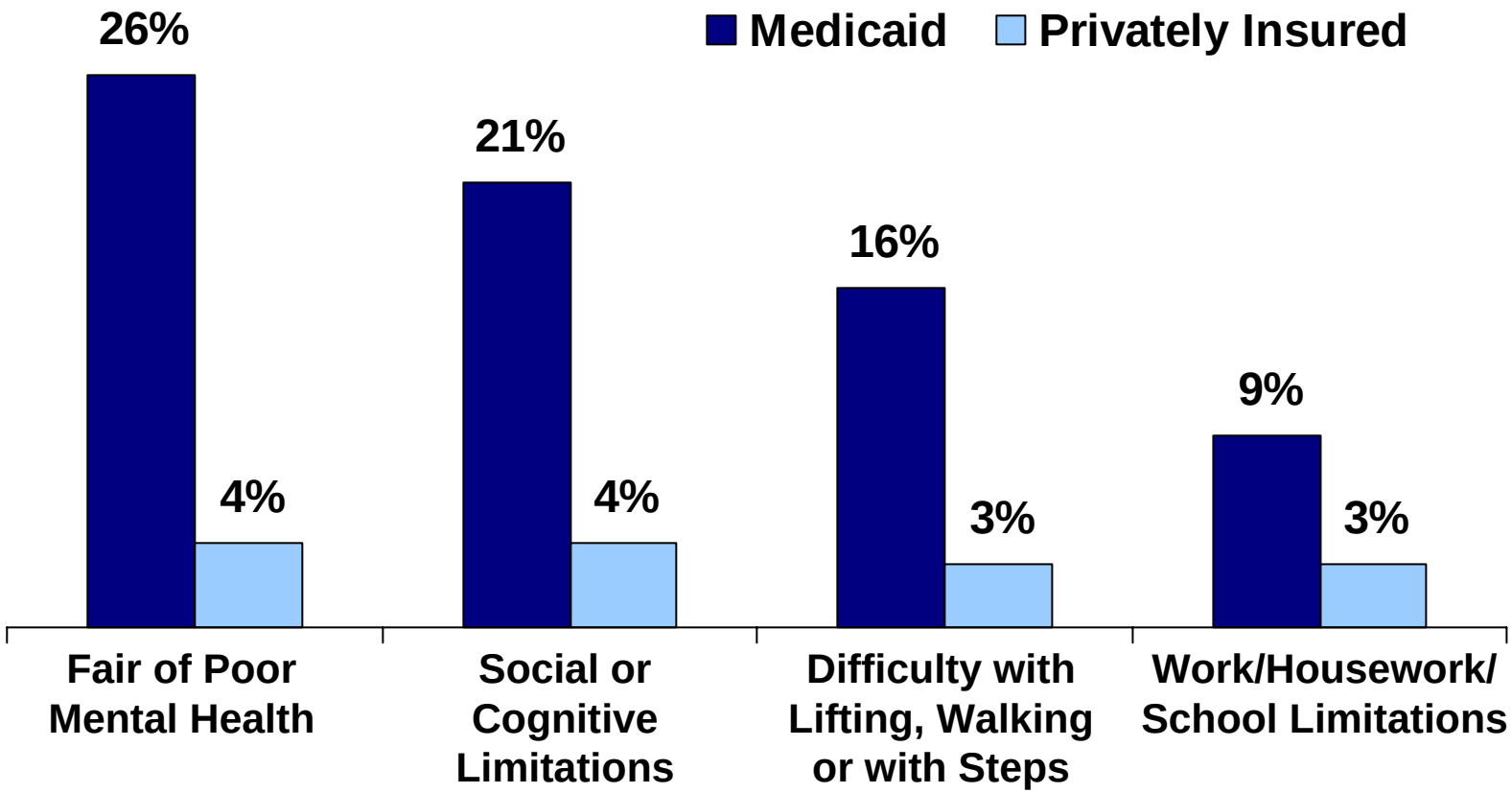
Figure 7
Adults and children on Medicaid are in worse health than low income people with private insurance



SOURCE: Hadley and Holahan (2003/2004).

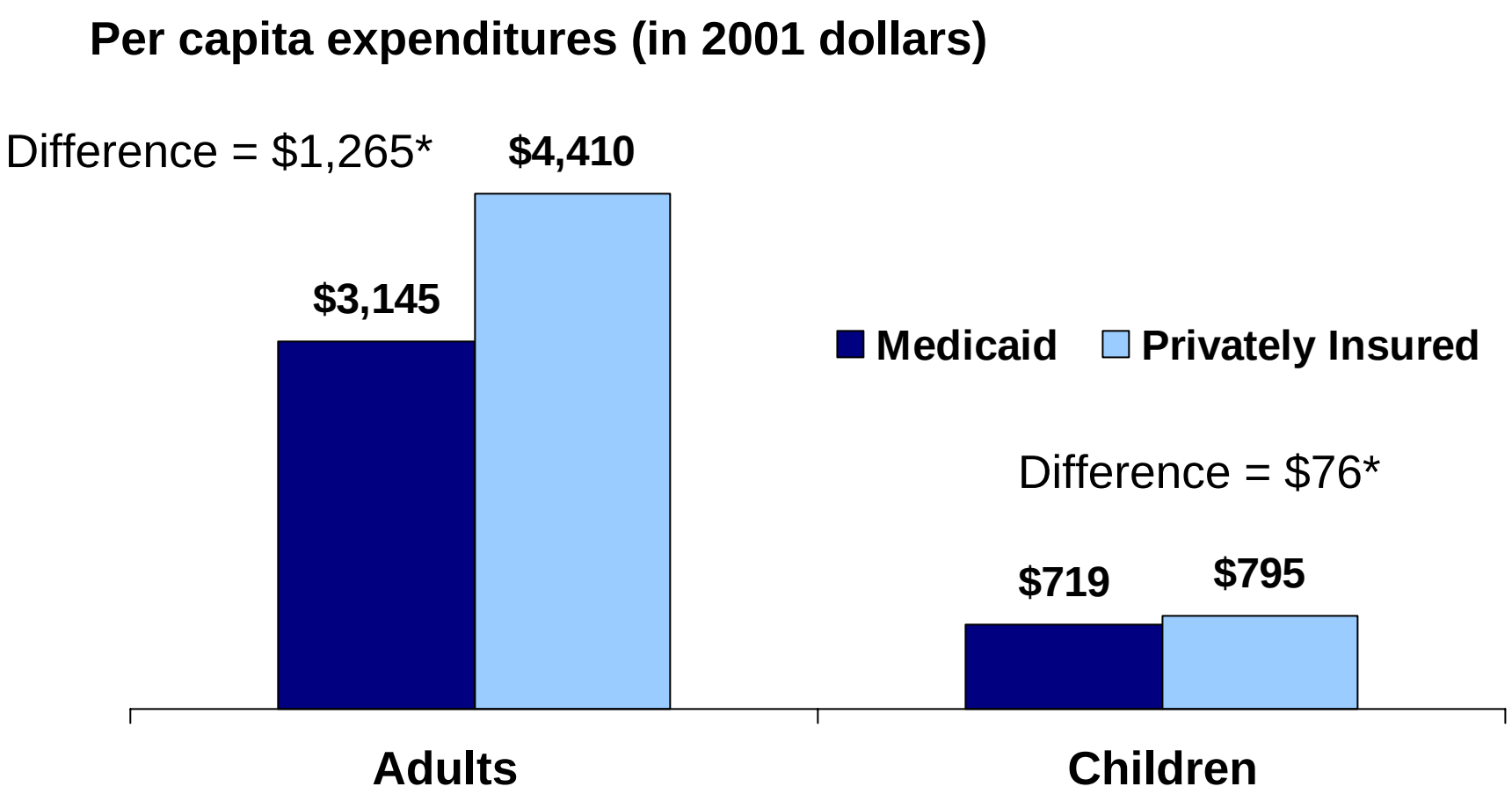
*Significantly different from zero at 5% level.

Figure 8
Medicaid adults are more apt to have physical and cognitive limitations than low income people with private coverage



Note: All differences are significant at the .05 level. This chart compares families with income below 200% of the Federal Poverty Level that were covered by Medicaid or private insurance between 1996 and 1999.

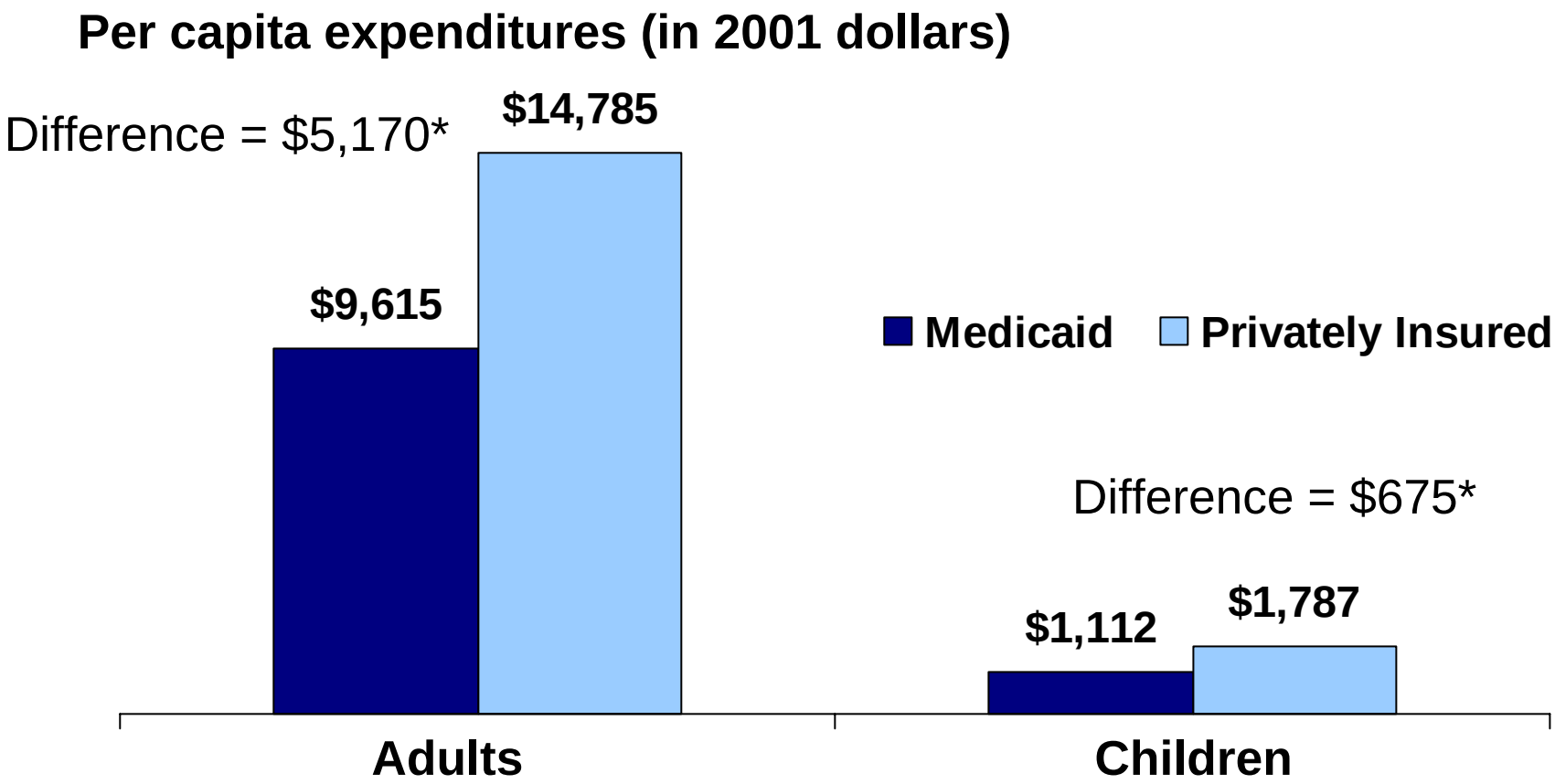
Figure 9
Medicaid costs are less than private insurance for adults and children



SOURCE: Hadley and Holahan (2003/2004).

*Significantly different from zero at 5% level.

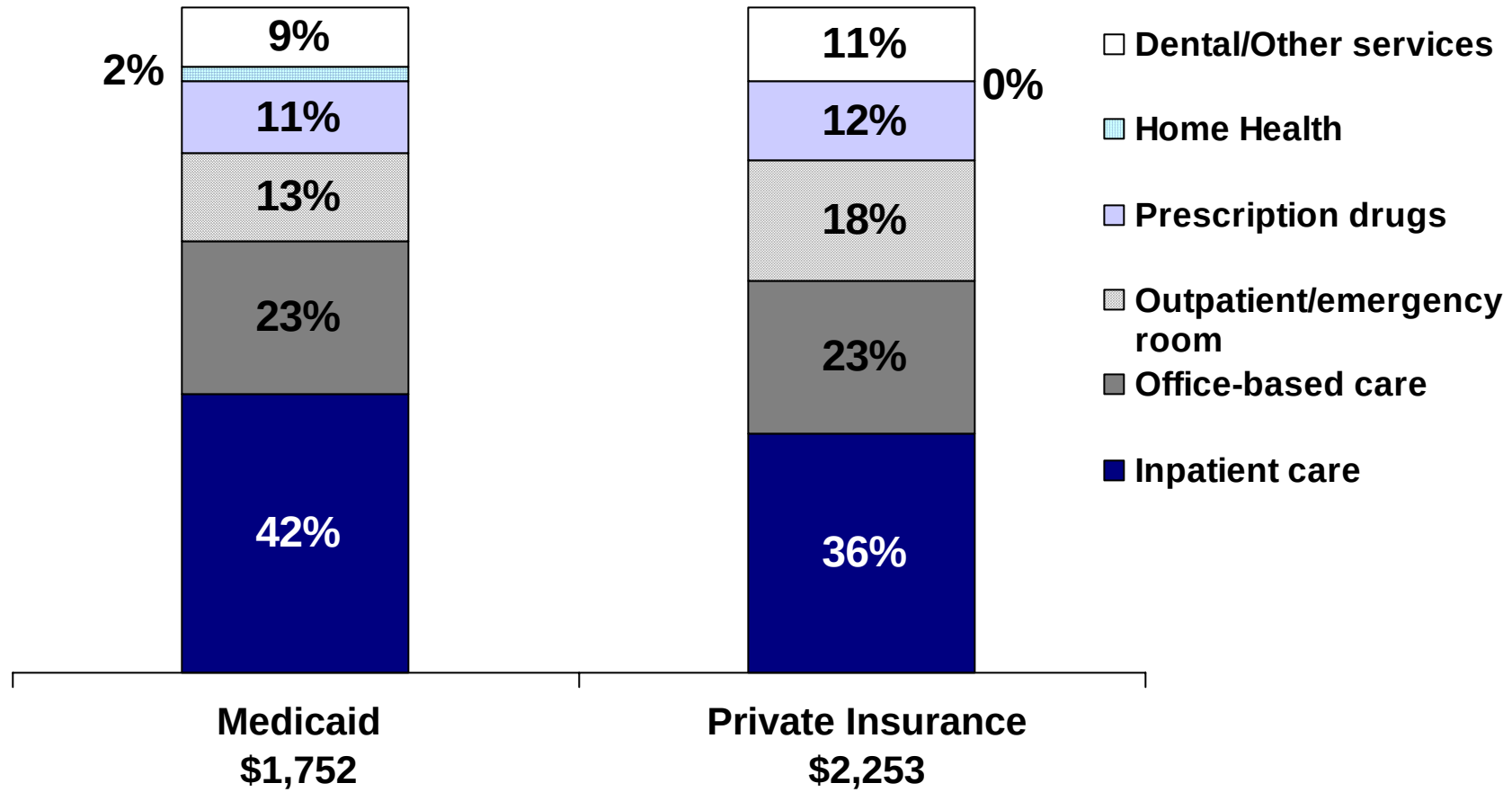
Figure 10
Medicaid costs are much less than private insurance for adults and children in fair or poor health



SOURCE: Hadley and Holahan (2003/2004).

*Significantly different from zero at 5% level.

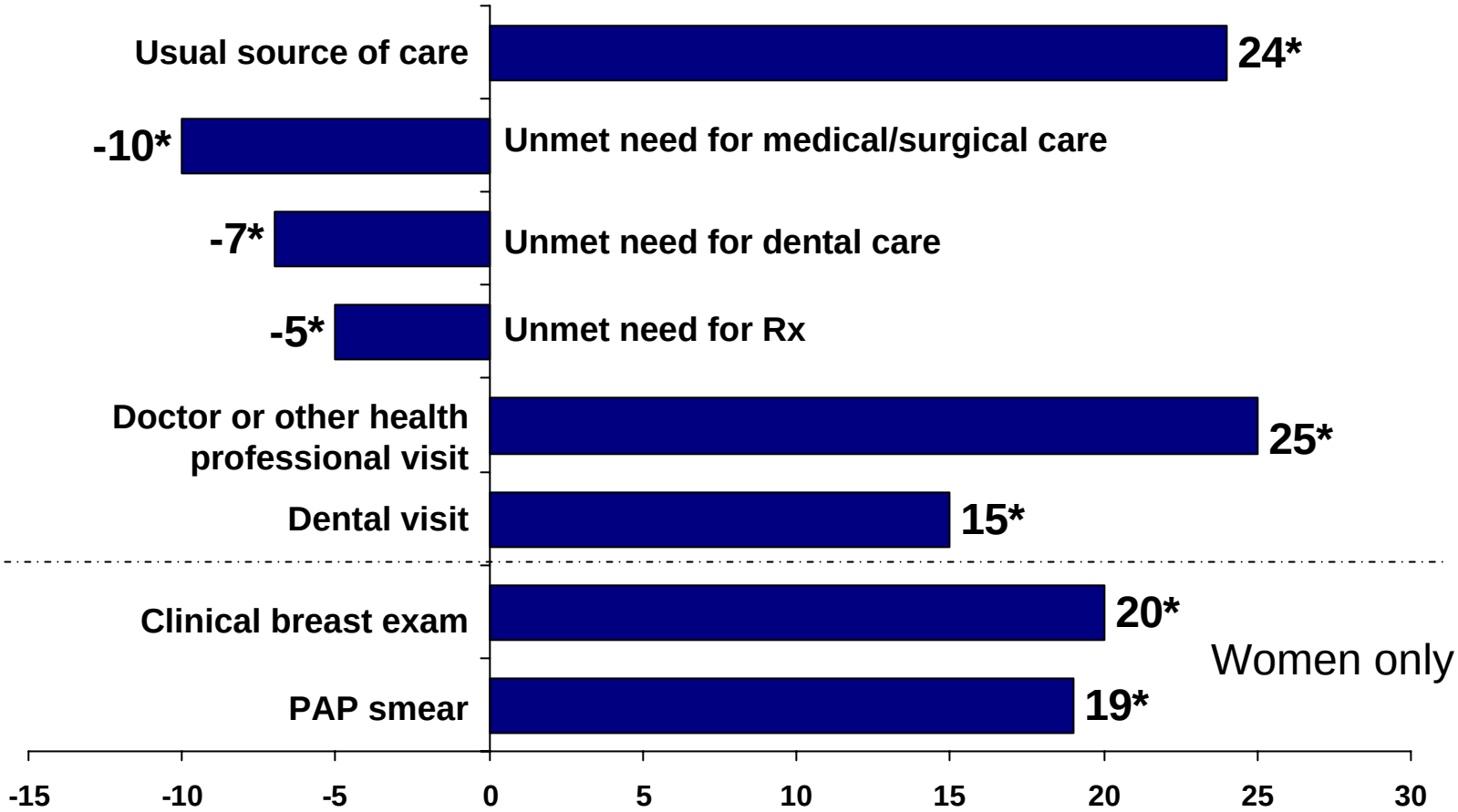
Figure 11
Adult Medicaid beneficiaries have lower expenditures on dental and other acute care services than do those with private insurance



SOURCE: Hadley and Holahan (2003/2004).

Figure 12
Adults with public coverage have better access and use than the uninsured

Percentage point difference under public coverage relative to being uninsured

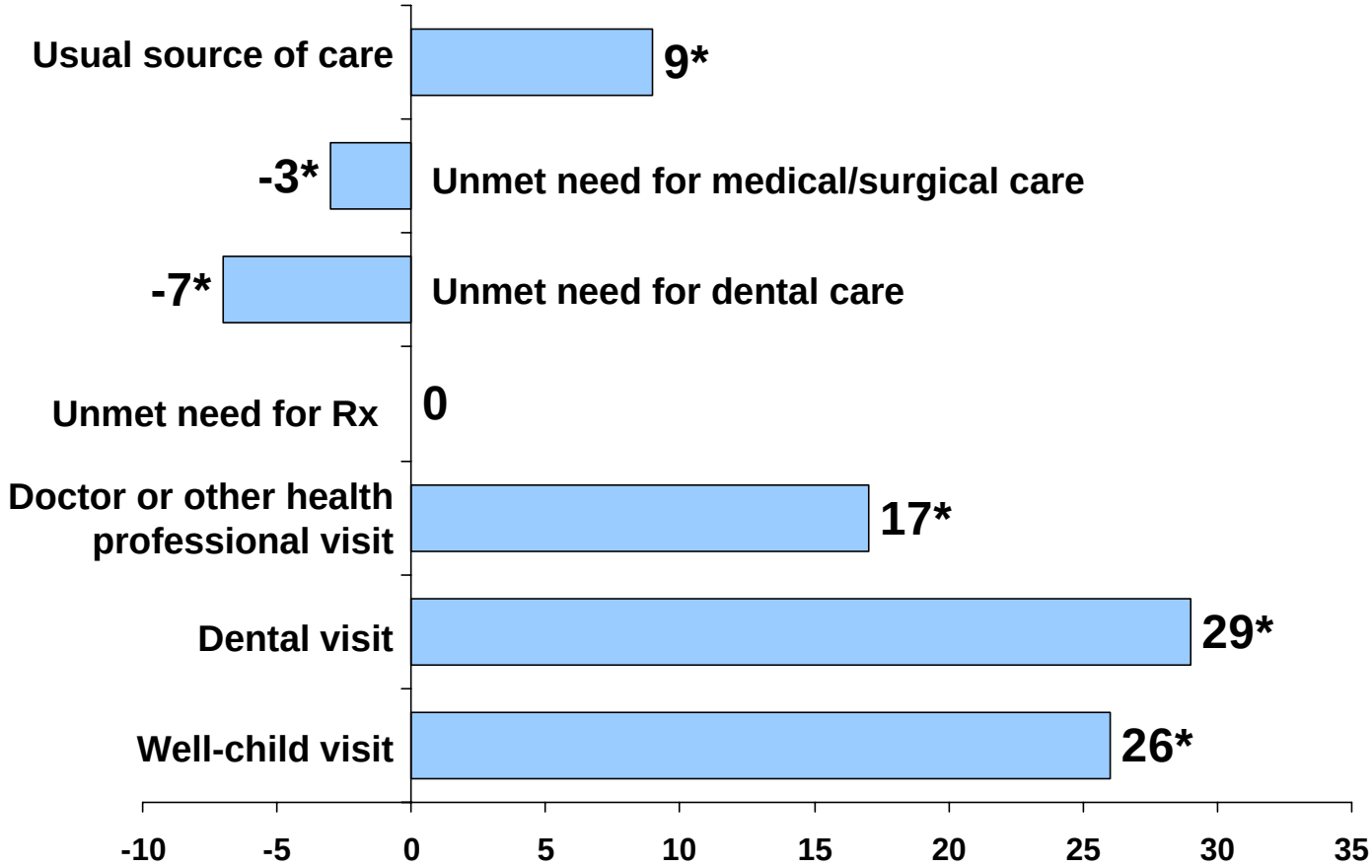


Source: Adults--Unpublished tabulations by the authors using the 2002 National Survey of America's Families and the model in Coughlin et al. (2005); Children--Dubay and Kenney (2001).

*Significantly different from zero at 5% level.

Figure 13
Children with public coverage have better access and use than the uninsured

Percentage point difference under public coverage relative to being uninsured

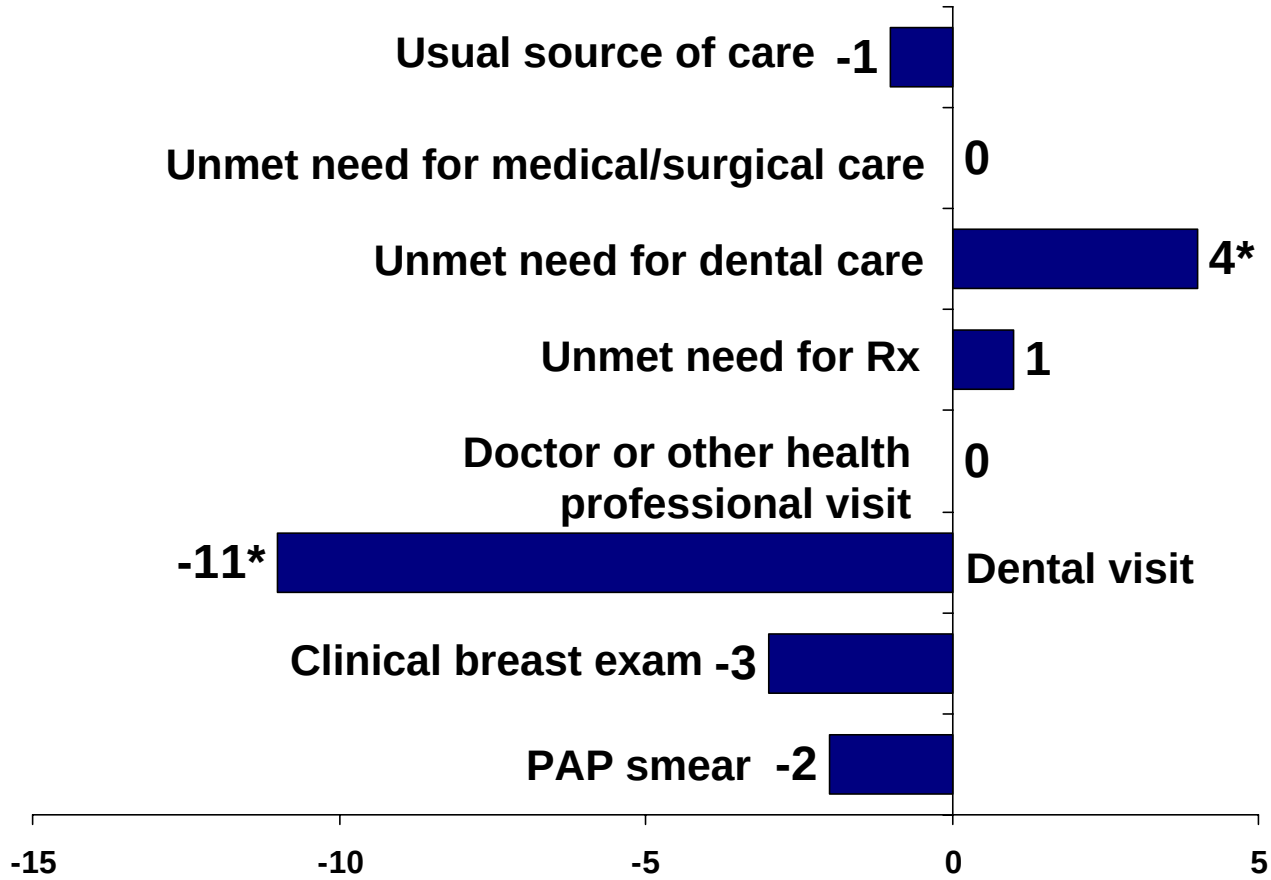


Source: Adults--Unpublished tabulations by the authors using the 2002 National Survey of America's Families and the model in Coughlin et al. (2005); Children--Dubay and Kenney (2001).

*Significantly different from zero at 5% level.

Figure 14
For adults, public coverage generally provides the same access and use as private insurance

Percentage point difference under public coverage relative to private insurance

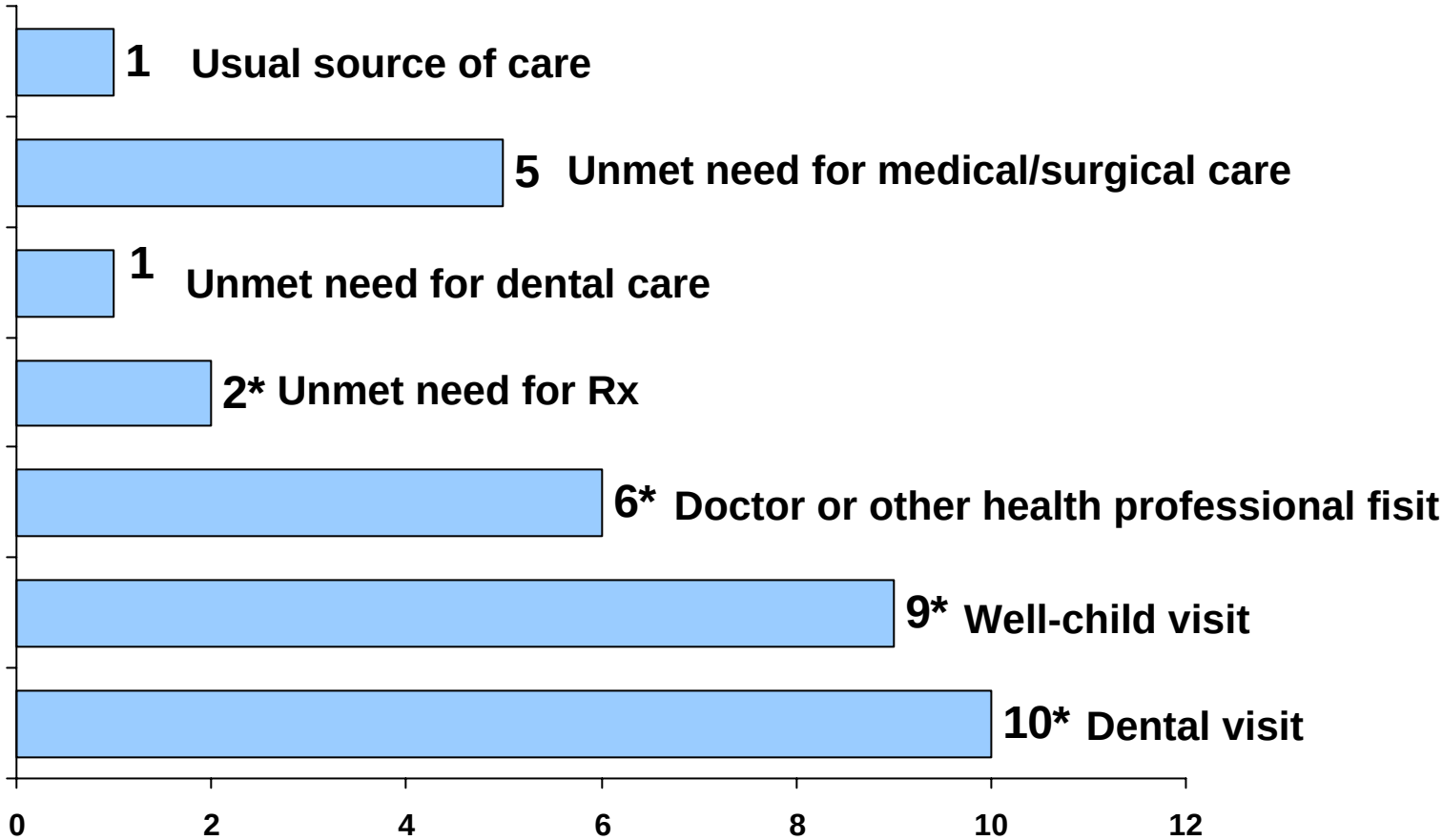


Source: Adults--Unpublished tabulations by the authors using the 2002 National Survey of America's Families and the model in Coughlin et al. (2005); Children--Dubay and Kenney (2001).

*Significantly different from zero at 5% level.

Figure 15
For children, public coverage generally provides the same or better access and use as private insurance

Percentage point difference under public coverage relative to private insurance



Source: Adults--Unpublished tabulations by the authors using the 2002 National Survey of America's Families and the model in Coughlin et al. (2005); Children--Dubay and Kenney (2001).

*Significantly different from zero at 5% level.

Figure 16

Cost Containment

Cutting Medicaid is possible but difficult

- Most reasonable options have been exploited
- Cuts in optional acute care benefits for adults would not yield large savings
- Cuts in eligibility would increase the uninsured, affect beneficiary health and the revenues of safety net providers

Figure 17

Cost Containment: Drug Pricing

- Prescription drugs are a major source of cost growth
- Pricing is a major issue and reform is badly needed; generally not controversial
- Design issues – reforms should affect manufacturers' prices, but not disrupt access to pharmacies

Figure 18

Cost Containment: Asset Transfers

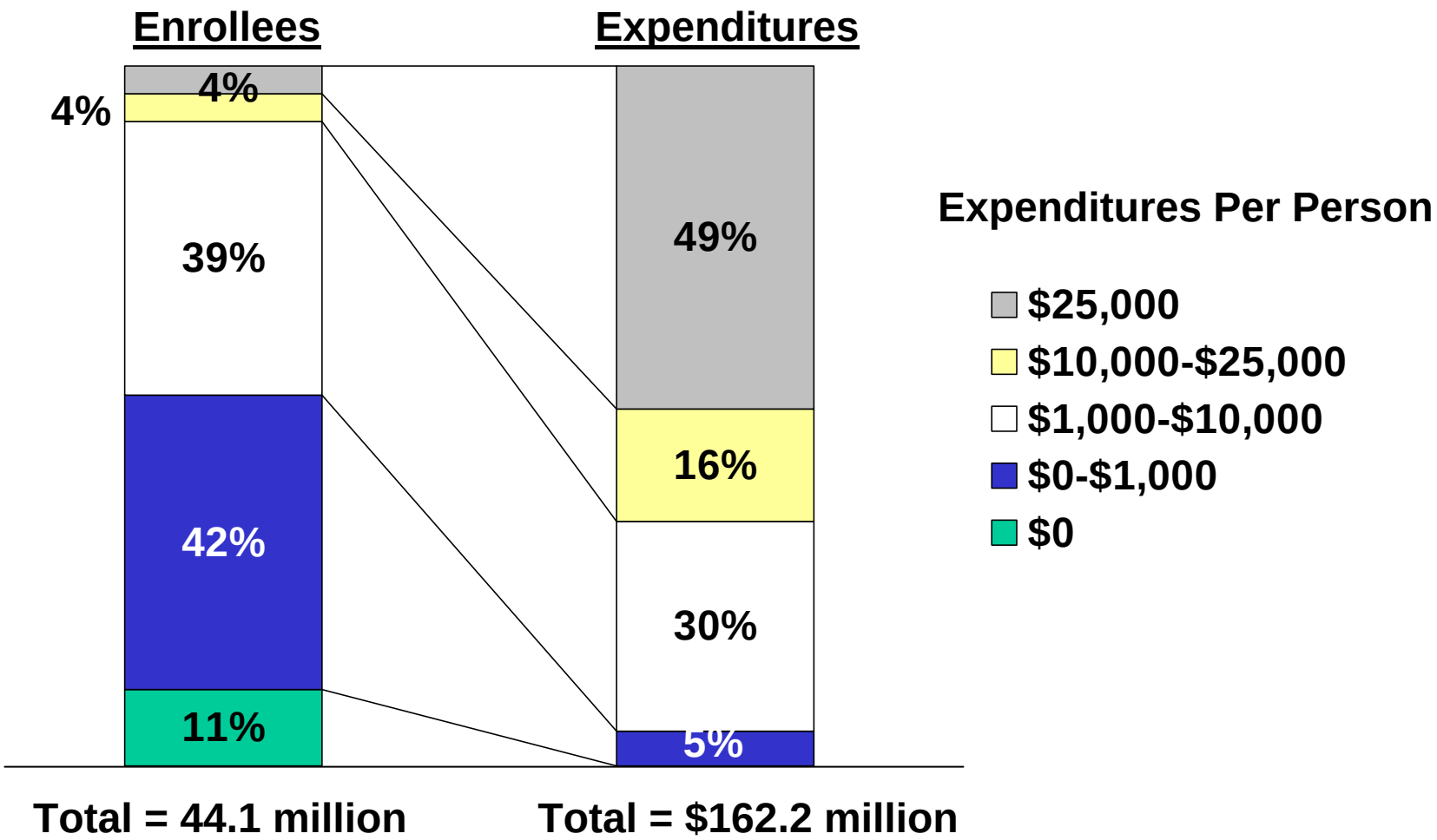
- Good policy target, but no real savings
- Nursing home residents on Medicaid have very limited assets
- Incidence of transferring large amount of assets is small
- Administration and CBO estimate budget savings to be low

Figure 19

Cost Containment: Cost Sharing

- Theory – reduce inappropriate use of services; research evidence – reduces inappropriate and appropriate use
- Cost sharing is generally targeted at those above the federal poverty line, but most Medicaid beneficiaries are below poverty
- Caps on cost sharing obligations help but medical spending is skewed so the burden still falls on sickest beneficiaries
- If well designed, savings are not great; if not well designed, can be very punitive
- Collection is a major issue for providers

Figure 20
Options with greatest potential involve better management of high cost cases



SOURCE: John Holahan and Arunabh Ghosh analysis of 2000 Medicaid Statistical Information System (MSIS) data, 2004.