

Medicaid – What Next?

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Medicaid: Three Things

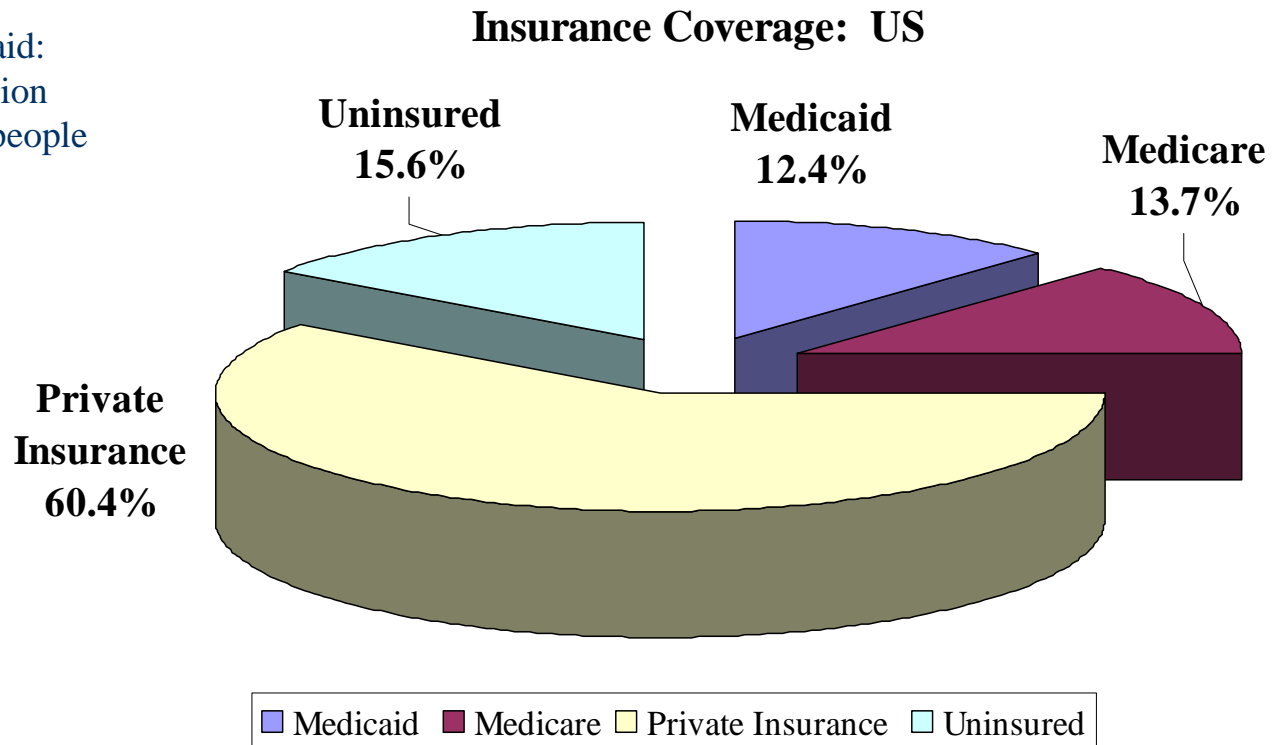
- Integral part of the health care system
- Designed to serve a particular purpose
- Federal/State partnership/investment

Medicaid: Who it Covers

- Disabled
 - Care for those who need it
 - Picks up where private insurance leaves off
- Elderly: Enhances Medicare
 - Nursing Homes: pays 50% of all nursing home \$
 - Part B payments for low income seniors
- Low income children and families
 - Early intervention, prevention

Medicaid: Where it Fits - US

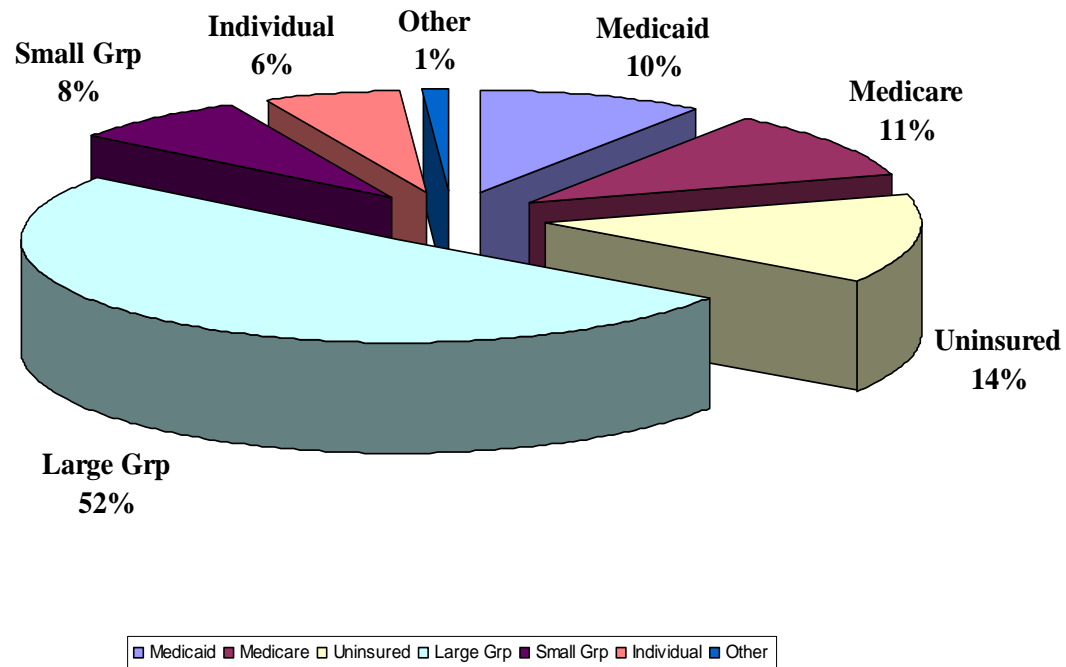
Medicaid:
52 million
1 in 6 people



Source: US Census Bureau, P60-226 Income, Poverty, Health Insurance in the United States: 2003 (August 2004)

Medicaid: Where it Fits- Colorado

Insurance Coverage: Colorado



Colorado
Medicaid:
406,000
Enrollees
FY05-06

Private Coverage: Colorado

Employer Based

- **Small Group**

 - 2004: 8% Coloradoans

 - Steady 4 yr decline in participation

 - 84% increase in cost of premiums 1996-2002

- **Large group:** 52% Coloradoans

 - State may not regulate large group market (Feds only)

Individual coverage- 6% Coloradoans

Not guaranteed – Possible coverage limits/exclusions

Source: Colo. Division Insurance Press Release: April 18, 2005, Kaiser Family Foundation: How Accessible Is Health Insurance for Individuals in Less than Perfect Health, June 2001 (see also: May 2002 Explanation of Purpose and Findings in Response to Renewed Debate)

Colorado Uninsured

- 682,000 Uninsured (14% population)
- 84% in working families
- Small business, seasonal, service etc.

- 103,000 Low income children Uninsured
(Under 200% FPL or \$38,700 annual income for a family of four)

Source: US Census, "Low income Children Uninsured by State: 2001, 2002, 2003"; Families USA: Paying a Premium, the Added Cost of Care for the Uninsured (June 2005), Colorado Fiscal Policy Institute: State of Work in Colorado 2003

Insurance: Who can afford it?

- Average annual cost of insurance in Colorado

Individual: \$4,340

Family: \$11,418

- Individual living in Denver has to make \$18,732 a year and have employer pay 3/4 of cost of health insurance (i.e. income at almost twice the poverty level)
- Family 4: must make \$48,065 (2 ½ times federal poverty level)

Note: COBRA costs 102% of premium

Source: Colorado Fiscal Policy Institute: Self Sufficiency Standard for Colorado, 2004;
Families USA Cost of Uninsured, June 2005

Medicaid: Why its growing

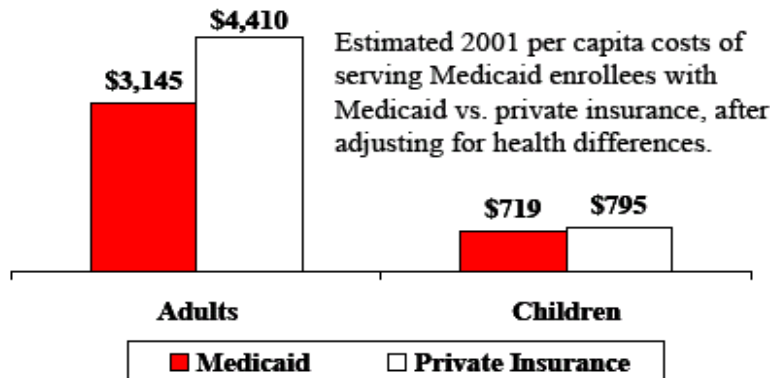
- Population growth
 - Colorado population grew more than 25% in last 10 years
- Medicaid is designed to be countercyclical
 - Economic downturn = Medicaid growth
 - US uninsured 2000-2003 went from 40 to 45 million
 - Medicaid grew by 9 million at same time

Medicaid: What it Costs

- US: total annual spending \$300 billion
 - Federal share = \$190 billion
- Colorado:
 - Total spending 04-05: \$3 billion (federal & state)
 - Medicaid = 19% State General Fund
 - Shrinking General Fund = larger Medicaid share
 - 1/3 population = 2/3 cost

Medicaid: Value Purchasing

**Medicaid Costs Less Than Private Health Insurance:
30% Less for Adults and 10% Less for Children**



Source: Hadley and Holahan, *Inquiry*, 2004

Medicaid costs per enrollee (acute care) rose average 6.9% per year from 2000-2003
Private insurance rose 12.6% during same period

Source: Center on Budget Policy Priorities <http://www.cbpp.org/2-4-05health.htm>;
Holahan and Ghosch 2005 and Kaiser HRET surveys

Costs of Being Uninsured

Myth: Everyone who needs care gets it.

- Nearly $\frac{1}{2}$ uninsured postpone care and $\frac{1}{3}$ go without
- Uninsured more likely to use ER/urgent care
- Health outcomes poorer
- Uninsured Adults: 25% greater risk of premature death
- 18,000 deaths in U.S.

Source: Institute of Medicine: Care Without Coverage, Too Little, Too Late; IOM Health Insurance Is a Family Matter, p. 10; Franks, Peter; Carolyn Clancy, and Marthe Gold. 1993. Health Insurance and Mortality. Evidence from a National Cohort. Journal of the American Medical Association 27(6):737-741.

How does this affect you?

Cost Shifting

- Uninsured pay 35% of the cost of their care
- Total not paid in CO: \$714 million
- Not paid USA: \$43.1 billion
- Government programs pay: 1/3 of the unpaid bill
- 2/3 remains unpaid
- As a result, cost of private health insurance goes up
– in Colorado by 8.2%
- Average Increase in your annual premium:
\$355 individual \$934 family

Health care cost drivers: Price Waterhouse Coopers Study: 2002

- Overall increase: 13.7%
 - Contributing Factors:
 - General inflation: 18%
 - Drugs, medical advances: 22%
 - Rising provider expenses: 18%
 - Regs/mandates (inc. HIPAA) 15%
 - Increasing Consumer Demand: 15%
(includes aging population)
 - Litigation/risk management 7%
 - Other: 5%
- Total = 100% of 13.7%

Source: Price Waterhouse Coopers; Cost of Caring: Key Drivers of Growth on Hospital Care



HealthCare Reform Are We Addressing the Issues?

National Conversation: Medicaid

- Block granting – capped/fixed dollars - HIFA
- President/Congress Proposal:
 - Budget Cuts: \$10 billion over 5 years
 - \$89 million a year for Colorado
- Medicaid Commission
- NGA proposals (reforms, flexibility, no federal cuts)

Current Proposals: Possibilities

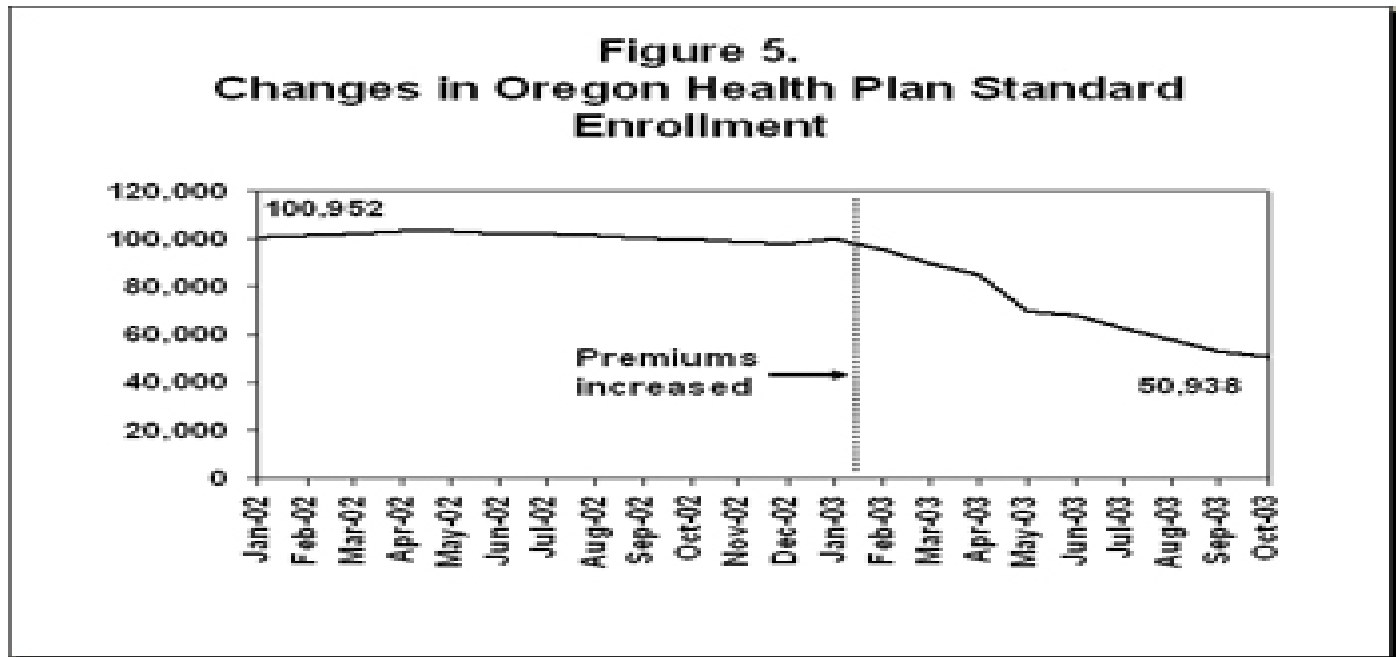
- Streamlined program/easier access
- More integrated system/funding streams
- Cover different populations/reduce uninsured
- Control drug costs (NGA)
- Improve chronic care management (NGA)
- Increased attention to primary care
- Increase provider reimbursement (cost shifting issues here too)
- Program integrity (GAO)

For more information about NGA proposal see Medicaid Reform proposals at: <http://www.nga.org/>

Current Proposals: Concerns

- Risk: Further fragmentation?
- Reducing Services: At What Cost?
 - What happens to Medicaid as safety net?
- Cost sharing:
 - People in Medicaid pay co pays now but not children and not for preventive care
 - What happens when people cannot pay?
 - CHP+ (Colorado experience)
 - Rand Study

Oregon Experience



Source: Center on Budget Policy Priorities: Ku, Leighton, "The Effect of Increased Cost Sharing in Medicaid, A Summary of Research Findings", May 31, 2005

What next? Questions

- Are we looking at the big picture?
- Cost benefits v. cost savings.
- Healthcare system? Health v. health care.
 - Health silos
 - Public programs - integration, eligibility
 - Services: to cover or not to cover?
 - Mental, dental, public health

Medicaid: Purpose and Value

- Safety net for most vulnerable
- Early intervention has social value: we all benefit if people are able to be work, be productive and raise healthy children
- Investment = cost savings (social and economic)

Information:



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