

# Issue Brief – Medicaid Utilization and Caseload Growth

DEPARTMENT OF HEALTH / MEDICAL ASSISTANCE

NUMBER DOH IB 07-20

## SUMMARY

Medicaid is the nation's public health insurance program for low-income people. It was initially created to provide medical assistance to individuals and families receiving cash welfare. Over the years, Congress has incrementally expanded the scope of the program. Today, Medicaid is no longer a welfare program; rather, it is a health and long-term program for a broader population of low-income. Caseload and utilization are two of the primary factors driving annual cost increases.

## OBJECTIVE

The objective of the Utilization and Caseload Growth building block is to provide adequate funding for the estimated increase in caseload and utilization for Medicaid services.

## DISCUSSION AND ANALYSIS

The entire Medicaid program is optional. Once a state chooses to have a Medicaid program, it is required to have a number of mandatory programs and it can elect to have many more optional programs, including waivers to create its own programs (within certain guidelines.) Medicaid is an entitlement program and therefore, all eligible people must be able to receive the services of any given program that is offered and the service provider must be reimbursed.

Medicaid caseload and utilization are two key factors that have a significant fiscal impact on both the federal and state governments.

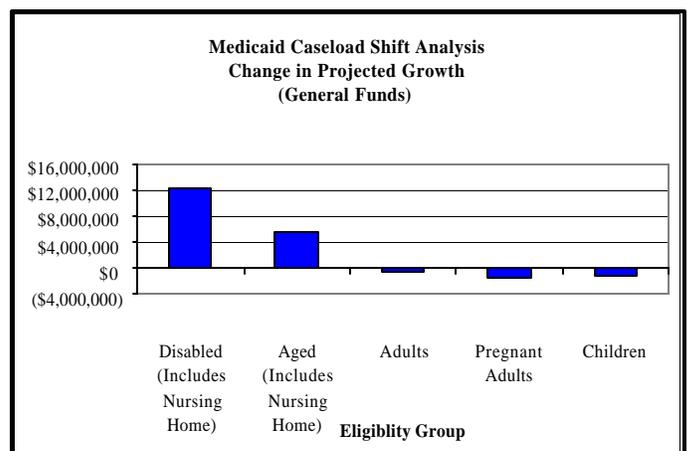
### *Caseload*

Caseload is the number of clients that enroll in the program. More people are eligible than actually enroll in any given program. Factors affecting caseload are:

- **Demographics** – The state's growing population contributes to the overall number. Another element of demographics is the case mix shift between eligible groups and the different services that are used. Younger persons and children require the least services while the elderly and disabled require much more services. Though the aged and disabled account for less than one-third of the total clientele, they account for nearly 80 percent of the expenses.
- **Eligibility criteria** – Changes in eligibility can increase or decrease the caseload.
- **Public Awareness** - The more people who know about a program, the more people will enroll.

The caseload growth for Medicaid services has been relatively stable over the last two years. Prior to FY 2005, Medicaid experienced double digit caseload growth. Increasing costs are primarily the result of a caseload shift to more expensive eligibility groups. The trend shows a significant increase in the number of disabled and elderly. (This is the group that has the highest utilization rate.)

The Table listed below shows the projected funding growth (or reductions) shifting money between the actual enrollment groups for FY 2007. The total number of Medicaid patients may remain relatively stable, but the numbers are shifting toward groups that use the services more often and the services used are more expensive.



### *Utilization*

The utilization growth is the increase in the actual intensity or amount of services the current Medicaid enrollees actually receive beyond the amount received by the enrollees in the prior year.

**Funding Detail**

The Department’s estimates for Medicaid caseload and utilization growth at this time support a request for a budget increase of \$20,309,600 General Fund which would be matched with \$53,049,000 Federal Funds and \$2,566,500 Dedicated Credit Revenue and \$2,597,400 Transfer Revenue.

The 2005 Legislature under funded the caseload and utilization component of Medicaid for FY 2006. A supplemental appropriation near the end of the fiscal year enables the Department to more accurately establish the financial need for the year.

**The General Fund breakdown is:**

**Caseload**

Growth from increase numbers	\$ 0
Growth from case mix shift	\$15,181,400

**Utilization**

Physician Services	\$ 2,092,300
Outpatient Services	\$ 1,589,000
Other Care Services	\$ 1,446,900

<b>TOTAL</b>	<b>\$20,308,600</b>
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**LEGISLATIVE ACTION**

Executive Appropriations included \$10,000,000 in the Senate Bill 1, (State Agency and Higher Education Base Budget Appropriations 2006 General Session) for Medicaid caseload and utilization growth.

**Recommendation**

The Analyst recommends that the Subcommittee approve an additional \$5,000,000 ongoing General Fund which will be matched with \$13,060,100 Federal Funds, \$631,800 Dedicated Credit Revenue and \$639,500 Transfer Revenue. This could leave a budget shortfall to be addressed with a supplemental appropriation during the 2007 Legislature. This will be closer to the end of the next fiscal year and enable the Department to have a more accurate estimate.

**Alternative**

The Legislature could add additional funds to a building block priority list to fully fund the current projected Medicaid caseload and utilization growth with an additional \$5,309,600 ongoing General Fund.

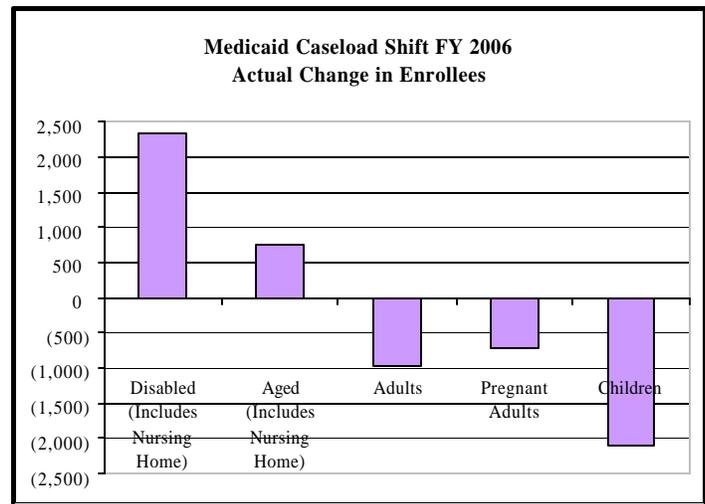
**Supplemental Appropriation**

The Analyst recommends a FY 2006 supplemental appropriation of \$10,750,700 General Fund, to be matched with \$12,898,200 Federal Funds. The 2005 Legislature funded a lower caseload and utilization forecast for FY 2006. A supplemental appropriation is now recommended to fully fund the FY 2006 growth. This supplemental appropriation request also includes a couple of other items that are indirectly caseload growth and utilization.

**FY 2006 Caseload Growth and Utilization**

The trends discussed for the FY 2007 appropriation were begun even before the budgeting period for FY 2006. The supplemental appropriation recommendation includes \$4,500,000 for caseload and utilization. The caseload growth as from the case mix shift, not from raw numbers of new clients. Approximately one third of this \$4.5 million is for utilization cost increases. This will be matched with additional Federal Funds.

The table below shows the shift between the younger and the older and disabled that require much more services.



**Other Funding Considerations Included**

There was an error in the amount of Federal reimbursement received on non-risk managed care contracts since FY 2003. The State must now repay the federal government \$4,650,700 in General Fund. This is a repayment for money received previously. No additional services are provided for this payment. There is also an additional payment for a contractual settlement to a Health Plan for FY 2004. This is an additional \$1,500,000, once again, for services already rendered. These are included in the recommendation.