

FACT SHEET

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Cover Missouri Project: Report 4

Missouri Medicaid Spending Growth: 2001-2005

Missouri's Medicaid expenditures increased by almost 50 percent between 2001 and 2005 (from \$4.2 billion to \$6.3 billion), which corresponds to the experiences of other states' Medicaid programs. Nationally, increases in Medicaid spending, on a per enrollee basis, have been lower than spending increases seen in the private insurance market. From 2001 to 2005, enrollment grew an average 5.3 percent per year primarily due to the economic slowdown during this period. Ultimately, Medicaid expenditure growth during these years was predominantly due to increases in enrollment, especially of disabled individuals, as well as new non-disabled adult enrollees entering the program in poorer health than previous enrollees.

Enrollment Growth

Overall enrollment in Missouri Medicaid from 2001 to 2005 increased from 808,379 to 992,624. The enrollment of the elderly population into Medicaid increased by an average 0.8 percent per year, and enrollment of the disabled population by an average 9.3 percent per year. The high enrollment growth of the disabled population played a major role in the state's Medicaid spending growth. The disabled population enrolled in Medicaid grew by almost 50,000 over the five-year period. The complete research report by the same name, from which this fact

Historic Spending Increases

From 1993 to 1998, Medicaid spending grew by an average 6.0 percent per year, relatively modest in comparison with later years. A major reason for this comparatively low expenditure growth was the slow growth in enrollment, which grew from 508,101 to 585,477 over this six-year period. During this same time period, spending on medical services increased by 8.7 percent per year.

Between 1998 and 2001, Missouri made a concerted effort to expand coverage to children and adults. It obtained a waiver that allowed it to expand coverage for children and parents. Also during this time period, enrollment and spending increased significantly, with enrollment growth averaging 11.4 percent per year and spending on medical services increasing by 16.3 percent per year. Overall spending growth in the Missouri Medicaid program averaged 11.3 percent per year between 1998 and 2001.

Average Annual Changes in Missouri Medicaid Enrollment and Spending, By Group and Per Person, 2001-2005

	Enrollment			Spending Per Enrollee			Total Spending* (in millions)		
	2001	2005	Average Annual Growth	2001	2005	Average Annual Growth	2001	2005	Average Annual Growth
TOTAL	808,379	992,624	5.3%	\$ 4,510	\$ 5,497	5.1%	\$ 3,646	\$ 5,457	10.6%
Elderly	78,300	80,985	0.8%	\$ 13,927	\$ 16,370	4.1%	\$ 1,091	\$ 1,326	5.0%
Disabled	111,943	159,535	9.3%	\$ 13,241	\$ 14,604	2.5%	\$ 1,482	\$ 2,330	12.0%
Adults	172,151	202,060	4.1%	\$ 1,711	\$ 3,121	16.2%	\$ 295	\$ 631	21.0%
Children	445,985	550,044	5.4%	\$ 1,746	\$ 2,129	5.1%	\$ 779	\$ 1,171	10.7%

*Total spending does not include buy-in spending.

Source: Estimates based on Medicaid expenditure data supplied by Missouri Department of Social Services (DSS).

sheet is drawn, details possible reasons for the large growth in this population. From 2001 to 2005, the number of non-disabled adults receiving Medicaid benefits increased by 4.1 percent per year and the number of children by an average 5.4 percent per year. Much of the growth in Medicaid coverage of adults and children over this period is attributable to the economic slowdown, which contributed to job loss and decreased incomes. Therefore, more people became eligible for Medicaid even without an actual change in eligibility guidelines. In addition to declines in incomes, the overall rate of employer-sponsored insurance (ESI) fell from 34.0 percent in 2000 to 26.4 percent in 2004 for those below 200 percent of the federal poverty level (FPL), i.e., \$37,700 per year for a family of four in 2004.

Expenditure Growth

Spending on the elderly Medicaid population increased by an average 5.0 percent per year from 2001 to 2005. Spending on the disabled population increased by an average 12.0 percent per year, largely reflecting the rapid growth in the enrollment of this population. Spending on children increased from \$779 million to \$1.2 billion, an average annual increase of 10.7 percent. Surprisingly, Medicaid expenditures for the non-disabled adult population increased annually by an average 21.0 percent. This population of non-disabled adults enrolling in Medicaid, which reached 202,060 in 2005, may be the same group losing ESI coverage because of the economic slowdown. It is also probable that those who lost ESI and had significant medical needs were more likely to take the steps to enroll in Medicaid, resulting in an increase in the average per person cost.

Overall Medicaid spending on medical services grew by 10.6 percent per year. Interestingly, acute care spending increased by an average 13.8 percent per year, while long-term care

increased by 5.4 percent per year. Spending growth on acute care services was led by rapid cost increases in pharmaceuticals (16.4% per year), managed care (16.0% per year), and physician services (17.2% per year).

Missouri Medicaid's long-term care spending increased by an average 5.4 percent per year, while spending on nursing facilities grew by only 3.0 percent per year and spending per enrollee on nursing facilities fell by an average 2.2 percent per year. This slow rate of growth reflects a period when the state's Upper Payment Limit (UPL) program, which increased payments to nursing homes, was curtailed by the federal government.

Expenditures on mental health services and in-home care reflect services to enrollees with developmental disabilities or mental health conditions that can be cared for in the home or in the community. In-home services are also provided to people with other disabilities and to the elderly. In both of these areas spending increases averaged approximately 10 percent per year. However, these expenditures may have helped the state reduce overall spending by keeping people out of costlier nursing facilities or state institutions.

Deconstructing Expenditure Growth

Medicaid expenditures grew by \$1,811 million between 2001 and 2005. Of this, 81.1 percent was due to the growth in acute care spending, and only 18.9 percent to long-term care expenditures.

The data also show that the disabled account for almost 50 percent of all Medicaid expenditure growth during this time period. This reflects both increased enrollment and increased spending on services. The increased expenditures on adults accounted for only 18.6 percent of all Medicaid spending growth, despite the rapid increase in spending on a per enrollee basis. The fairly large growth in the number of children contributed to the 21.7 percent increase in the share of expenditure growth due to children. Only 13.0 percent of the expenditure growth is for spending on the elderly, but again this reflects the phaseout of UPL programs.

Share of Missouri Medicaid Spending Growth, 2001-2005		
	Growth in Spending* 2001-2005 (in millions)	Percentage of Growth
TOTAL	\$1,811	100.0%
Acute Care	\$1,469	81.1%
Long-Term Care	\$ 343	18.9%
Elderly	\$ 235	13.0%
Disabled	\$ 848	46.8%
Adults	\$ 336	18.6%
Children	\$ 392	21.7%

*Total spending does not include buy-in spending.
Source: Estimates based on Medicaid expenditure data supplied by Missouri DSS.

Conclusion

Missouri Medicaid spending growth over the last few years was tied to a rapid growth in enrollment related to a decline in incomes and lower rates of ESI. These factors led to an increase in Medicaid enrollment among non-disabled adults and children. The waiver that expanded eligibility increased the pathways into Medicaid for low-income individuals losing employment and insurance coverage. Fairly rapid growth in the disabled population, as well as increased case mix acuity among the non-disabled adult population also contributed. State efforts to contain costs on a per enrollee basis seemed to have been reasonably successful. From 2001 to 2005, Missouri Medicaid growth rates remained similar to the underlying rate of inflation. Other than for adults, spending growth per enrollee was fairly modest. The evidence seems to suggest that the state was successful in controlling acute care expenditures over this time period. The expenditure data for Missouri's Medicaid program show an increase slightly more than the overall rate of inflation and less than the national rate of expenditure growth for the privately insured.

About This Fact Sheet

The information presented here is taken from *Cover Missouri Project: Report 4: Missouri Medicaid Spending Growth: 2001-2005*, written by John Holahan, PhD, Director, and Mindy Cohen, MPH, Research Associate, at The Urban Institute's Health Policy Research Center in Washington, DC. This report is the fourth in a series of research papers about the uninsured in Missouri prepared by The Urban Institute and published by the Missouri Foundation for Health.

The complete report is available online at www.mffh.org. Printed copies of this Fact Sheet are available upon request while supplies last. Please contact the MFH Health Policy staff at info@mffh.org or toll-free at 1-800-655-5560.



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