

Is Medicaid Sustainable?

Spending Projections for the Program's Second Forty Years

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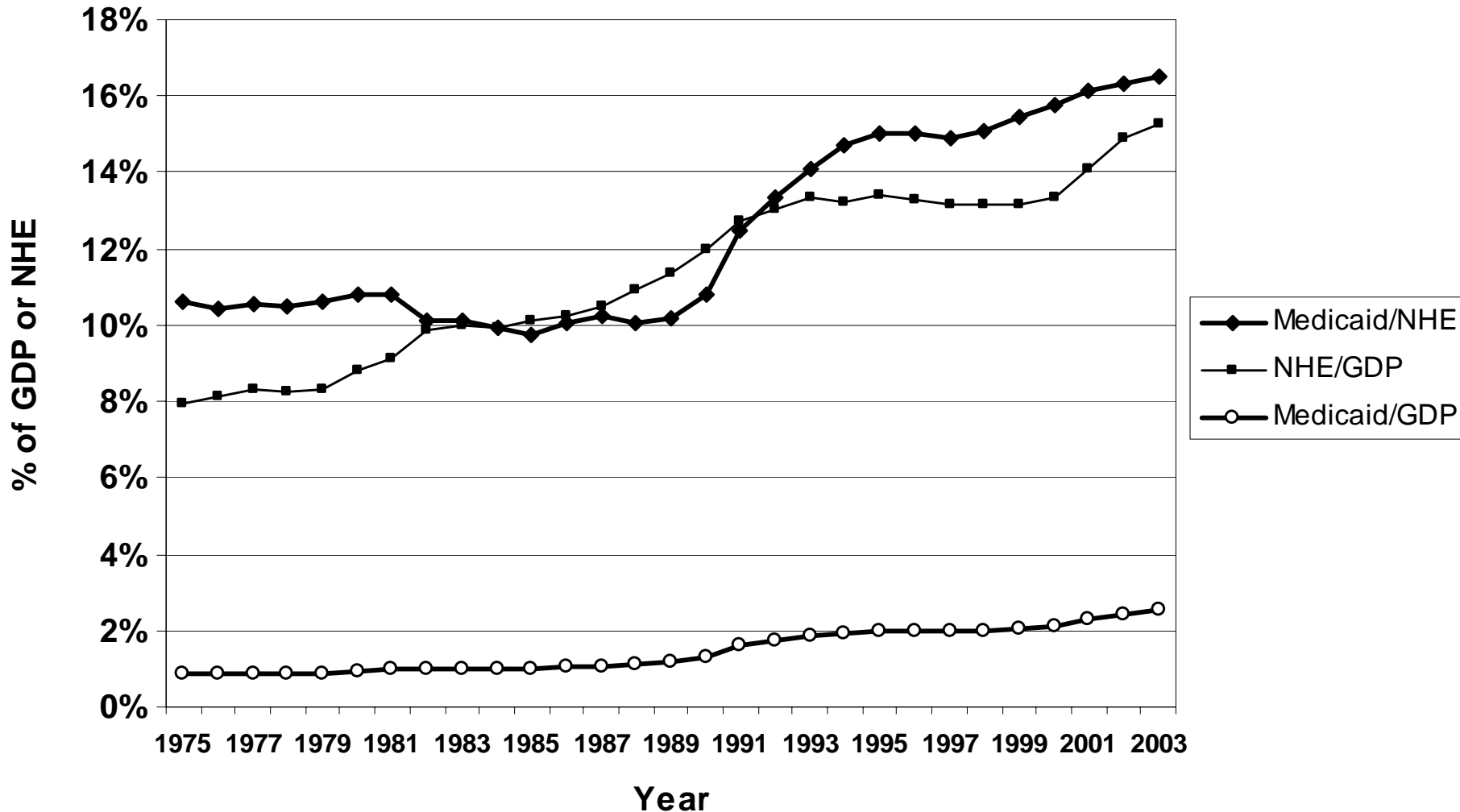
Overview

- Medicaid “sustainability” debate has proceeded without the benefit of carefully constructed long-term projections of program spending. Goal is to fill that gap by producing projections of Medicaid expenditures from 2005 through 2045
 - Begin with analysis of historical Medicaid spending from 1975-2003
 - Project spending forward from 2005-2045
 - Review projections in relation to expected available Federal and State resources to fund program

The History

Figure 2

Medicaid Spending as a share of National Health Expenditures (NHE), NHE as a Share of Gross Domestic Product (GDP), and Medicaid as a Share of GDP, 1975-2003



Source: Authors' analysis of data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 1.

Figure 3

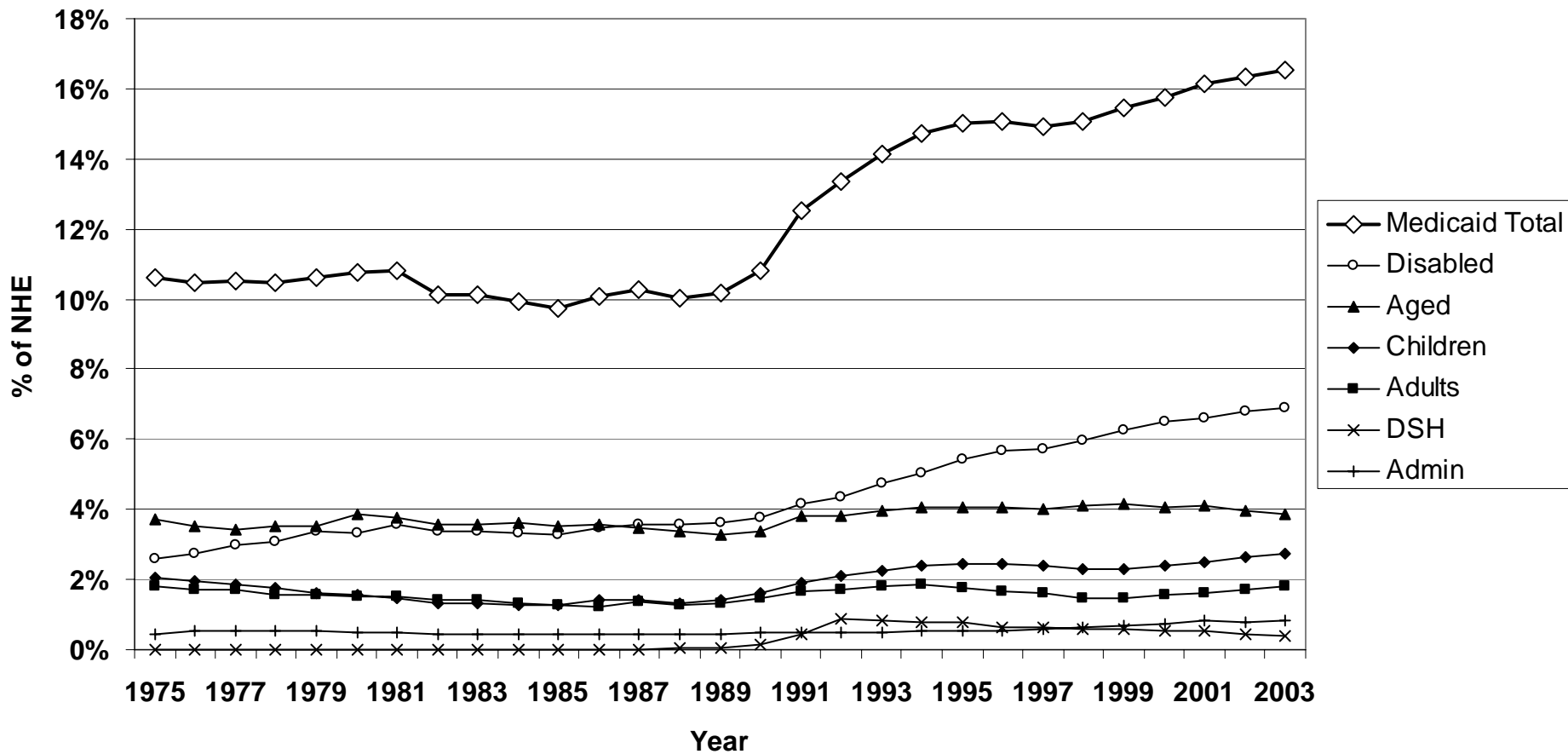
Portion of Increase in Medicaid/GDP that Is Attributable to Increase in Medicaid/NHE and Portion that Is Attributable to Increase in NHE/GDP, 1975-2003

	Time Period				1975-2003
	1975-1989	1989-1993	1993-2000	2000-2003	
Portion of growth in Medicaid as a share of GDP due to increase in Medicaid as a share of NHE	-14.2%	67.0%	99.8%	26.5%	40.8%
Portion of growth in Medicaid as a share of GDP due to increase in NHE as a share of GDP	114.2%	33.0%	0.2%	73.5%	59.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Total percentage point increase in Medicaid as share of GDP	0.3%	0.7%	0.2%	0.4%	1.7%

Source: Authors' analysis of data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 2.

Figure 4

Total Medicaid Spending and Spending by Category of Assistance, as a share of National Health Expenditures (NHE), 1975-2003



Source: Authors' analysis of data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Technical Appendix Exhibit A-1.

Figure 5

Medicaid Spending as a Share of NHE by Category, 1975 and 2003

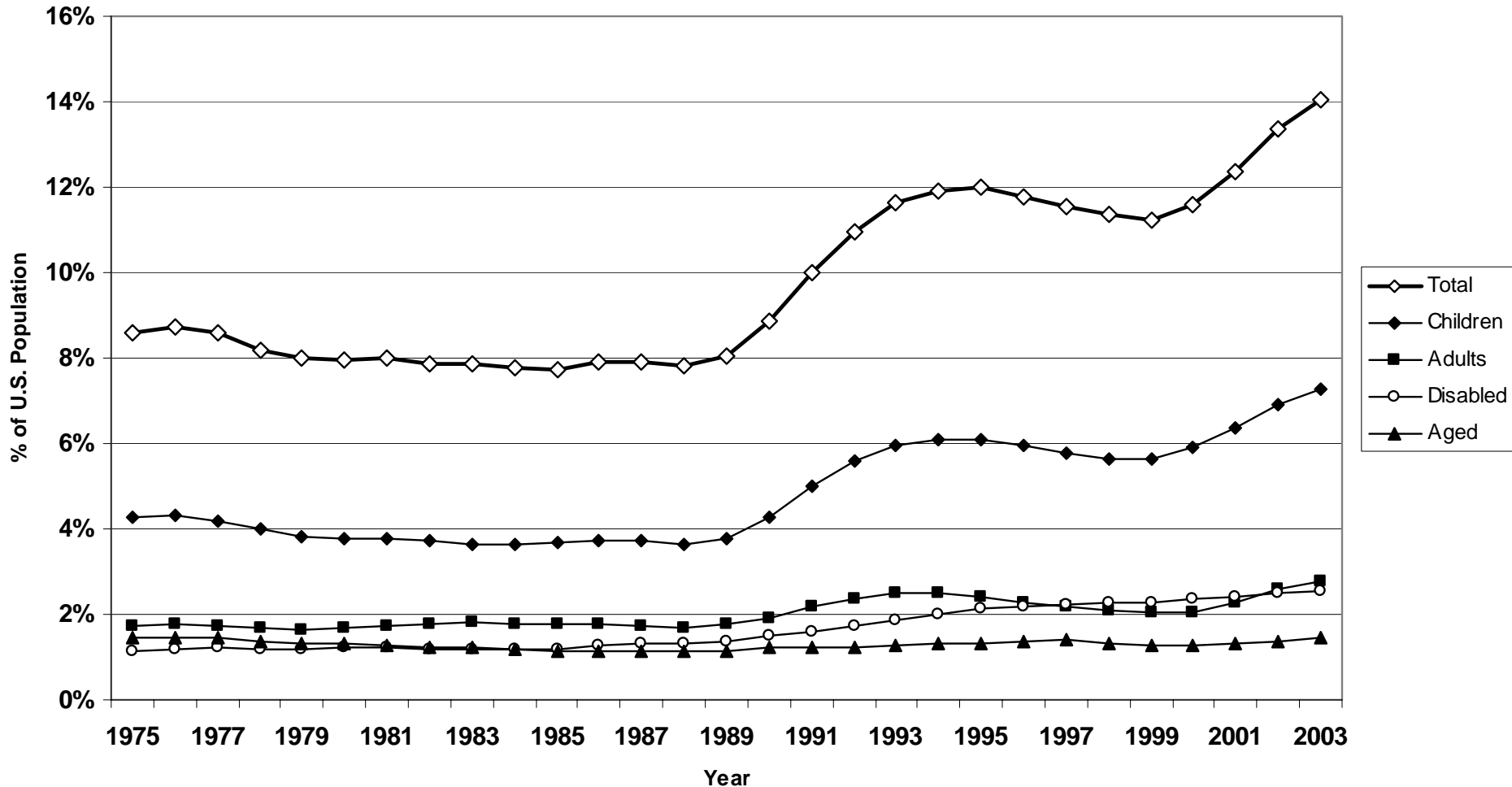
	1975	2003	Difference*	Share of Increase in Medicaid/NHE
Children	2.0%	2.7%	0.7%	11.5%
Adults	1.8%	1.8%	0.0%	-0.3%
Disabled	2.6%	6.9%	4.3%	72.8%
Aged	3.7%	3.9%	0.2%	3.0%
DSH	0.0%	0.4%	0.4%	7.0%
Administration	0.5%	0.8%	0.4%	6.0%
Total	10.6%	16.5%	5.9%	100.0%

* Percentage points.

Source: Authors' analysis of data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 3.

Figure 6

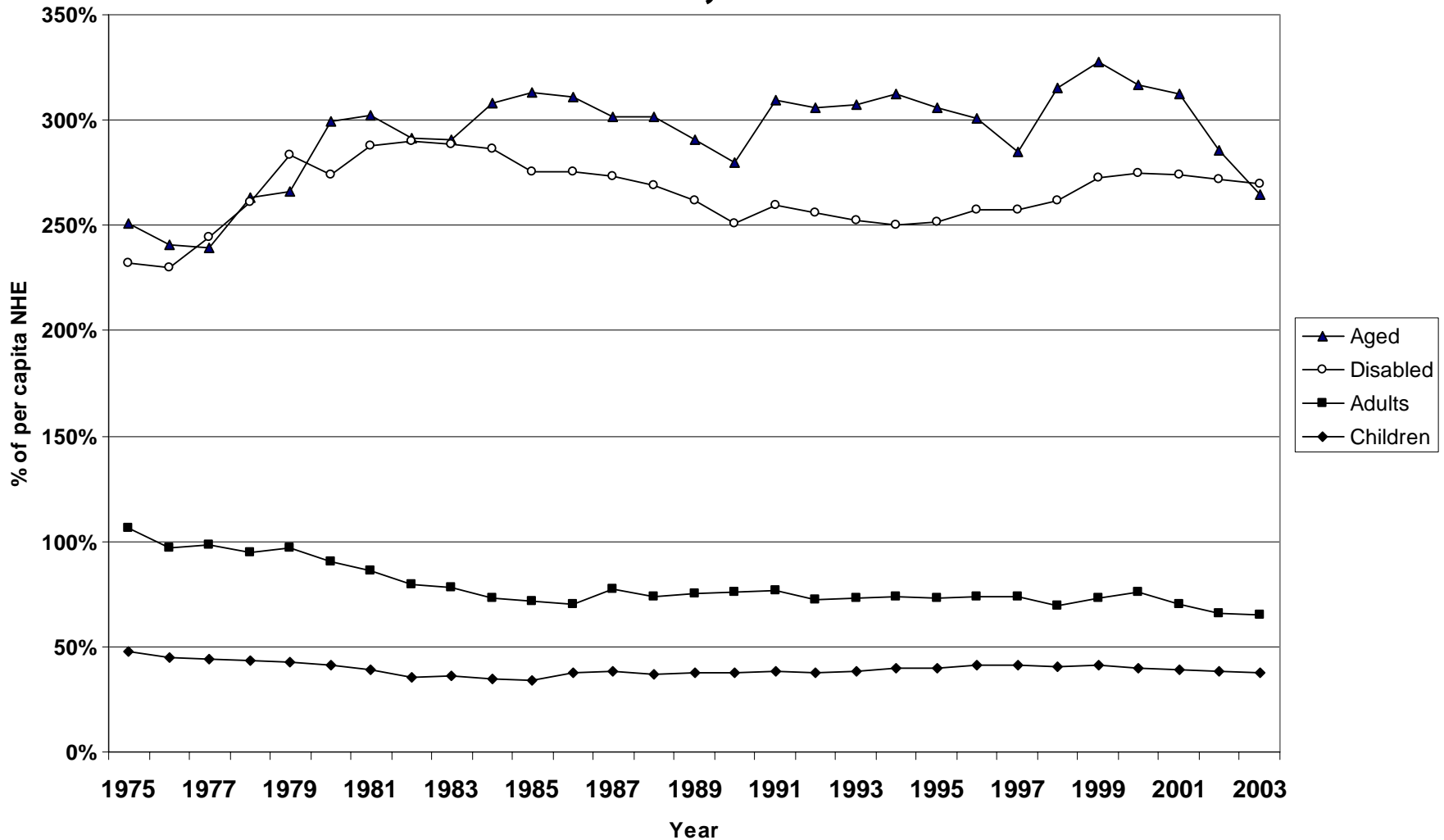
Medicaid Enrollment as a share of the US Population, by Category of Assistance, 1975-2003



Source: Authors' analysis of data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 4.

Figure 7

Medicaid Spending per Enrollee as a Percentage of NHE/capita, by Category of Assistance, 1975-2003

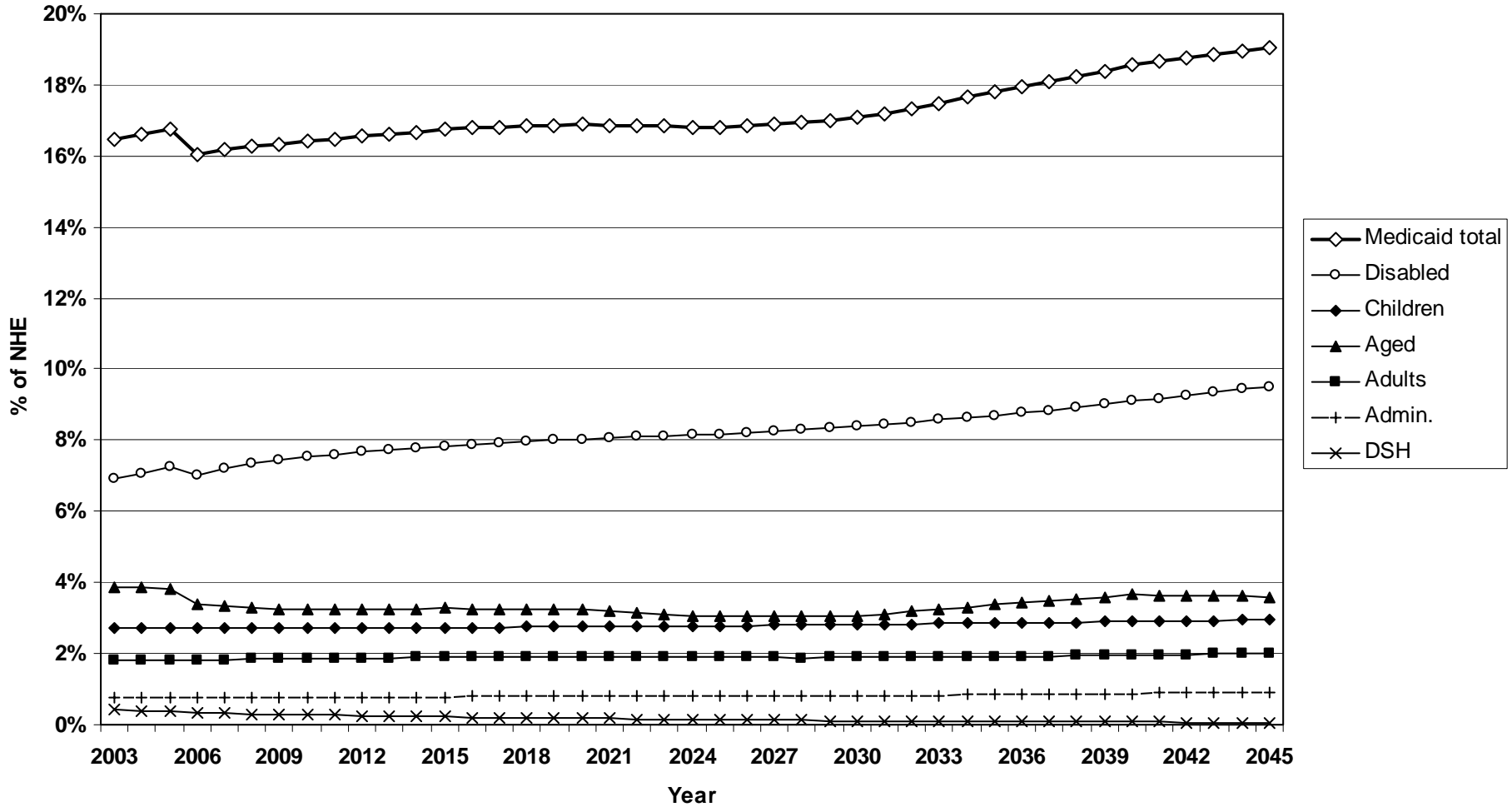


Source: Authors' analysis of data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 5.

The Projections

Figure 8

Projected Medicaid Expenditures as a share of NHE, Total and by Group, 2005-2045

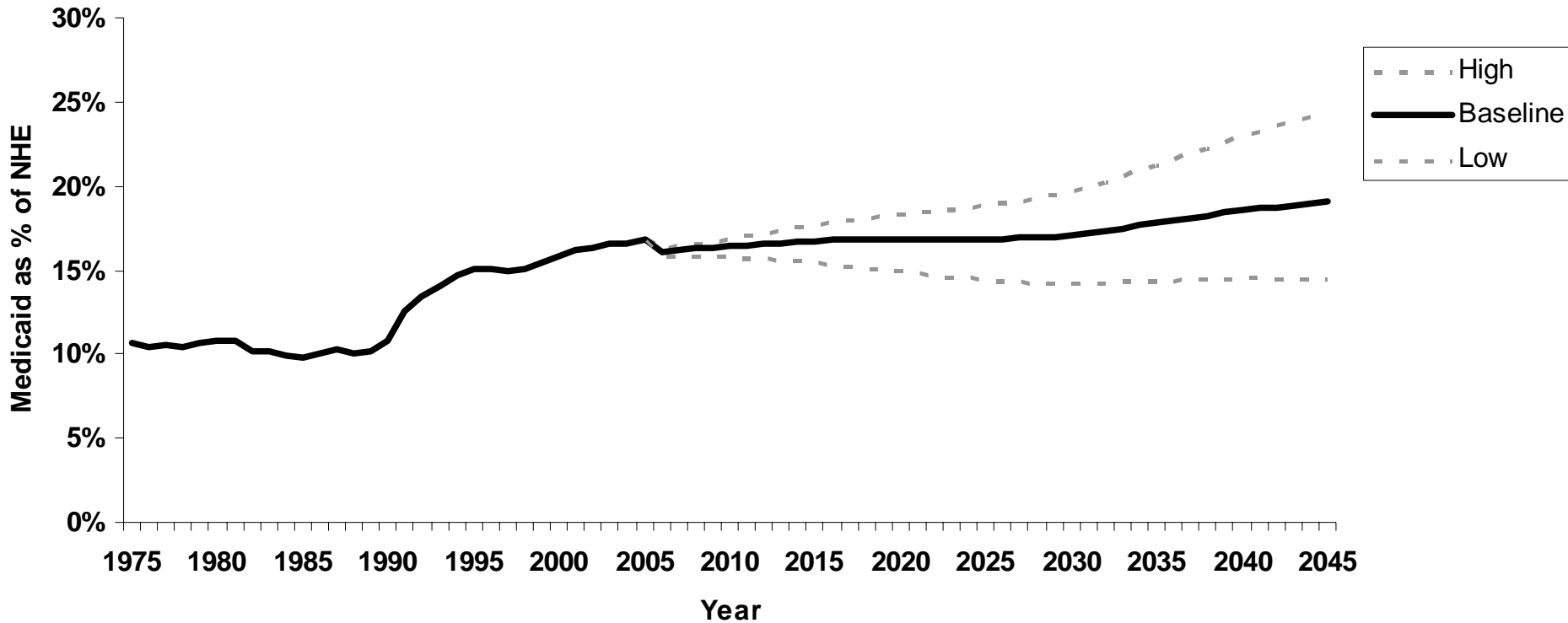


Source: Authors' projections based on data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 7.

Figure 9

Sensitivity Analysis

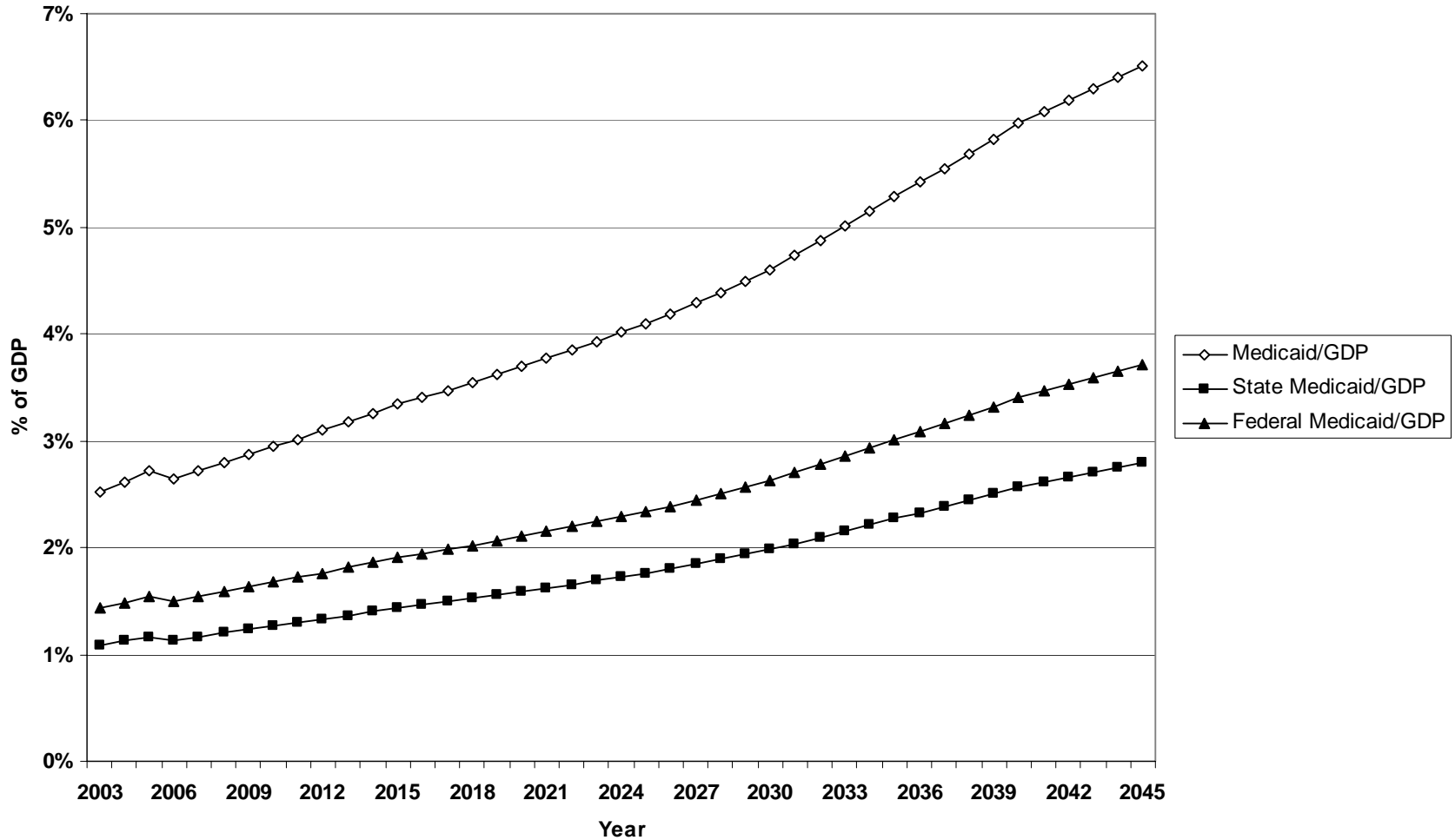
Effect of Alternate Assumptions on Medicaid/NHE



Source: Authors' projections based on data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Exhibit 8.

Figure 10

Projected State and Federal Medicaid Spending as a share of GDP, 2005-2045

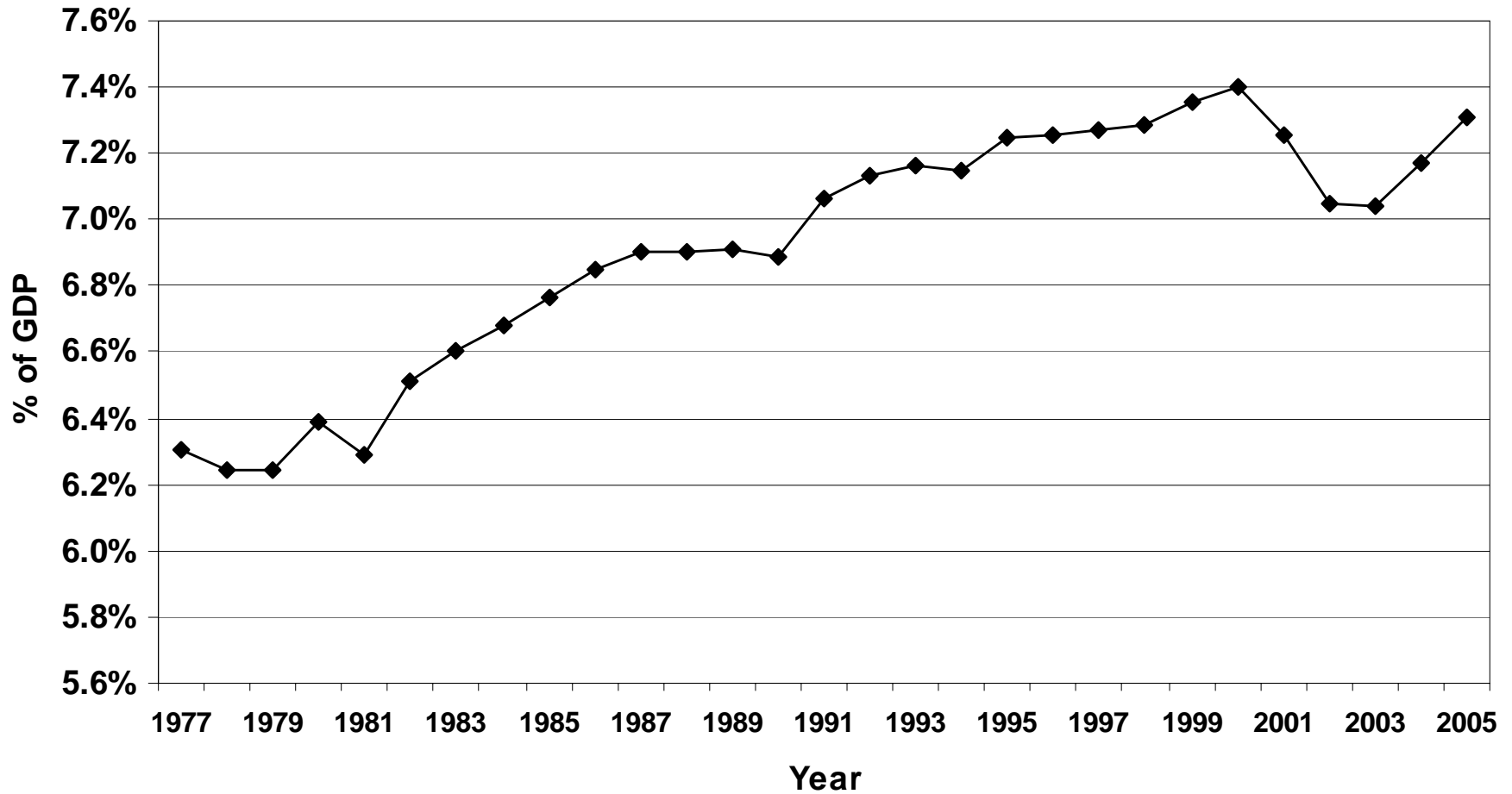


Source: Authors' projections based on data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Bureau of the Census's Current Population Survey. Technical Appendix Exhibit A-12.

State and Federal Ability to Meet Future Need

Figure 11

State own-source revenue as a share of GDP, 1977-2005



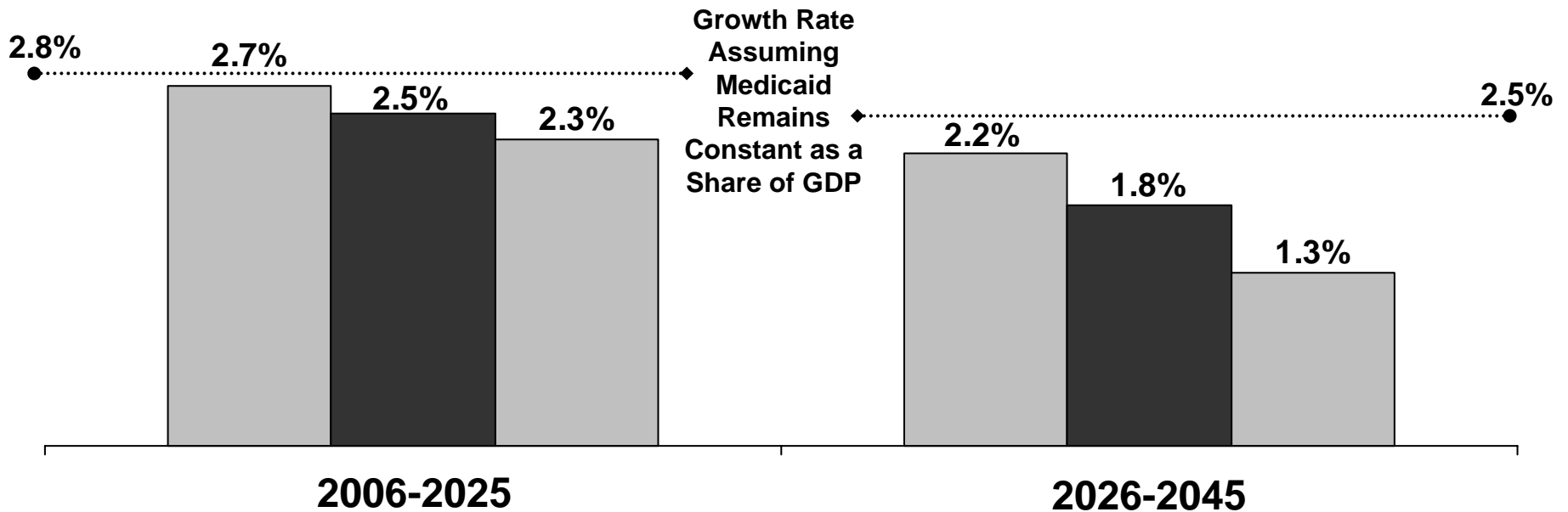
Source: Authors' analysis of data provided by the Nelson A. Rockefeller Institute of Government, State University of New York, and the U.S. Census Bureau. Technical Appendix Exhibit A-16.

Figure 12

Projected Real Annual Growth Rates of State Revenues for Services Other Than Medicaid if State Revenues Grow at Historical Rates, 2006-2045

Alternative Medicaid/NHE Projection Scenarios

■ Low ■ Intermediate ■ High



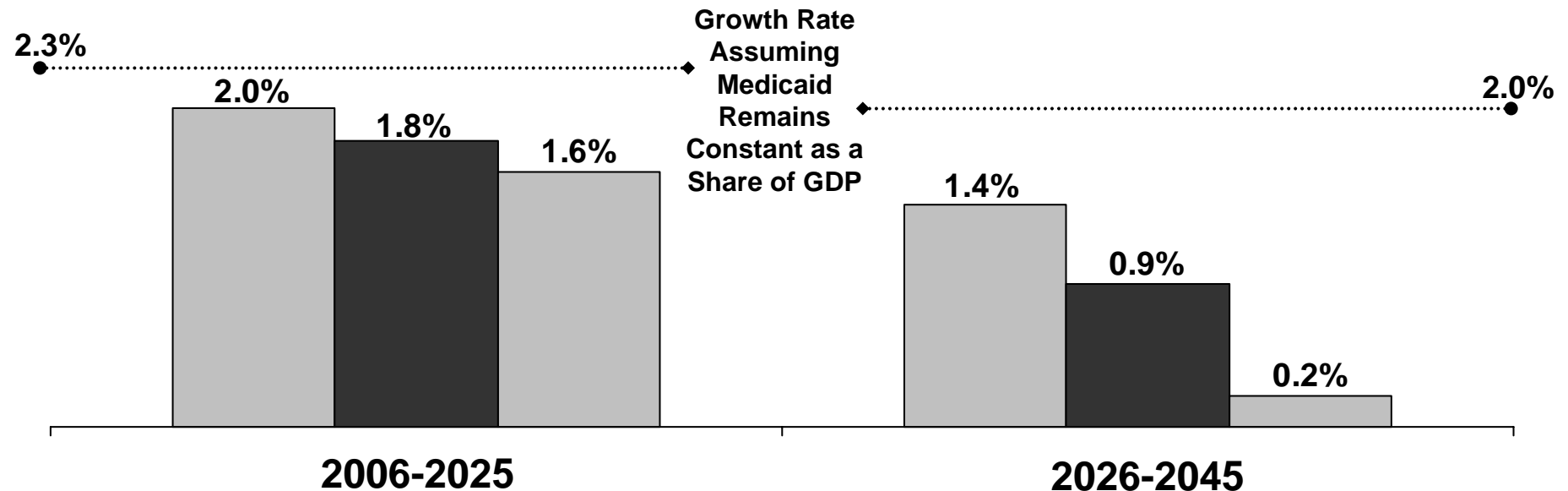
Source: Authors' projections based on data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Census Bureau's Current Population Survey, the Nelson A. Rockefeller Institute of Government, State University of New York, and the U.S. Census Bureau. Exhibit 9.

Figure 13

Projected Real Annual Growth Rates of State Revenues for Services Other Than Medicaid if State Revenues Remain Constant at 7.3%/GDP, 2006-2045

Alternative Medicaid/NHE Projection Scenarios

□ Low ■ Intermediate □ High



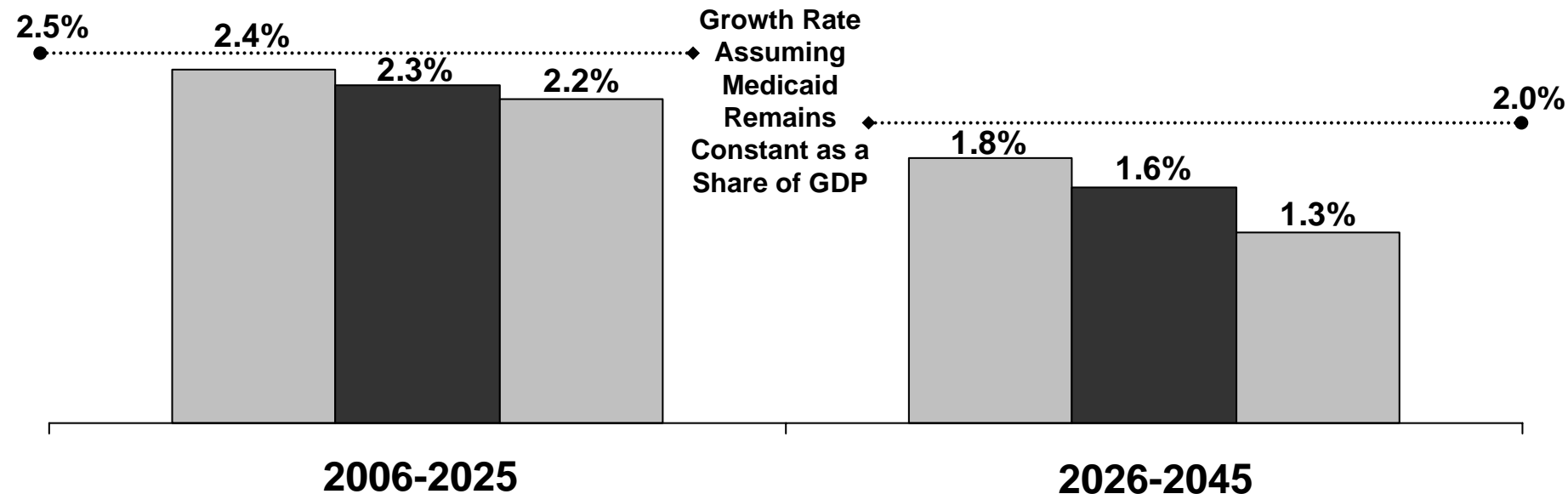
Source: Authors' projections based on data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Census Bureau's Current Population Survey, the Nelson A. Rockefeller Institute of Government, State University of New York, and the U.S. Census Bureau. Exhibit 9.

Figure 14

Projected Real Annual Growth Rates of Federal Revenues for Services Other Than Medicaid if Federal Revenues Follow CBO Projections, 2006-2045

Alternative Medicaid/NHE Projection Scenarios

■ Low ■ Intermediate ■ High



Source: Authors' projections based on data from HCFA/CMS-64, HCFA-2082, the Medicaid Statistical Information System (MSIS), CMS Office of the Actuary-National Health Accounts, the Medicare and Medicaid Statistical Supplement, the Social Security Administration, the Lewin/ICF Long Term Care Financing Model, and U.S. Census Bureau's Current Population Survey, the Nelson A. Rockefeller Institute of Government, State University of New York, and the U.S. Census Bureau. Exhibit 9.

Summary and Conclusions

- From 1975 to 2003, Medicaid grew from 0.8% to 2.5% of GDP.
 - Approximately 60% of that growth was because National Health Expenditures (NHE) grew as a share of GDP, and 40% was because Medicaid grew as a share of NHE.
 - Medicaid grew from 10% of NHE in 1975 to 16.5% in 2003, primarily due to increasing numbers of Medicaid recipients with disabilities.

Summary and Conclusions (cont.)

- Despite the anticipated decline in employer-sponsored insurance and the long term care needs of the baby boomers, we project that Medicaid spending as a share of NHE will remain almost constant from 2005 to 2025 at 16.6%, and then increase very slowly to 19% of NHE by 2045.
- Growth in state and federal government revenues is projected to be large enough to sustain both Medicaid spending increases and substantial real growth in spending for other services, though some states in some years will certainly experience fiscal pressure during future recessions.
- Policymakers concerned about the sustainability of Medicaid might be better served by a focus on the rate of health care cost growth more generally, and not on Medicaid in particular.