

Medicaid Cost Trends

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Summary of Findings

- Nationwide Medicaid expenditures have increased every year since the program's 1966 inception.
 - The lone exception was a decrease of 1% in 2006 (versus 2005), attributable to the switch of dual eligibles' medications into Medicare Part D. When that \$23 billion shift is adjusted for (which we have done in this report), 2006 expenditures were 7% above 2005.
 - The average annual expenditure increase was 11.9% across a 45 year period. (1966-1967 was excluded as Medicaid was in a ramp-up mode with an expenditure increase of 141%.)
- Medicaid expenditures have grown 2.5 percentage points faster per year than national health expenditures since 1967.
- By decade, Medicaid expenditure growth was highest during the 1970's; growth has been relatively slower since 2000 and especially modest since 2010.
- Average annual Medicaid spending has increased more rapidly under Republican presidents than under Democratic presidents.
- Average Medicaid spending has increased faster in years when Democrats held more Governorships and when Democrats controlled more State legislatures.
- Fluctuations in the national economy (assessed through each year's unemployment rate) have no clear correlation with annual Medicaid percentage expenditure increases.
- PMPM Medicaid costs averaged a 5.0% annual increase across the 2003-2010 timeframe.

Medicaid Nationwide Spending Growth by Decade

Years or Decade	Medicaid Spending as % of National Health Expenditures
1968-1969	6.2%
1970's	9.5%
1980's	9.6%
1990's	13.4%
2000's	14.8%
2010-2012	15.2%

Years or Decade	Number of Years	Average % Increase In National Medicaid Spending vs. Prior Year
1968-1969	2	15.3%
1970's	10	18.4%
1980's	10	10.8%
1990's	10	11.7%
2000's	10	8.3%
2010-2012	3	3.9%

- Medicaid's growth should be viewed in the context that national health expenditures have increased every year.
- As shown, at left, Medicaid spending is increasing more rapidly than national health spending; Medicaid's share of national health spending has steadily increased over time.
- Regarding average annual expenditure trends from 1967-2012, Medicaid has increased 2.5 percentage points faster per year than non-Medicaid health spending.
- Annual Medicaid expenditure growth has been much smaller during the past 20 years than in the prior decades.
- Until 1994, there were only 4 years -- out of 26 -- where Medicaid spending increased by less than 10% versus the prior year.
- Conversely, since 1994 there have been only 2 years -- out of 19 -- where spending increased by 10% or more versus the prior year.

To Date, National Medicaid Expenditures Have Risen Faster Under Republican Presidents and During Years of Greater Democratic Control of State Governorships and State Legislatures

Presidential Political Party	Number of Years	Average National Medicaid Expenditure Increase vs Prior Year
All Years, 1968 - 2012	45	11.9%
All Years with Democrat Led Administration	17	9.1%
All Years with Republican Led Administration	28	13.5%
First Two Years, Democrat Led Administration	6	10.7%
First Two Years, Republican Led Administration	6	14.9%
Year 3 and Above, Democrat Led Administration	11	8.3%
Year 3 and Above, Republican Led Administration	22	13.1%

Governorship Percentage by Party	Number of Years	Average National Medicaid Expenditure Increase vs Prior Year
Large Republican Majority (65%+ of States)	3	5.3%
Republican Majority (55% - 64% of States)	9	8.8%
Fairly Even Split (45% - 54%)	9	10.2%
Democrat Majority (55% - 64% of States)	17	15.1%
Large Democrat Majority (65%+ of States)	7	13.0%
Total	45	11.9%

State Legislature Control by Party (Percentage of States)	Number of Years	Average National Medicaid Expenditure Increase vs Prior Year
Large Republican Majority (65%+ of States Under Republican Control)	0	na
Republican Majority (55% - 64% of States Under Republican Control)	2	2.9%
Fairly Even Split (45% - 54%)	16	8.8%
Democrat Majority (55% - 64% of States Under Democrat Control)	8	16.0%
Large Democrat Majority (65%+ of States Under Democrat Control)	19	13.6%
Total	45	11.9%

Medicaid Annual Spending Growth Rates Have Not Been Correlated With Performance Fluctuations In The National Economy

Unemployment Rate Range	Number of Years	Average National Medicaid Expenditure Increase vs Prior Year	Average National Medicaid Expenditure Increase, Two Years Later
< 5.00 %	10	11.1%	12.9%
5.00% - 6.99%	20	13.1%	12.9%
7.00% and above	15	10.7%	9.6%
Total	45	11.9%	11.8%

Medicaid costs are driven by the aged, blind, and disabled eligibility categories -- where eligibility is not related to performance of the national economy.

In years with a high unemployment rate, Medicaid spending has not risen faster in comparison to the prior year. Looking at the cost trend another year later after a year of high unemployment (based on theory that there is a lag between employment loss and Medicaid coverage acquisition), there still is no evidence of a particularly sharp spending increase.

On A Per Member Per Month (PMPM) Basis, Medicaid Costs Increased 5% Per Year, On Average, From 2003-2010

Major Eligibility Group (dual eligibles excluded)	2003	2010	Average Annual % Change, 2003-2010
PMPM Cost			
Children	\$137	\$192	4.9%
Adults	\$208	\$295	5.1%
Blind/Disabled	\$1,090	\$1,512	4.8%
Average Eligibles			
Children	20,117,408	25,569,528	3.5%
Adults	9,152,909	12,810,478	4.9%
Blind/Disabled	4,368,299	5,102,669	2.2%

Source of all tables in report is Menges Group tabulations using website data (annual National Health Expenditures data, tables showing political party distributions, etc.). Above table draws upon CMS MSIS data files. Average eligibles derived as total covered months divided by 12.

- Medicaid covers approximately two children for each adult among those who are non-duals and are not disabled.
- PMPM costs increased equally among the three population groups assessed.
- Considerable eligibility growth occurred in all major eligibility groups; this growth was sharpest among non-disabled adults and slowest among the non-dual disabled subgroup.
- Average per capita annual Medicaid costs among non-dual disabled persons exceeded \$18,000 as of 2010.