

Medicaid Watch

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Part III: Non-Elderly Adult Medicaid Spending

How Maine Spends \$212 Million More than the US Average to Cover a Similar Number of Non-disabled, Non-elderly Adults

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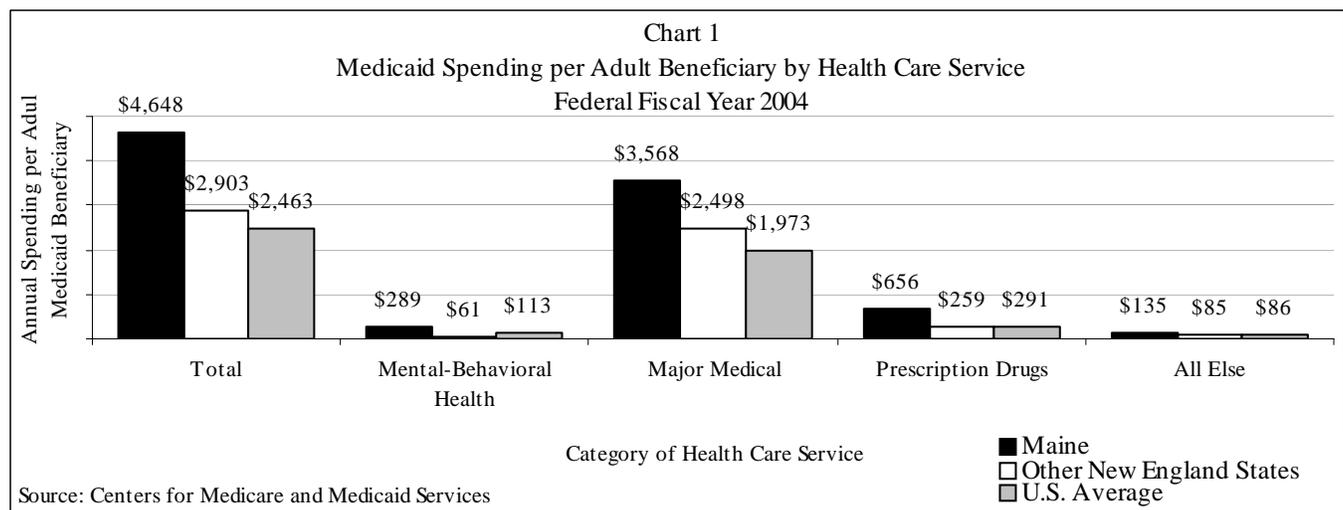
Recently, Maine state revenue forecasters projected a \$95 million budget gap for the current biennium. As the Legislature goes into session in January 2008, Medicaid and Medicaid spending will be at the forefront of debate as lawmakers once again to balance the budget. Before making Medicaid reforms, policymakers must understand how Maine's Medicaid spending is higher. This series compares Maine Medicaid spending to the U.S. average and the average of the other New England states.

Maine has the second highest spending per non-elderly adult Medicaid beneficiary (19-64 years old) of the 50 states and the District of Columbia. Maine is 89 percent more expensive per adult Medicaid beneficiary than the U.S. average, or \$4,648 per adult compared to the U.S. average \$2,463. Maine is 62 percent more expensive per adult Medicaid beneficiary than the other New England states, which average \$2,903.[1,2] In 2004, Maine Medicaid spent over \$450 million to cover almost 97,000 non-elderly adults. This spending level gave Maine the largest adult Medicaid program in the country, despite Maine's lower than average rate of adults in poverty.[3,4]

In the five years from 1999 to 2004, Medicaid spending for non-elderly adults increased 451 percent, to over \$450 million from \$81 million. The spending increase was due, in part, to the number on non-elderly adults on Medicaid increasing 257 percent, to 97,000 from 27,000. Spending per non-elderly adult beneficiary grew by 54 percent in Maine, more than twice the rate of medical inflation, compared to the U.S. average of 20 percent, which was less than medical inflation.

Maine Medicaid could save almost \$212 million with average spending for every adult on Medicaid or save \$169 million if spending were at the average for the other New England states.

- Maine spends 155 percent more on mental and behavioral health services for adults than the U.S. average - \$289 per adult Medicaid beneficiary compared to \$113 (see Chart 1 and Table 1). Having average spending would save \$17 million. [5]
- Maine spends 81 percent more on major medical care per adult Medicaid beneficiary than the U.S. average - \$3,568 compared to \$1,973. Having average spending in this area would save \$154 million.
- Maine spends 125 percent more on prescription drugs per adult Medicaid beneficiary than the U.S. average -- \$656 to \$291. Average spending would save Maine Medicaid \$35 million.



Maine’s Behavioral and Mental Health Spending

Maine is the sixth highest spending per adult beneficiary on mental and behavioral health services of states. The spending is two and a half times the U.S. average, at \$289 per adult Medicaid beneficiary compared to \$113 (see Chart 1 and Table 1). The other New England states average \$61 per adult beneficiary. If Maine had average spending on mental and behavioral health services for adults, Maine Medicaid would save almost \$17 million.

By any measure, Maine has very high mental and behavioral health costs and utilization for non-elderly adults on Medicaid. Maine adults access home and community-based care at the same rates as their peers in other states, but at seven times the cost per user.[6] Personal care services are used 20 times more

often by Maine adults than the U.S. average. Therapy services are used 10 times more often by Maine adults at 17 percent higher costs per user. Targeted case management services are used by Maine adults on Medicaid at almost three times the U.S. average with costs per user over four-times the U.S. average.

Maine’s Major Medical Spending

Maine spends 81 percent more than the U.S. average on major medical services per adult Medicaid beneficiary, \$3,568 for Maine compared to the U.S. average of \$1,973. These major medical services include inpatient, outpatient, physician, primary care case management (PCCM), Health Maintenance Organization managed care (HMO), clinic and lab and x-ray services. Maine spends 43 percent more than the other New

Table 1
Maine Adults - Medicaid Spending and Utilization Compared to US Average
Federal Fiscal Year 2004

	Users		Spending		Cost per Beneficiary		Cost per User of Health Care Service		Users per 1,000 Adults on Medicaid		Savings to Maine Medicaid Budget if Maine Had Average Costs and Utilization		Maine Compared to U.S. Average (US=100%)		
	Maine	U.S. Average	Maine	U.S. Average	Maine	U.S. Average	Maine	U.S. Average	Maine	U.S. Average	Cost per User	Utilization	Cost per User	Utilization	
Total	96,956		\$450,691,551		\$4,648	\$2,463	\$4,648	\$2,463					\$211,875,401	189%	N/M
Major Medical															
Inpatient	11,339		\$153,444,838		\$1,583	\$548	\$13,532	\$4,403	117	125	\$100,272,277		307%	94%	
Outpatient	64,665		\$134,114,175		\$1,383	\$197	\$2,074	\$657	667	300	\$115,002,191		316%	222%	
Physician	51,994		\$20,909,560		\$216	\$215	\$402	\$534	536	403	\$46,852		75%	133%	
PCCM	85,661		\$2,048,049		\$21	\$8	\$24	\$70	884	112	\$1,287,048		34%	790%	
HMO-Capitation	0		\$0		\$0	\$817	N/A	\$1,692	N/A	483	-\$79,256,063		N/A	N/A	
Clinic	34,598		\$27,141,067		\$280	\$111	\$784	\$455	357	243	\$16,416,970		172%	147%	
Lab & X-ray	52,684		\$8,327,835		\$86	\$77	\$158	\$190	543	402	\$904,483		83%	135%	
Subtotal			\$345,985,524		\$3,568	\$1,973					\$154,673,757		181%		
Mental & Behavioral															
Mental Health-Inpatient	31		\$303,844		\$3	\$3	\$9,801	\$5,916	0.3	0.5	\$22,315		166%	65%	
Other Home and Community-based Care	10,789		\$17,401,738		\$179	\$24	\$1,613	\$218	111	112	\$15,039,403		739%	100%	
Personal Care	1,020		\$2,212,306		\$23	\$3	\$2,169	\$5,304	10.5	0.5	\$1,958,676		41%	2133%	
Targeted Case Mgt	3,961		\$6,160,775		\$64	\$6	\$1,555	\$373	41	15	\$5,614,439		417%	271%	
Rehab	99		\$985,853		\$10	\$14	\$9,958	\$1,156	1.0	12	-\$374,951		862%	8%	
Therapy	2,964		\$999,856		\$10	\$1	\$337	\$287	31	3	\$921,580		117%	1088%	
PHP-Capitation	0		\$0		\$0	\$63	N/A	\$229	-	275	-\$6,101,383		N/A	0%	
Subtotal			\$28,064,372		\$289	\$113					\$17,080,079		255%		
Dental	12,616		\$4,517,379		\$47	\$32	\$358	\$362	130	87	\$1,458,041		99%	149%	
Drugs	75,105		\$63,567,585		\$656	\$291	\$846	\$615	775	473	\$35,378,663		138%	164%	
Transportation	10,675		\$4,277,178		\$44	\$11	\$401	\$293	110	36	\$3,248,868		137%	304%	
All Else			\$4,279,513		\$44	\$44	\$44	\$44	N/M	N/M	\$35,993		101%	N/M	

Note: n/a - not applicable, n/m - not meaningful.

Source: Centers for Medicare and Medicaid Services

England states in this area.

Comparing actual adult Medicaid users of various major medical services shows why Maine and New England spend more.

Inpatient Care

Maine spends \$13,500 per user. The other New England states spend \$5,000 and the U.S. average is \$4,400. Interestingly, Maine has much higher average lengths of stay at 5.5 days per compared to 4.2 for the other New England states and 4.6 for the U.S. average.

The higher average stays is compounded because Maine’s inpatient costs per day, \$2,480, are far above the U.S. average \$962, and the other New England states, \$1,205.

Additionally, Maine’s cost per adult discharged is significantly above the national and regional averages. Maine spends \$9,000 compared to the U.S. average at \$3,200 and the other New England states at \$4,500. This difference indicates that Maine’s Medicaid hospital costs per day are twice the average for the other New England states and almost three times the U.S. average.

Outpatient Services

Maine spends \$2,074 per user compared to \$805 in the other New England states and \$657 per user for the U.S. This difference indicates that Maine’s provider costs for outpatient services are 158 percent above the average for the other New

England states and 176 percent above the U.S. average.

Clinic Services

Maine spends \$1,444 per user compared to \$927 in the other New England states and \$411 per user for the U.S. average. This difference indicates that Maine’s provider costs for clinic services are 56 percent above the average for the other New England states and 216 percent above the U.S. average.

Maine’s Prescription Drug Spending

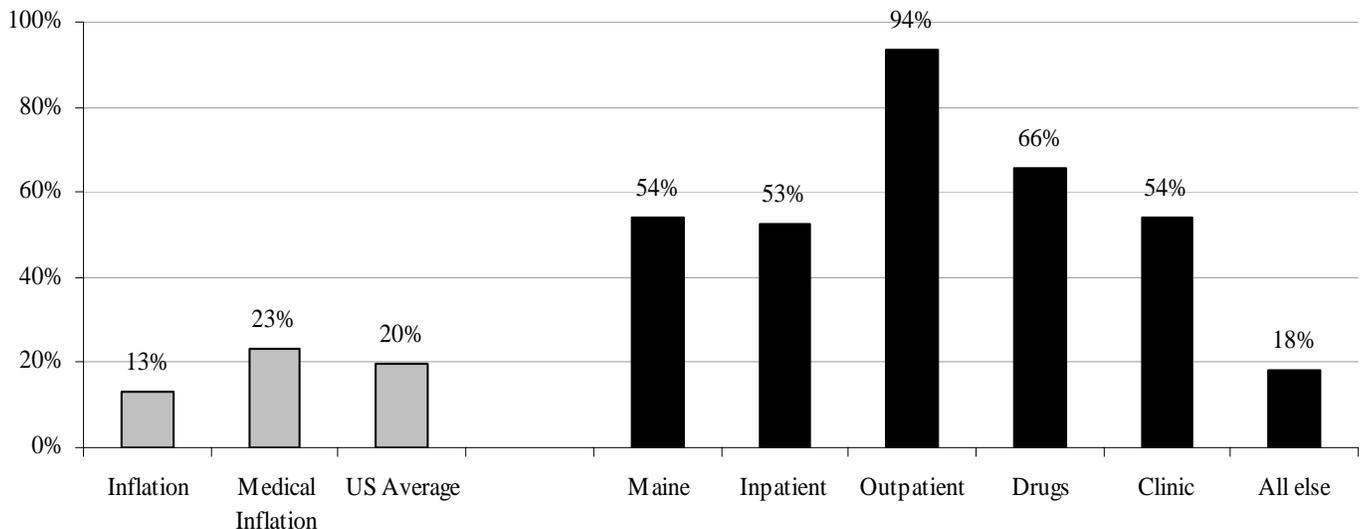
Maine spends 125 percent more than the U.S. average on prescription drugs per adult Medicaid beneficiary, \$656 for Maine compared to the U.S. average of \$291. The other New England states spend even less on drugs than the U.S. average at \$259 per adult beneficiary. Maine’s high drug spending appears to be driven by a higher percentage of adults being medicated.

Nationally, about 5 in every 10 adults on Medicaid have a prescription. In Maine, that ratio is almost 8 in 10. The cost per adult prescription drug user in Maine is about \$846 compared to \$615 nationally. Only nine states have a higher percentage of adults in Medicaid receiving prescription drugs compared to Maine.

Rampant Medicaid Spending Growth

From FFY 1999 to 2004, Maine adult Medicaid spending quadrupled. Spending on non-elderly adults Medicaid in Maine increased 451 percent, from \$82 million to over \$450 million.

Chart 2
Change in per Non-Elderly Adult Medicaid Beneficiary Spending
FFY 1999 to 2004



Source: Centers for Medicare and Medicaid Services

Per adult beneficiary spending grew 54 percent in Maine, compared to a U.S. average of 20 percent. During that same period inflation grew 13 percent and medical inflation grew about 23 percent. Maine Medicaid costs for adults grew more twice as fast as medical inflation.

The major cost drivers of the large 54 percent increase in per adult Medicaid beneficiary spending were inpatient, outpatient, prescription drugs and clinic spending (see Chart 2). All other categories of spending increased a total of 18 percent, or less than the US average increase in adult Medicaid beneficiary spending.

Only one spending category, physician service, grew slower than the overall growth rate for non-elderly adult Medicaid.

Questions for Policy Makers

Given these facts outlined in this paper, policymakers and the administration need to ask some tough questions about Maine Medicaid for adults:

- Why do Maine taxpayers pay \$169 to \$212 million more to cover 97,000 non-elderly adults than the average cost of covering those adults in the other New England states or the U.S. as a whole?
- As a result of the dramatically higher spending, do Maine non-elderly adults on Medicaid have significantly better health outcomes than their peers in other states?
- Why does Maine Medicaid spend two and half times more than the U.S. average on mental and behavioral health services?

Sources

1. Alaska is the most expensive at \$5,521 per adult Medicaid beneficiary.
2. Beneficiary means any adult enrolled in Medicaid that used at least one health care service during the year.
3. Kaiser Family Foundation. 2004-2005.
4. Kaiser Family Foundation. 2004-2005. From U.S. Census Bureau figures.
5. Mental and behavioral health includes – mental health inpatient, clinic, ICF-MR, other home and community-based (waiver), rehab, personal care, targeted case management and therapy.
6. User means how many non-elderly adults on Medicaid used a particular health care service during the year. Cost per user is the average cost for a non-elderly who used that particular service during the year.

Data Note

Maine reports total Medicaid spending to the federal government on both the Centers for Medicare & Medicaid Services (CMS) 64 reports and, with person-level information, through Medicaid Statistical Information System (MSIS). For FFY2004, Maine reported \$2.034 billion in Medicaid spending on the CMS 64 reports and \$2.366 billion (\$332 million or 16.3 percent higher) through MSIS for this same period.

This discrepancy is particularly concerning as person-level information should sum to the total of all Medicaid spending. Accurate reporting by every state is critical to ensuring proper analysis and management of each state's Medicaid program.

- Why do Maine non-elderly adults on Medicaid use mental and behavioral health services so much more often than their peers in other states, and often with significantly higher costs per user?
- Why are Maine Medicaid inpatient hospital costs for non-elderly adults two-times that of those in the other New England states, three-times the U.S. average, and with longer average lengths of stay?
- Why are Maine Medicaid outpatient reimbursements for adults 158 percent higher than those in the other New England states and 176 percent higher than the U.S. average?
- Why are Maine Medicaid clinic reimbursements for adults 56 percent higher than those in the other New England states and 216 percent higher than the U.S. average?
- Why are Maine adults on Medicaid prescribed drugs 64 percent more frequently than the U.S. average? What prescriptions are driving this potential over-prescribing?

Conclusion

Maine Medicaid is a critical, but much too costly, health care safety net for lower income Maine adults. By fully understanding the problem, lawmakers can then implement cost effective reforms. Maine Medicaid can change and provide better care and better quality outcomes for non-elderly adults and be more affordable and sustainable for Maine taxpayers.

Imagine if a Maine town reported collecting \$100,000 in property taxes and then, when reporting by taxpayer, reported \$116,000 in collections. Taxpayers would not know which report was accurate or who had actually paid their property taxes. The same is true for Maine Medicaid.

In order to correctly manage Maine Medicaid for fraud, abuse, overuse and/or over-payment, policymakers and the Baldacci administration must demand integrity in Maine Medicaid expenditure reporting and tracking. Hundreds of millions of taxpayer dollars are at stake.

Methodology

Federal Centers for Medicare and Medicaid Services' MSIS reports were used for all 50 states (and Washington, D.C.) providing information in 2004. 2004 is the most recent data available for all states. Available at: http://www.cms.hhs.gov/MedicaidDataSourcesGenInfo/02_MSISData.asp.

Costs per Beneficiary were calculated based on spending for every non-elderly adult who used any Medicaid service over 2004.

Utilization was calculated based on the number of non-elderly adults on Medicaid that used a particular health care service. For comparison, utilization is expressed in users for every 1,000 adults on Medicaid.

Cost per user was calculated based on the average cost for each adult using a particular health care service.

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Medicaid Watch is a publication of The Maine Heritage Policy Center that provides research, updates and commentary on the Maine Medicaid System. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

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