Kaiser Annual Survey Finds Sharp Increases in Medicaid Enrollment and Spending

Driven by the worst recession in decades, Medicaid enrollment in fiscal year 2009 increased at an average rate of 5.4% across states—the highest rate in six years, surpassing the 3.6% increase that was projected at the start of the state fiscal year (July 1, 2008, for most states). As enrollment grew, state Medicaid spending climbed at the steepest rate in five years—7.9%—outstripping the projected growth of 5.8%. The sharp rise in spending occurred as states experienced the largest decline in tax revenue ever recorded. Data for the first quarter of 2009 showed tax revenue down by 11.8% from the same period in 2008.

Medicaid officials' responses to the Kaiser survey indicated that enrollment would continue to accelerate in 2010—at an average of 6.6% above fiscal year 2009 levels. State Medicaid appropriations for fiscal year 2010, which began on July 1, 2009, for most states, indicated that spending would increase 6.3% above 2009 spending. However, officials in three-fourths of the states reported at least a 50-50 chance that the initial 2010 appropriations would be insufficient.

For the ninth consecutive year, the Kaiser Commission on Medicaid and the Uninsured conducted a survey of Medicaid officials in all 50 states and the District of Columbia to track trends in spending, enrollment, and policy initiatives. A written survey was sent to each Medicaid director in June 2009, and telephone interviews with directors and staff in each state were conducted in July and August. The 108-page survey report includes data for fiscal years 2009 and 2010. It also provides an overview of the current status of the Medicaid program and describes recent policy changes at state and federal levels and pressing issues facing the program.

In February 2009 in an effort to boost the economy, Congress enacted and President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA). The overall package included an estimated $87 billion for a temporary increase (October 2008 through December 2010) in the federal share of state Medicaid costs. This was the single most significant source of fiscal relief to states in the ARRA and helped nearly every state Medicaid program soften cuts and preserve eligibility. To be eligible for the enhanced federal match, states could not tighten restrictions on Medicaid eligibility standards, methodologies, or procedures beyond those that were in place on July 1, 2008.

The funds reached states quickly, according to the Kaiser survey, which found that ARRA funds enabled 44 states to close or reduce shortfalls in the state general fund, 38 states to avoid or reduce provider rate cuts, 36 states to close or reduce the Medicaid budget shortfall, 36 states to avoid benefit cuts, 33 states to help pay for increases in Medicaid enrollment, and 29 states to avoid eligibility cuts or restore eligibility to previous levels. Separate from the eligibility changes tied to ARRA, 29 states reported positive changes in 2009 to increase eligibility standards or initiatives to streamline application processes despite worsening fiscal conditions, and 31 states reported such positive changes for 2010.

Even though ARRA funds helped most states avoid or mitigate provider rate cuts, 33 states cut or froze rates in fiscal 2009 to one or more categories of providers, and 39 state Medicaid agencies reported that their 2010 budgets include rate cuts or freezes. More than any other policy area, rate changes in provider payments have served as a barometer of fiscal conditions in the states, according to the Kaiser report. Although rate restrictions generate program savings, they also can jeopardize provider participation and create substantial access barriers for Medicaid beneficiaries.

Medicaid plays a major role in the nation's health care delivery system, accounting for about one-sixth of all health care spending, nearly half of all nursing home care, and critical funding for a range of safety-net providers. The program currently provides health coverage and long-term care services and supports for 60 million low-income Americans, including nearly 30 million low-income children, 15 million adults, and 14 million elderly persons and individuals with disabilities. The program also provides assistance to 8.8 million low-income Medicare beneficiaries ("dual eligibles"). Medicaid represents the largest source of federal revenue to states, providing a substantial enhancement to states' capacity to finance health coverage.

Considerable economic uncertainty remains as states plan for 2011 and beyond. Even though the recession may have officially ended by the time that state legislatures appropriate initial 2011 funds, state budget shortfalls are projected to exceed $350 billion through 2011. Most states will have run out of options to achieve further significant cuts in their Medicaid programs, and the enhanced matching funds provided by ARRA will expire at the end of 2010. Officials in many states reported that they may be pressured to consider previously unthinkable reductions in eligibility and benefits.

State officials also cited health care reform as another looming unknown as they plan for the future. Given Medicaid's role in serving low-income and high-need populations and recent data showing that two-thirds of the 46 million uninsured Americans have incomes below 200% of the poverty level as well as substantial health care needs, Medicaid is a logical platform from which to extend coverage, the Kaiser report notes. In fact, at press time the House Tri-Committee's bill and the Senate Finance Committee's proposal would expand Medicaid to all individuals up to 133% of the federal poverty level.

In their responses to the Kaiser survey, Medicaid directors indicated that although they supported the general principles underpinning federal reform, the proposals being considered would present substantial fiscal and administrative challenges for their agencies. However, many also noted that changes included in the reform proposals would present an opportuni-

ty to address goals that state programs have worked toward for many years—better management of high-need populations (including "dual eligibles"), simplification of Medicaid eligibility rules, streamlining of the enrollment process, and closure of gaps in the safety net. *The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession* is available on the Kaiser Foundation Web site at www.kff.org.

In addition to the survey report, the Kaiser Commission has also issued two briefs that describe federal and state efforts to increase Medicaid beneficiaries' access to long-term care services and supports that are provided at home and in the community, rather than in institutions where they have historically been covered. In 2007 spending on home- and community-based services accounted for 43% of total Medicaid long-term care spending, up from 13% in 1990. The first brief, *Advancing Access to Medicaid Home and Community-Based Services: Key Issues Based on a Working Group Discussion With Medicaid Experts,* summarizes strategies to address financing, program administration, and community workforce challenges that stakeholders agree must be overcome to expand access to home- and community-based services. A companion brief, *Efforts in States to Promote Medicaid Community-Based Services and Supports,* summarizes lessons from states at the forefront of this effort. The brief describes current options for state Medicaid programs and draws on interviews with state officials to provide details about specific policies and procedures in their states.

NEWS BRIEFS

New CSG Justice Center guide and resource center: Of the more than four million people under probation supervision, as many as one in six have serious mental illnesses, and many jurisdictions are developing initiatives to improve outcomes for this population. The Council of State Governments (CSG) Justice Center has released a 24-page guide, *Improving Responses to People With Mental Illnesses: The Essential Elements of Specialized Probation Initiatives.* Designed as a planning tool for use by state and local officials, the guide outlines each stage of initiative development, implementation, and evaluation. The CSG Justice Center has also launched the National Reentry Resource Center, an initiative to advance successful return of individuals from incarceration to their communities. The center will offer communities the best thinking on complex reentry issues, provide comprehensive resources and supports to help reduce recidivism, and give training and technical assistance to Second Chance Act grant recipients. The CSG Justice Center was selected as the site for the resource center through a competitive grant process by the Bureau of Justice Assistance, U.S. Department of Justice. More information is available at justicecenter.csg.org.

MHA-NAMI survey documents recession's toll: A new national survey conducted for Mental Health America (MHA) and the National Alliance on Mental Illness (NAMI) has found that current economic difficulties are placing the public's mental health at serious risk. Unemployed individuals were four times as likely as those with jobs to report symptoms consistent with severe mental illness. Nearly 20% of the sample reported that they had experienced a forced change such as pay cuts or reduced hours in their employment during the past year. Although most of these individuals remained employed, those with a forced change were twice as likely as those without to report symptoms consistent with severe mental illness. They were also five times as likely to report feeling hopeless most or all of the time. Of those who had not spoken to a health professional about these concerns, 42% cited cost or lack of insurance coverage as the main reason. The telephone survey was conducted in September in a national probability sample of 1,002 adults (500 men and 502 women) in private households in the continental United States. It has a margin of error of ±3.1 percentage points for results based on the total sample.

Comparative-effectiveness research explained: Comparative effectiveness research has been a key topic in the health care reform debate. The aim of such research is to develop and disseminate evidence-based information to patients, providers, and health care decision makers about the effectiveness of treatments relative to other options. Identifying the most effective and efficient interventions has the potential to reduce unnecessary treatments, which in turn may help lower costs. A Kaiser Foundation issue brief examines current funding for comparative effectiveness research, provisions included in health reform proposals, and issues regarding which treatments to study, whether and how to weigh costs, and how such findings will be used and shared with health care practitioners and the public. *Explaining Health Reform: What Is Comparative Effectiveness Research?* is available at www.kff.org.

David Mechanic receives IOM's 2009 Sarnat Prize in Mental Health: The Institute of Medicine (IOM) awarded the 2009 Rhoda and Bernard Sarnat International Prize in Mental Health to David Mechanic, Ph.D., director of the Institute for Health, Health Care Policy, and Aging Research at Rutgers University in New Brunswick, N.J. The prize was presented to Dr. Mechanic in recognition of his decades of effort to increase scientific knowledge about the causes and factors shaping mental health and to improve mental health care services. The Sarnat Prize, consisting of a medal and $20,000, was presented to Dr. Mechanic at IOM's annual meeting in Washington, D.C.