

Op-Ed Commentaries

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W.Va. Medicaid: A closer look at the numbers

Next to the federal Medicare program for the elderly, West Virginia Medicaid is the single most important health insurance and long-term care program in the state. In 2009, it is expected to generate \$2.6 billion in state economic activity (about 4 percent of state GDP) with \$2 billion coming from federal funds.

Despite Medicaid's importance to the state's economy, the health-care system and West Virginia families, the program is often perceived as too expensive and unsustainable by state policymakers. In the last two years, the administration has tried to reduce costs in the program by restricting eligibility for the Aged and Disabled Community Waiver Program, kept 300 to 400 people on a waiting list to receive community services and has denied payment for mental health services for children and families as part of Medicaid Redesign. While limiting services, the Medicaid program accumulated a surplus of \$93 million in state dollars during the 2008 state fiscal year.

An analysis of spending for the last decade shows that state Medicaid spending almost doubled from \$335 million in 1996 to \$651 million in 2007. At first blush, these numbers seem alarming. However, when analyzing the numbers in context of overall growth in state spending, they tell a different story. At the same time that state Medicaid spending grew from \$335 million to \$651 million, the appropriated state budget doubled from \$5 billion in 1996 to over \$10 billion in 2007. As a percent of all appropriated state-source spending (state appropriations minus federal appropriations) state Medicaid spending has actually declined from a high of 10.5 percent in 1997 to under 10 percent in 2007. Consequently, the numbers suggest that Medicaid is not growing more quickly than the rest of the state budget. We can conclude, therefore, that Medicaid in West Virginia is both affordable and sustainable. This distinction is important to help state officials make good policy decisions about Medicaid.

State spending for Medicaid comes from four different funds. One reason that state policymakers worry about Medicaid spending is because most (65 percent) of state spending comes from the General Revenue Fund. While overall state spending for Medicaid has decreased slightly, state spending from the General Revenue Fund has increased from 6.9 percent in 1997 to 10.6 in 2007.

Increased spending from that fund is partially the result of policy decisions made in 2001 when the Legislature decided to phase out the individual provider tax, an important source of state dollars for Medicaid. Analysis of the provider tax shows that as a percent of state spending for Medicaid, the provider tax fell from 33.7 percent in 1997 to 25.4 percent in 2009.

If state policymakers are concerned that Medicaid spending from the General Revenue Fund is growing too rapidly, they could take a new look at the provider tax or at other taxes which could be dedicated to state funding for Medicaid. Increasing the tax on products that are a proven cause of poor health such as tobacco products, alcohol or soda pop would be a reasonable solution.

Medicaid spending must also be considered in the context of health-care inflation in the nation and in West Virginia. Since 1996, health-care inflation has grown at a rate of about 7 percent per year. Spending has grown in Medicare, PEIA and private sector insurance programs. Medicaid growth in the last several years has actually been lower than overall health-care growth. Experts at the Congressional Budget Office, who advise Congress on health spending, suggest that to control costs in the government health programs of Medicaid and Medicare requires health system change. Controlling costs in Medicare and

Medicaid without overall health system change will ultimately fail.

These facts are compelling in considering future policy directions for the state Medicaid program. Medicaid growth in West Virginia is not greater than what would be expected. It is not the result of poor management, nor the fault of the program's beneficiaries. Rather the increase in state appropriation is a reflection of economic growth in general as reflected in state budget growth and overall growth in the health-care sector.

Rather than thinking of Medicaid as a burden on the state budget, policymakers should think of it as an opportunity. Every state dollar spent in Medicaid brings \$3 in federal spending. The dollars support thousands of jobs and shore up rural economies. A study by Families USA reports that every \$1 million spent in Medicaid creates 51 jobs and \$1.7 million in wages. The federal spending also supports many essential services that would have to be supported with county or state dollars in the absence of Medicaid. These essential services include special education services for children, community mental health care and care for senior citizens. Clearly, Medicaid is a "good deal" for West Virginia and state policymakers should plan for "smart growth" in Medicaid where state dollars are maximized in the interest of economic growth, improved quality and efficiency in the health-care sector and essential services for children, families, the elderly and people with disabilities.

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