

MEDICAID MATTERS: PART 1

AN OVERVIEW OF THE MEDICAID PROGRAM
IN WEST VIRGINIA



MEDICAID MATTERS

Medicaid Matters is a project of the West Virginia Center on Budget and Policy (WVCBP). Medicaid Matters seeks to promote a broader understanding of the West Virginia Medicaid Program and a rigorous and thoughtful public discussion of the program's successes, opportunities and the challenges ahead.

The WVCBP will study four areas of Medicaid in 2008 and collaborate with Families USA to publish a study of the economic impact of Medicaid in West Virginia. The four areas of study are:

Part 1: An Overview of the Medicaid Program in West Virginia, May 2008

Part 2: West Virginia Medicaid and Long-Term Care, August 2008

Part 3: Opportunities and Challenges for Medicaid, November 2008

Part 4: Faces of Medicaid: The People Behind the Statistics, January 2009

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ABOUT US

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The WVCBP is funded with grants from the W.K. Kellogg Foundation, the Claude Worthington Benedum Foundation, the Sisters of Saint Joseph Charitable Fund and organizational and individual donations.

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KEY FINDINGS

- Medicaid is one of the most important health care programs in West Virginia.
- About one in five West Virginians receive health benefits directly through Medicaid. More than half of Medicaid beneficiaries are children. Together with the Children’s Health Insurance Program (CHIP), Medicaid covers about half of all West Virginia children.
- Two thirds of the cost of Medicaid is in providing services for the elderly and people with disabilities; one third of program costs are for children, pregnant women and low-income parents.
- Medicaid pays for about half of all births in West Virginia.
- Medicaid is not just a health insurance program; it pays for long-term care and assistance for those unable to care for themselves. There is no equivalent program in the private sector.
- Medicaid is commonly mislabeled as “health insurance for the poor,” however it does not comprehensively cover that population.
- Medicaid is a federal – state partnership. West Virginia receives 75 percent of its Medicaid dollars from the federal government.
- In actual dollars, state spending for Medicaid has almost doubled in the past decade. However, Medicaid growth has not outpaced overall West Virginia health care spending or national Medicaid growth. In fact, Medicaid makes up less than 10 percent of state spending and this number has declined from 10.5 percent in 1997 to 10 percent in 2007.
- Medicaid pays for about 20 percent of total health care spending in West Virginia.
- Medicaid is an important part of West Virginia’s economy (almost 4 percent of state GDP) providing 51 jobs and \$1.7 million in wages for every \$1 million invested.

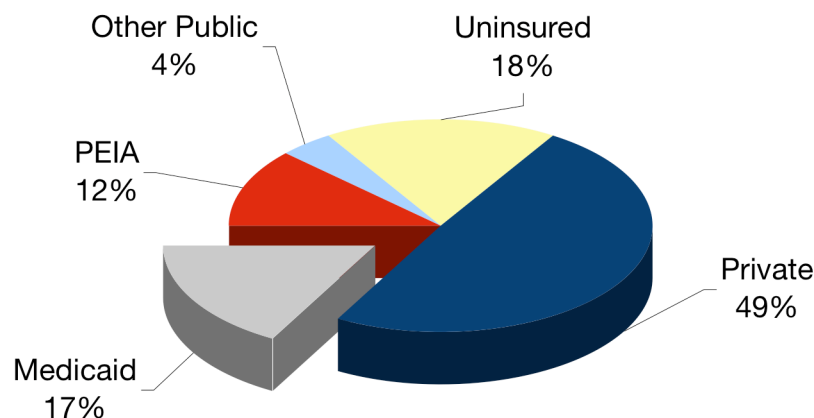
WHAT IS MEDICAID? WHY IS IT IMPORTANT?

The Medicaid program is one of the most important health care programs in West Virginia. Most West Virginians will at some time have their lives or that of their families and neighbors touched by Medicaid. Public opinion surveys suggest the public understands the importance of Medicaid and supports adequate funding for the program.¹

Medicaid is **not** just a program for poor people. In 2007, Medicaid provided health care coverage and long term care services for more than 390,000 or about one in five West Virginians. It pays providers such as hospitals, physicians, and pharmacies for treatment that would otherwise go largely uncompensated. It pays for nursing home care and home based services that would not exist without Medicaid. In 2008, the program is estimated to bring in almost \$2 billion in federal dollars to the state to help finance care for children, pregnant women, the elderly and people with disabilities. Together with the West Virginia Children's Health Insurance Program (CHIP), Medicaid serves more than half of all children in West Virginia.

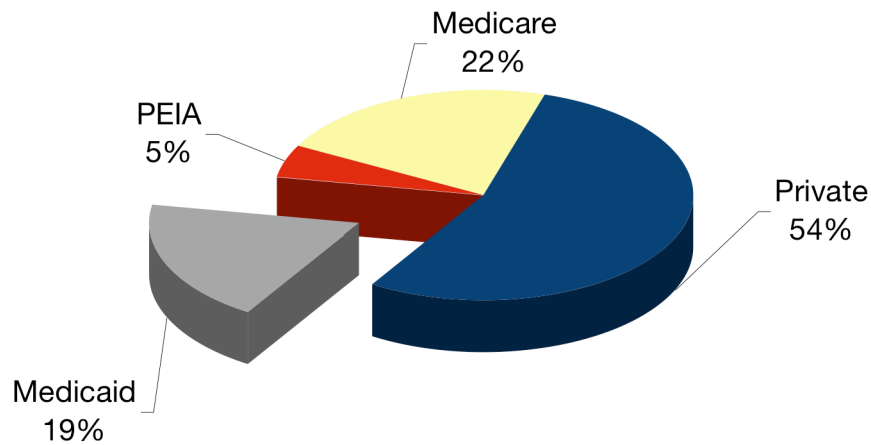
Medicaid is important, not only for the people it serves directly, but as a major source of funding for the entire health care system. **Figure 1 and 2** show the importance of Medicaid to the state's health care system in terms of how people are covered and who pays for health care. **Figure 1** shows health coverage of the non-elderly. It shows, that on any given day, about 61 percent of West Virginians are covered by the private insurance market either through employer or individual coverage (2%); about 17 percent are covered through Medicaid; about 18 percent of non-elderly West Virginians are uninsured; and, about four percent are covered through other public insurance such as Medicare.

FIGURE 1: WV Health Insurance Coverage Non-Elderly, 2004-2005



Source: Kaiser Family Foundation, *State Health Facts, 2005-2006*

FIGURE 2: WV Health Expenditures by Payer, 2004



Source: National Health Expenditures Accounts as estimated by the Office of the Actuary at the Center for Medicare and Medicaid Services

Total health expenditures in West Virginia were about \$10 billion in 2004, an average of about \$6,000 for every person. **Figure 2** shows the source of payments for health care in West Virginia.² It shows about 54 percent is paid by employers and individuals through private sector plans and out-of-pocket expenses, while about 22 percent is paid by Medicare and 19 percent is paid by Medicaid. About one five percent is paid through the Public Employees Insurance Program (PEIA).

Because of its size and importance, West Virginia Medicaid presents challenges as well as opportunities. The program demands a large amount of public resources. Even though about three-quarters of the costs are born by the federal government, the state match represents a substantial part of state government expenditures - about \$600 million in State Fiscal Year (SFY) 2009. Medicaid must compete with other priorities in the state budget and state officials often struggle to come up with the state match.

The program is often viewed as under funded by stakeholders including medical providers, advocates, Medicaid beneficiaries, and their families. For these reasons, there is a need for public accountability and program transparency. West Virginia needs good information about Medicaid for informed policy and program decision-making. The general public and health care providers also need a better understanding of the value of the program. This paper attempts to provide such information. It introduces the West Virginia Medicaid program by describing its basic structure, who receives benefits, what those benefits entail, and how enrollment and spending have changed over time.

HISTORY OF MEDICAID

Medicaid was created by Congress in 1965 as Title 19 of the Social Security Act. Medicare for people over age 65 was passed as Title 18 at the same time. In 1997, the State Children's Health Insurance Program (SCHIP) was added to the Social Security Act as Title 21. SCHIP is known as the Children's Health Insurance Program or CHIP in West Virginia. It provides coverage for uninsured children who do not qualify for Medicaid and whose parents do not have employer or other private insurance coverage.³

Medicare and Medicaid are often confused. Medicare is a universal federal program available to most people over age 65 and administered at the federal level. Medicaid and CHIP are joint state and federal programs. Medicaid is an entitlement program, which means that anyone who qualifies must be served. There is no cap on federal matching funds for state costs. States administer the Medicaid program and set rules for eligibility, benefits and provider payments within broad federal guidelines. While CHIP shares many similarities with Medicaid, it is **not** an entitlement program; CHIP is a block grant with a cap on federal funding. If funding runs short, states have the option of closing the program to new beneficiaries. In its ten year history, however, additional federal funds beyond the block grant base have always been available to cover more West Virginia children. Because Medicaid and CHIP are administered at the state level within federal guidelines, the programs vary widely across states.

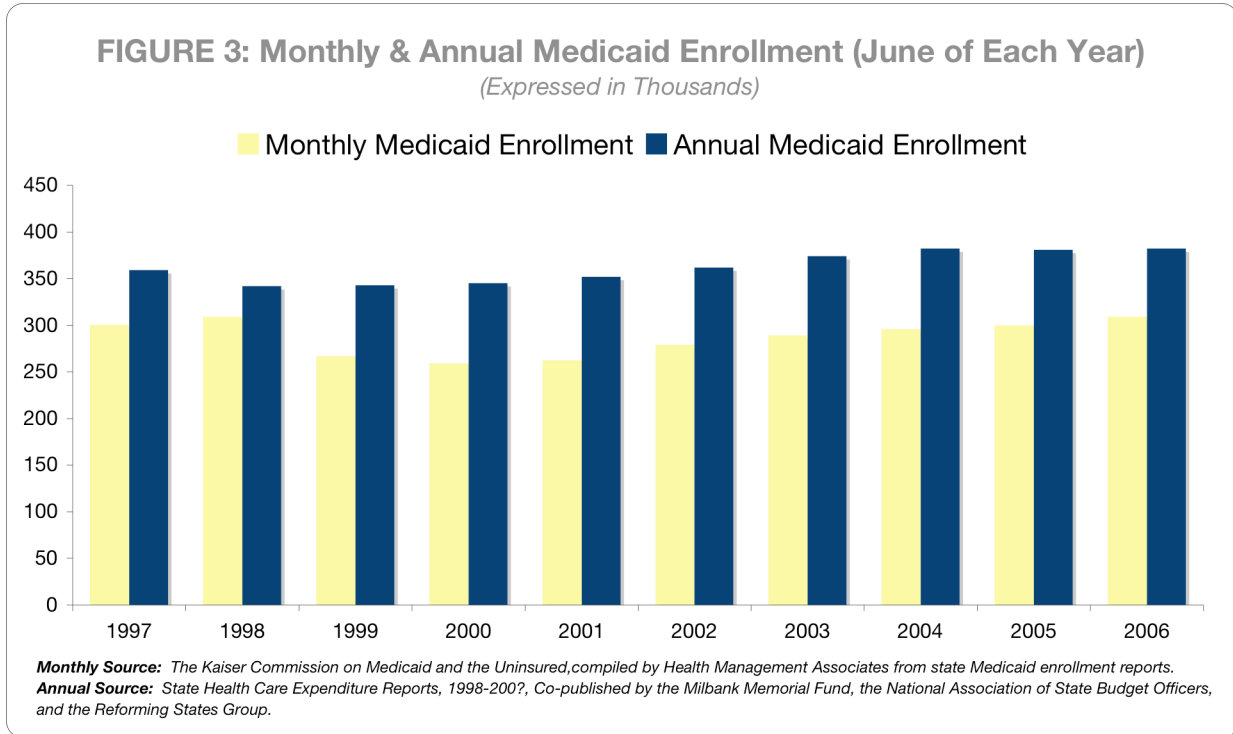
Medicaid serves several important functions that are not addressed by private sector insurance or Medicare. With support from Medicaid, for example, West Virginia was able to close or down-size many of the state's large institutions and support their former residents with services in the community. This change saved state dollars in the long term and improved the quality of life of many West Virginians. Medicaid also provided the opportunity for the development of the private sector nursing home industry. It is hard to imagine that this industry could have grown in West Virginia without Medicaid.

In addition, Medicaid serves an important public health function supporting the health of pregnant women and children. Prior to welfare reform in 1996, Medicaid was linked to cash assistance and Aid to Families with Dependent Children (AFDC). Parents receiving cash assistance automatically received Medicaid benefits prior to 1996. With welfare reform, however, Medicaid was totally de-linked from cash assistance. At the same time, the federal government gave states new opportunities to use Medicaid to cover low-income parents and children. West Virginia has not taken advantage of this new flexibility.

WHO IS COVERED?

West Virginia Medicaid provides health coverage to the frail elderly and people with disabilities and some of the most intense users of health care services in the state. On any given day, about 17 percent of West Virginia's population is receiving services paid by Medicaid; over a year's time, about 20 percent or one in five West Virginians receives services paid by Medicaid. **Figure 3** below shows trends in Medicaid coverage from 1997 – 2006 for June of each year and the total for each year. The chart shows that Medicaid is not a static

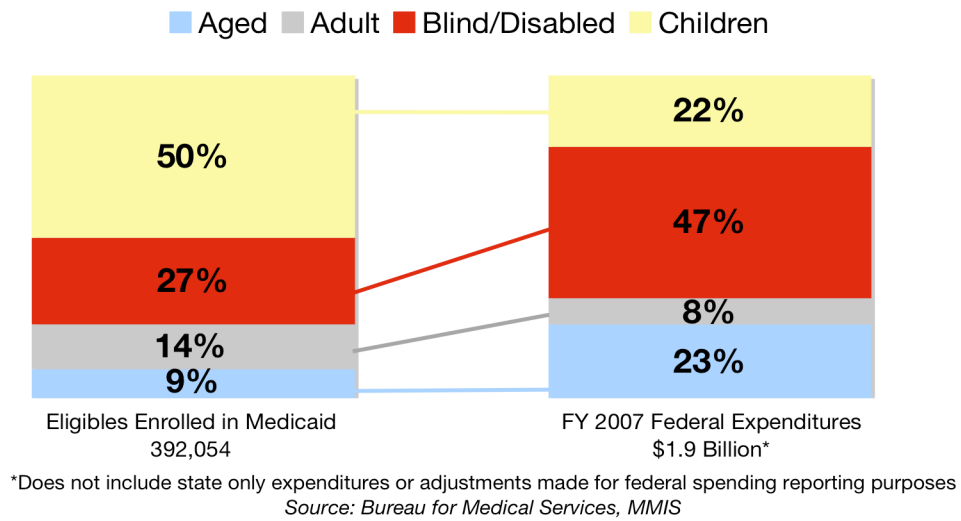
program. People move on and off Medicaid during the year with the total annual number much larger than enrollment in any given month. In FY 2007, for example, 392,000 West Virginians or about 20 percent of West Virginians received health services paid by Medicaid over a twelve-month period. **Figure 3** also shows that Medicaid enrollment has not grown much over the last decade.



Drops in enrollment in June 1999 as shown in **Figure 3** most likely reflect the end of welfare benefits for many West Virginia families as a result of the passage of welfare reform in 1996. Increases in enrollment after 2001 reflect the increasing numbers of children enrolled as a result of intense statewide outreach beginning in 2001 to enroll children in the West Virginia Children’s Health Insurance Program (CHIP). CHIP had an impact on Medicaid enrollment because of the federal requirement that children must be screened for Medicaid prior to being enrolled in CHIP and adoption of one common enrollment form for both Medicaid and CHIP.

West Virginia Medicaid provides health coverage to low-income children and their parents, pregnant women, seniors and persons with disabilities. In West Virginia, adults under the age of 65 without children in their care are generally not eligible for Medicaid unless they have a disability and receive Supplementary Social Security Income (SSI) benefits. An exception to this is a special program for low income uninsured women with breast and cervical cancer. Rules for Medicaid eligibility are different for each coverage group and determined by a variety of factors, which include health status, income limits and assets. **Figure 4** shows enrollees in Medicaid and expenditure by enrollment group for 2007.

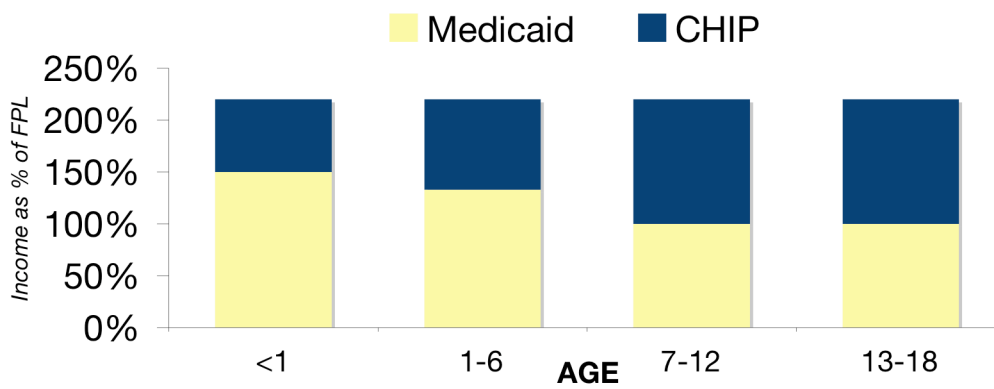
**FIGURE 4: WV Medicaid Eligibles and Expenditures by Enrollments Group
State Fiscal Year 2007**



Children: Children are the largest category of Medicaid beneficiaries. Eligibility for children is based on age and income. **Figure 5** shows eligibility levels for Medicaid and the Children’s Health Insurance Program. (CHIP) It shows that infants under age one qualify for Medicaid up to 150 percent of the federal poverty level (FPL); preschool children under age 6 qualify up to 133 percent of the FPL and older children through age 19 qualify at 100 percent of the FPL.

Families who earn too much to qualify their children for Medicaid are eligible for the Children’s Health Insurance Program up to 220 percent of the federal poverty level or about \$43,000 per year for a family of three. Together Medicaid and CHIP provide health insurance coverage for more than half of all West Virginia children. See **Appendix 1** for income limits by FPL and family size.

FIGURE 5: Medicaid and CHIP Eligibility



Source: Children’s Health Insurance Annual Report, 2007

Parents: Parents of children on Medicaid are generally not eligible unless they are disabled or earn less than approximately 35 percent of the federal poverty level or less than \$6,000 for a family of a single mother and two children. Childless adults are not eligible unless they are elderly or have a disability.

Eligibility for Medicaid for poor parents remains tied to standards set before welfare reform in 1996. While federal law allows states to expand Medicaid to low income parents, West Virginia has never taken advantage of this opportunity. As many as 24 other states have used Medicaid programs to provide coverage to parents at or above 100 percent of the federal poverty level.⁴ Because West Virginia has never changed its standard of eligibility for low-income parents, fewer parents are eligible every year. Even some parents on cash assistance (TANF) earn too much to qualify for Medicaid. In addition to passing an income test, parents must also have few or no assets. Generally, a house and car under a certain value are permitted but any assets above and beyond that limit would disqualify a West Virginian from receiving Medicaid.

Pregnant Women: An important exception to the limited coverage for adults is pregnant women. Pregnant women with incomes up to 150 percent of the federal poverty level (FPL) are covered by Medicaid. About 10,000 or half of all pregnant West Virginia women qualify for Medicaid in any given year. Their prenatal care and delivery plus 60 days of care post partum is covered by Medicaid. Additional funding to pay for care for pregnant women up to 185 percent of the FPL is made available through the federal Bureau for Maternal and Child Health and administered at the state level by the Bureau for Public Health (Office of Maternal, Child and Family Health). While Title V funding is meant to fill the gap between Medicaid-eligible women and women with private insurance coverage, about 500 women per year fall between the cracks and deliver without any type of coverage.⁵

Children and adults with a disability: Children and adults with a disability, who receive Social Security Supplemental Income (SSI), are automatically eligible for Medicaid. Eligibility for SSI is based on income and assets in addition to the severity of an individual's disability. Generally, SSI recipients cannot earn more than \$700 per month for an individual or \$1,000 for a couple. In addition, a child with a disability who has been denied SSI due to excess income and/or assets of a parent(s) may qualify for Medicaid if the cost of care at home is less than the cost of institutionalization. Adults with a disability who do not qualify for SSI because they have too many assets may qualify for Medicaid if they "spend down" their assets to meet incurred medical expenses. To qualify for Medicaid through the "spend down" provision, assets may not exceed \$2,000 for one or \$3,000 for two persons. In West Virginia about 6,500 children and adults receive Medicaid through the "spend down" provision.⁶ Owning a house and car below a certain value are not counted as assets.

Seniors: Seniors over age 65 on Medicare may also be eligible for Medicaid as a secondary insurance if their incomes do not exceed 135 percent of the FPL. While Medicare is the primary insurance, Medicaid will cover the Medicare premiums and co-pays. Prior to Medicare Part D, Medicaid also covered prescription drugs for this group of seniors. About 56,000 West Virginia seniors were in this "dual eligible" category in 2003.⁷

An important role for Medicaid is to pay for long term care services, which may be provided in an institution (nursing home) or in the community. To be eligible for long term care under Medicaid, an individual cannot earn more than \$1,911 per month and not have any assets exceeding \$2,000. A home and car are not considered assets unless their value exceeds certain limits.⁸ If there is no surviving spouse, federal law requires that upon death, Medicaid recover any available funds from an individual’s estate to pay for the nursing home care of the Medicaid member during his or her lifetime. In 2004, 58 estates were recovered in West Virginia amounting to about \$374,000 or 0.06 percent of the long-term care expenditure.⁹

In 2005, 11,126 or 2.9 percent of West Virginians received Medicaid covered services in a nursing home; an additional 4,571 received services in the community through a special waiver program called the Medicaid Aged and Disabled Waiver.¹⁰ **Table 1** shows Medicaid eligibility by income limits and whether assets are counted in determining eligibility. Total Nursing home care in West Virginia cost \$716 million in 2005 of which most was paid by Medicaid.¹¹

TABLE 1: WV Medicaid Eligibility Standards by Category of Coverage

Eligibility Category	Maximum Income level as percent of poverty	Requires an Asset Test
Child or adult with a disability; receiving SSI	\$657 / month / individual \$976 / month / couple	Yes
Child < 12 months	150%	No
Child 12 months < 6 years	133%	No
Child 6 years to < 19 years	100%	No
Pregnant woman	150%	No
HIV Positive –Pharmacy Benefit	325%	No
Breast or Cervical Cancer	200%	No
Parents	35%	Yes
Seniors 65+	100%	Yes

Source: West Virginia Bureau for Children and Families, Family Assistance, Medicaid.
www.wvdhhr.org/bcffamily_assistance/medicaid.asp

MEDICAID AND THE WEST VIRGINIA CHILDREN’S HEALTH INSURANCE PROGRAM (CHIP)

Medicaid and CHIP are administered through two different agencies, however, they share many similarities in providing health coverage for children. CHIP serves children living in working families with incomes slightly above Medicaid eligibility levels with without access to comprehensive, affordable private insurance coverage. A family with more than one child may participate in both Medicaid and CHIP depending upon the age of the children.

Unlike Medicaid, which remains an entitlement program, CHIP is a block grant. West Virginia receives a set amount of money per year based on estimates of the number of qualifying uninsured children and the economic performance of the state. In addition to the block grant payment, West Virginia has been able to take advantage of additional CHIP dollars made

available when the federal government redistributes dollars from states that have not spent their entire block grant allotments. In FY 2008, West Virginia CHIP will receive \$49 million.¹²

West Virginia dollars in CHIP are matched at an “enhanced” rate of 81 percent or about 6 to 7 percent more than the Medicaid match rate.

In SFY 2007, CHIP insured about 38,000 children in West Virginia for the entire year. Families earning up to 220 percent of the federal poverty level or about \$46,640 for a family of four are eligible to enroll their uninsured children in CHIP. Children who qualify for Medicaid do not have the option of enrolling in CHIP. **Figure 5** shows eligibility levels for children for Medicaid and WVCHIP. In June 2007, 24,950 children were enrolled in CHIP and 155,491 children in Medicaid for a total enrollment in that month of 180,441.¹³

A serious problem with the structure of public health insurance programs for children is that they tend to promote “churning.” This means that children move from CHIP to Medicaid and back to CHIP depending upon changes in the family’s income. Children also frequently move from CHIP to private coverage and back to CHIP or Medicaid if parents lose their jobs. The structure of the programs tends to promote confusion, inefficiency, extra administrative costs and gaps in coverage.

WHO IS NOT COVERED?

Though Medicaid is popularly thought of as “health insurance for the poor,” it does not comprehensively cover that population. In particular, low-income, non-disabled adults with no children have limited access to West Virginia Medicaid. In 2006, about one in four or 25 percent of the working age adult population from age 18 -64 was uninsured.¹⁴ Working – age adults, who work in jobs that do not provide coverage and who cannot afford to buy a policy in the individual market, are the largest category of uninsured people in West Virginia. All seniors over age 65 have access to coverage through Medicare and almost all West Virginia children have coverage. A recent survey by the West Virginia University Institute for Health Policy Research estimates that 94 percent of West Virginia children have coverage all year and 97 percent are covered all year or for part of a year.¹⁵

WHAT SERVICES ARE COVERED?

The federal government mandates a set of services that all state Medicaid programs must cover with no more than minimal cost sharing (such as co-payments) required of beneficiaries. These services include hospital care, physician care, skilled nursing facilities, home health care and several other categories. West Virginia Medicaid does not require cost sharing by beneficiaries.

In addition to the mandatory services, states may provide coverage for 30 other services for which they may receive federal matching funds. The most commonly offered optional services are prescription drugs, dental services, intermediate care facilities with individuals with developmental disabilities and or mental retardation (ICF/MR), personal care, and targeted case management. West Virginia covers all of these optional services and many others available including case management, dental services for children and limited dental care for

adults. Case management is a service that helps people with disabilities access the services they need. West Virginia also has waiver programs to provide community-based care for seniors and people with disabilities. Information about the Medicaid waiver programs will be covered in a separate paper. A complete list of covered services can be found at www.fkk.org/medicaid/benefits/index.

HEALTH SERVICES FOR CHILDREN (EPSDT/HEALTH CHECK)

One of the most important children's services required by the federal government is the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program called Health Check in West Virginia. Through Health Check, Medicaid and WVCHIP promote regular preventive screening and "all medically necessary services" for children under age 19. Health Check starts at birth, provides screening at key points in a child's life, allows for further diagnostic tests if the screening finds tests are necessary, provides necessary treatment and educates parents about the significance of preventive care. EPSDT requires that states provide all medically necessary health care services that can be covered under Medicaid even if the state does not cover the service for adults. The state also cannot put limits on the amount and duration of a health care services needed by a child covered by Medicaid.

When children have access to early care through Health Check, they receive the services they need for healthy development. Because studies indicate that brain growth is most rapid during the time period from a child's birth to age three, early screening gives children a better chance of developing as a healthy child and productive adult.¹⁶

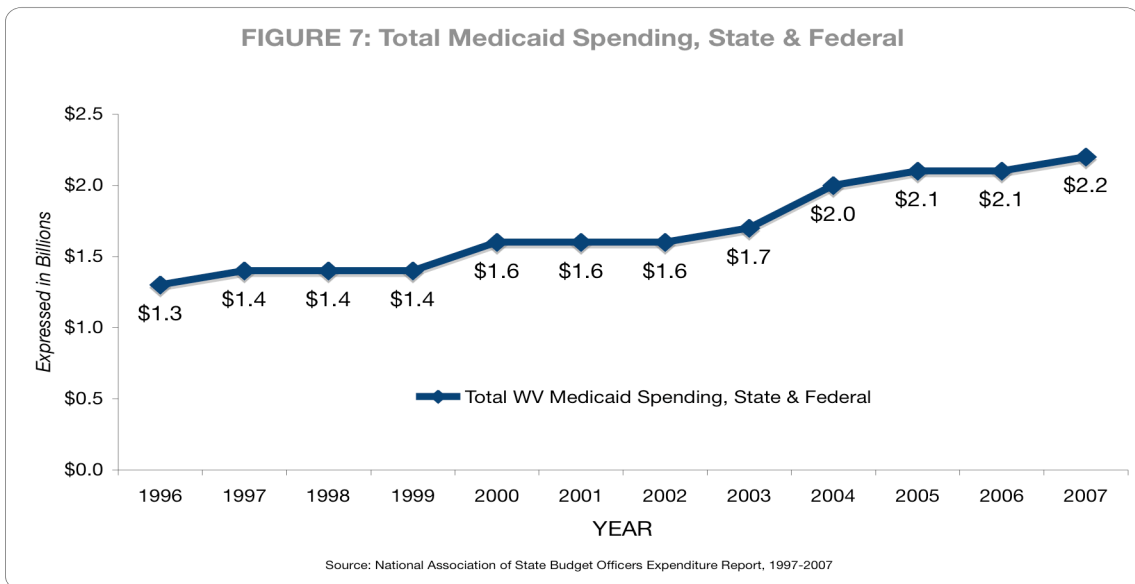
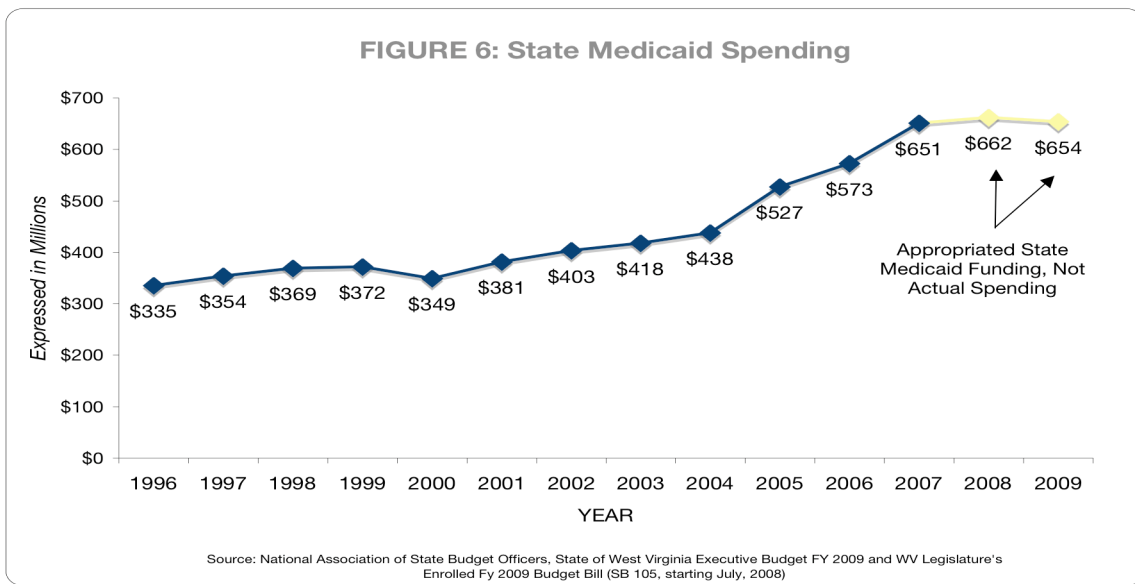
The importance and value of EPSDT/ Health Check for West Virginia cannot be overestimated. The need for the set of services provided under EPSDT can be traced to a 1964 government study entitled *One Third of a Nation: A Report on Young Men Found Unqualified for Military Services*. The study analyzed the underlying causes of the 50 percent rejection rate among the young men drafted into the military in 1962. It documented pervasive evidence of treatable and correctable physical, mental and developmental conditions.¹⁷ In the 1960s and now, medical and child development experts agree that attention to screening, early detection and treatment will promote a healthier citizenry.

Because about 30 percent of children under age five live in poverty and are at risk for poor health in West Virginia, the EPSDT program is a very important one for the state providing for a relatively low cost strategy to promote health.

Recognizing the importance of health screenings for young children, the Governor created a Kids First Initiative in 2008 to assure a comprehensive screen for every child entering kindergarten. In future years, the comprehensive screen will be expanded to 2nd and 5th graders. CHIP covers screening for uninsured children even if they are not otherwise eligible for full coverage under CHIP.

WHAT DOES MEDICAID COST? HOW IS IT FUNDED?

Medicaid is a major budget item for the state. **Figure 7 and 8** show trends in state and federal spending for the past decade. In state fiscal year (SFY) 2006, the latest year for which actual expenditure data is available, West Virginia spent \$573 million in state dollars for Medicaid. For every state dollar spent the federal government provides approximately \$3. Total Medicaid spending in West Virginia in SFY 2006 was \$2.1 billion. By SFY 2009, state spending is expected to exceed \$600 million and total spending about \$2.7 billion. **Figure 6** shows trends in state spending for Medicaid from 1996 -2008.¹⁸ Nationally Medicaid spending is expected to increase by 7.3 percent in 2007.¹⁹ Increases in spending in West Virginia are comparable to increases in other states and overall nationally.



While state and federal spending in actual dollars for Medicaid has grown significantly as shown in **Figure 6 and 7**, Medicaid as a percent of overall growth and state spending tells a different story. **Figure 8** shows that in the past decade state Medicaid spending as a percent of the General Revenue Fund has increased by about four percent. A major reason for increases in GRF spending for Medicaid is the result of a policy decision made in 2001 to phase out the individual provider tax. In considering the sustainability of Medicaid spending in West Virginia, it is important to consider Medicaid in the context of overall state spending. **Figure 8** shows that as a percent of total state spending, Medicaid state source spending has actually declined from 10.52 percent in 1997 to 9.44 percent in 2008.

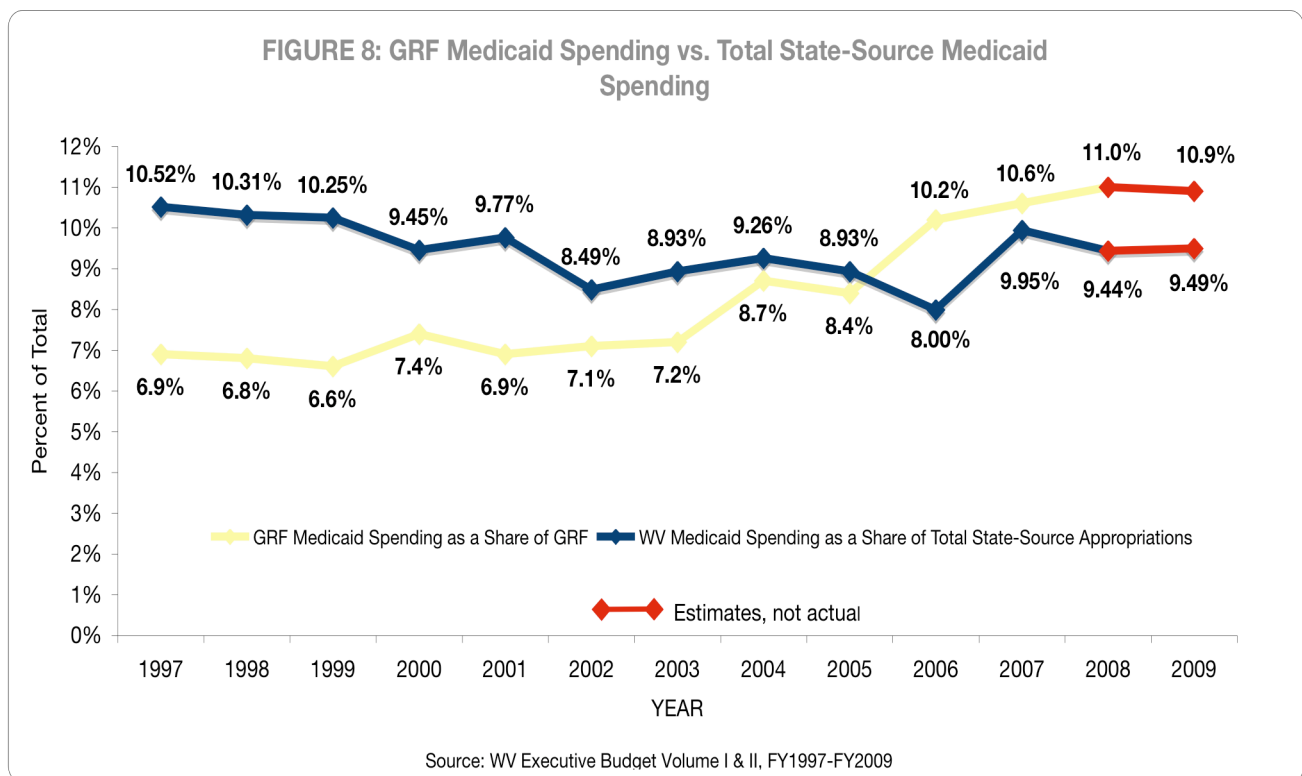
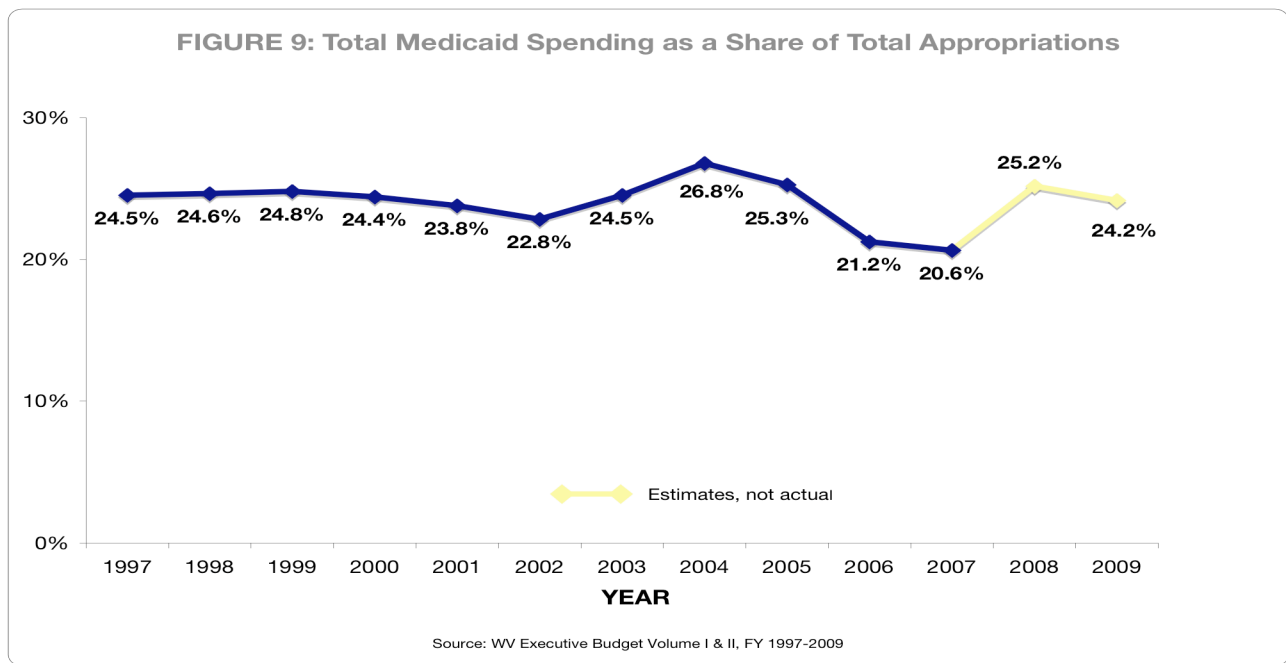


Figure 9 shows that Medicaid as a percent of the total state budget has also declined from 24 percent in 1997 to 21 percent in 2007. To put Medicaid spending into context of overall state government spending, the total appropriated state budget has increased from \$5.37 billion in 1997 to \$10 billion in 2008. While **Figure 9** shows that Medicaid expenditures as a share of the total appropriated state budget is expected to increase in 2008, actual expenditures may come in much lower because Medicaid has declared a \$94 million surplus in 2008 which will be applied to the 2009 budget year.



In analyzing Medicaid spending, it is also important to consider overall health care inflation, which has consistently exceeded inflationary growth in other goods and services. Studies by the Congressional Budget Office (CBO) show that spending on health care as a percent of the gross domestic product has grown from about five percent in 1960 to 15 percent in 2005 and that real per capita growth in health care has averaged 4.2 percent per year from 1975 to 2005. During that time period, real per capita Medicaid growth has averaged 4.4 percent per year.²⁰

Table 2 compares real per capita growth for public sector programs and all other (private) sector programs. From this perspective, differences between public sector growth and private sector growth seem modest considering that Medicare and Medicaid serve the oldest and sickest populations. In the following quote, the CBO suggests that addressing public sector health growth without addressing private sector health growth is ineffective:

Given the interactions between federal programs and the rest of the health system, many analysts believe, that significantly constraining the growth of costs for Medicare and Medicaid over long periods of time, while maintaining broad access to health providers under those programs, can occur only in conjunction with slowing cost growth in the health care sector as a whole.²¹

TABLE 2: Real per Capita Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care

	Medicare	Medicaid	All Other	Total
1975 to 1990	5.40%	5.40%	4.80%	5.10%
1990 to 2005	3.80%	3.30%	3.10%	3.40%
1975 to 2005	4.60%	4.40%	4.10%	4.20%

Source: Congressional Budget Office

Note: Figures are annual averages. Medicaid data is available only through 2004.

SOURCE OF STATE FUNDING FOR MEDICAID

West Virginia Medicaid spending comes from four funds: The General Revenue Fund (GRF), Medicaid State Share Fund (Provider Tax), the Lottery Fund, and the Medicaid Services Trust Fund. The GRF is the largest source of state funding for Medicaid providing about 65 percent of total funding. The GRF is the largest source of discretionary funding in state government and has many demands made upon it. It is also a fund that reflects the economic climate of the state. Consequently a recession or other cause of reduced tax collections will impact the GRF precisely at a time when Medicaid may make more demands upon it because people may lose jobs.

The next largest source of funding is the Provider Tax, which provides about 25 percent of state Medicaid spending. Together the Lottery and Medicaid Services Trust Fund make available another 10 percent. **Table 3** shows Medicaid Spending Authority for SFY 2008 and 2009 by fund source. **Table 3** does not reflect the surplus accumulated by Medicaid in SFY 2008, which will be used to support spending in FY 2009.

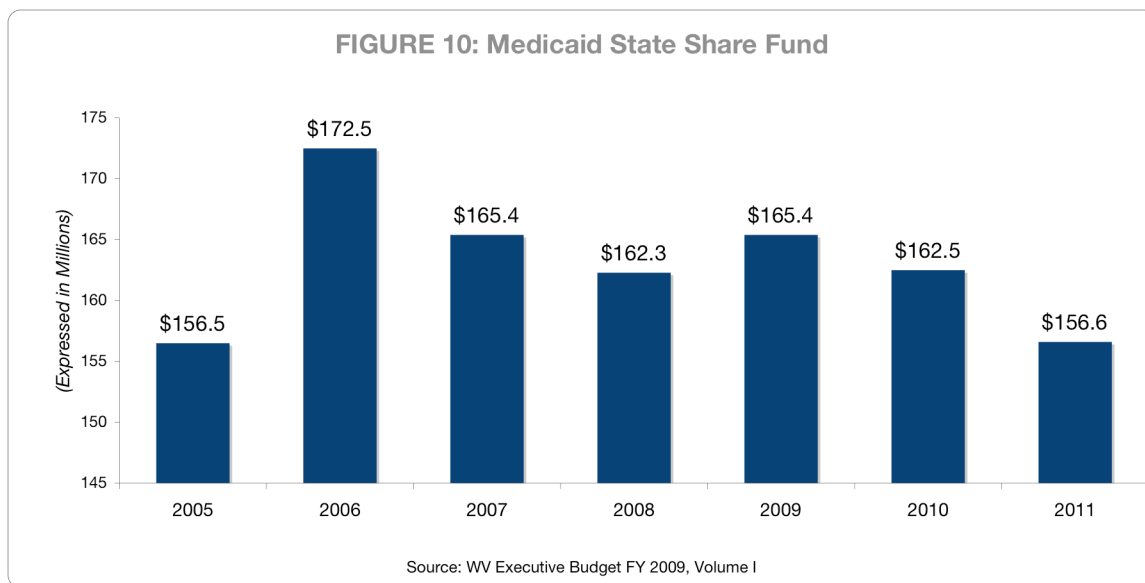
TABLE 3: Medicaid Spending Authority

<i>*Does not include Federal Funds</i>	FY 2008	FY 2009
General Revenue Fund	\$427,571,570	\$427,621,172
Provider Tax	\$174,220,722	\$166,004,901
Lottery Fund	\$34,122,578	\$34,122,578
Medicaid Services Trust Fund	\$26,071,544	\$26,084,133
Total Medicaid Spending Authority	\$661,986,414	\$653,832,784

Source: West Virginia Department of Health and Human Services

The federal government permits the use of a broad based health care provider tax to fund Medicaid. Many states including West Virginia have taken advantage of this provision. The provider tax enables Medicaid to improve reimbursement for health care services. While hospitals and nursing homes in West Virginia have found this arrangement satisfactory, individual providers lobbied for repeal of the tax on their services.

Consequently, in 2001 the Legislature agreed to a ten-year phase out of the tax charged to individual providers. **Figure 10** shows the projected decline of the tax over the next several years. The decrease of the provider tax will lead to significant budget problems for Medicaid without an increase in support from the GRF.



FEDERAL MEDICAL ASSISTANCE PERCENTAGES (FMAP)

Another variable which will affect Medicaid funds available in future years is variations in the federal match or FMAP. The FMAP is based on a state's overall economic performance. If the economy improves, the FMAP declines. Currently West Virginia has the second highest FMAP in the country. In 2005, the FMAP for West Virginia was 74.65 percent, which means that for every \$100 spent by Medicaid, the federal government will reimburse West Virginia with \$74.65. The FMAP varies slightly from year to year. By 2010 the FMAP is projected at 73.63 or about one percent less than in 2005. While the percentage is small, the actual dollars can be significant for West Virginia's health care system. For example, a one percent decline in the FMAP means a loss of about \$20 million in federal spending.²²

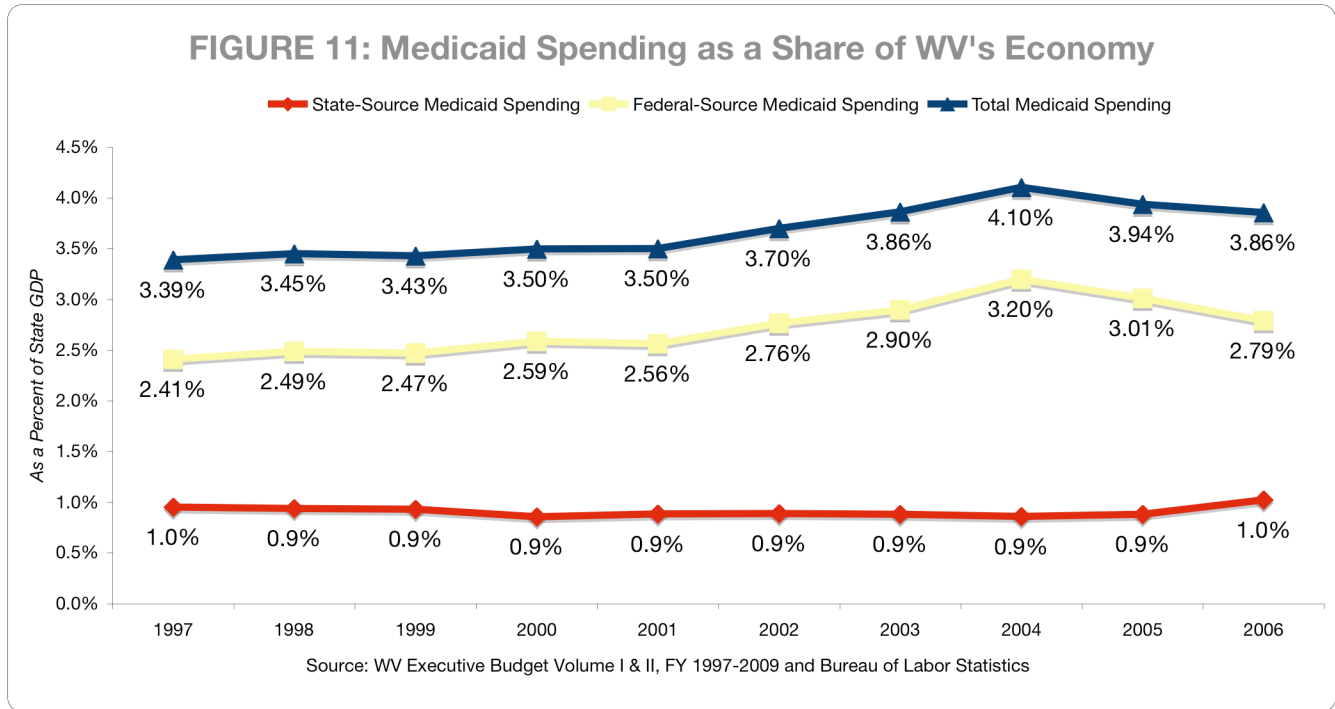
MEDICAID IS AN IMPORTANT PART OF THE STATE ECONOMY

It is clear that Medicaid is an important program providing essential services for many West Virginians and their families. What is less clear is that Medicaid also plays a unique role in stimulating business activity and the state economy. Although Medicaid is often seen as a burden on the state, it is in fact an important economic development tool to create good jobs. Every dollar West Virginia spends on Medicaid pulls new federal dollars into the state – dollars that would not otherwise flow to the state. These dollars provide jobs and wages spent in every part of West Virginia. A study by Families USA shows that for each \$1 million invested in Medicaid, West Virginia gains an estimated 51 jobs and \$1.7 million in wages. Because of the favorable federal match rate, West Virginia is one of three states with the highest rate of return for every state dollar spent on Medicaid.²³

State spending for Medicaid creates what economists call a “multiplier effect.” New dollars for Medicaid pass from one person to another in successive rounds of spending. Health care employees spend part of their salaries on new cars, which adds to the income of employees of

auto dealerships, enabling them to spend part of their salaries on computers, which enables computer store employees to spend additional money on groceries, and so on.²⁴

Figure 11 shows that Medicaid has grown in importance as a part of the state’s economy from 3.37 percent in 1996 to 4.10 percent in 2006.



HOW DOES WEST VIRGINIA MEDICAID COMPARE TO OTHER STATES?

Table 3 shows how West Virginia Medicaid compares to surrounding states and to the nation as a whole. The numbers are a reflection of West Virginia’s general social and economic problems. A higher percent of the state’s population is enrolled in Medicaid than in surrounding states and a higher percent of those are people with disabilities. West Virginia also has the highest rate of uninsurance of the surrounding states. The high rate of the uninsured puts additional strain on both public and private payers because much of the cost of their care is shifted to these programs.

Per enrollee cost is higher in West Virginia than in surrounding states, reflecting the high percent of people with disabilities. These numbers are no surprise considering that West Virginia has the oldest, poorest and least educated population of surrounding states. It is also no surprise that the three states with a history of coal mining have the highest rates of people with disabilities enrolled in Medicaid.

A new research study from West Virginia University shows that West Virginians who live in the state’s coalfield counties are more likely than other residents to suffer from chronic heart,

lung and kidney disease. The studies found more lung cancer deaths, overall hospitalizations and overall deaths in coal-producing counties compared to other parts of the region and to the nation as a whole. These effects remained true even when other impacts such as smoking, obesity and age were factored out.²⁵ In many respects, the public cost of caring for people is the result of the harsh working and environmental conditions.

TABLE 3: Comparison of West Virginia Medicaid with Other State's Medicaid Programs, 2007

State	% Population in Medicaid	% Population Uninsured	% Population over Age 65	% Enrollees Eligible Because of Disability	Dollars Spent Per Enrollee
WV	15.80%	15.20%	16.00%	27.20%	\$6,285
MD	8.90%	13.60%	12.20%	15.90%	\$5,888
VA	7.50%	13.10%	12.40%	16.30%	\$6,155
PA	11.90%	9.90%	15.50%	24.10%	\$6,084
Ohio	13.30%	10.70%	13.70%	16.30%	\$5,863
KY	14.60%	13.90%	13.10%	26.60%	\$4,946
US	12.90%	15.80%	13.00%	15.10%	

Source: Current Population Survey, 2007 Annual Social and Economic Characteristics Supplement

CONCLUSION

Medicaid is an important government program for West Virginia. It meets the needs of the state's most vulnerable residents, those who are poor and elderly and those who suffer from one or more disabilities. It supports the public health and future workforce by providing services for pregnant women and children, and serves as an important sector of West Virginia's economy by bringing about \$2 billion new dollars into West Virginia every year. Better information and a more informed and ongoing dialogue about Medicaid should be an important priority for West Virginia in order for administrative and elected officials make good decisions about program design and spending.

APPENDIX 1
2008 Federal Poverty Guidelines (FPL)

Persons in Family of Household	100%	150%	200%
1	\$10,400	\$15,600	\$20,800
2	14,000	21,000	28,000
3	17,600	26,400	35,200
4	21,200	31,800	42,400
5	24,800	37,200	49,600
6	28,400	42,600	46,800
For each additional person, add	3,600	4,500	4,140

APPENDIX 2
The Public’s View of Medicaid

While the details of the Medicaid program tend to be much misunderstood, national polls show that the public understands the safety net function of Medicaid and overwhelmingly supports the program. A June 2005, Kaiser Family Foundation Poll found that nearly three-quarters (74%) of adults say Medicaid is a “very important” government program, ranking it close to Social Security (88%) and Medicare (83%) in the public’s mind. A majority of Americans (56%) also report having some interaction with Medicaid, either having been enrolled themselves at some point (16%) or knowing a friend or family member who has received health coverage or long-term care assistance through the program. We assume that West Virginians have similar opinions and, that given the state’s demographics an even larger number have had some relationship with Medicaid.

According to the 2005 Kaiser poll, the public also understands the impact of Medicaid on state budgets. Most, however, oppose cutting back on their state’s Medicaid program to balance budgets. Half (52%) say they “strongly” oppose and another 22 percent say they “somewhat” oppose cutting back on their state’s program.

A national survey in April 2007 of 803 registered voters by Lake Research Partners found similar results, that there is broad support for the Medicaid program. While voters may be vague on the details, they have strong opinions about the program and believe that government should play a role in helping to cover low-income, uninsured children and parents, seniors and people with disabilities. They worry about the uninsured and the majority supports efforts to expand Medicaid to reach more the uninsured, particularly children.

END NOTES

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- ¹ The Kaiser Family Foundation, *Despite Concerns About State Budgets and Policymakers Frustrations with the Costs of Medicaid, Americans View the Program Positively and Are Reluctant to See State and Federal Cuts*, Wednesday, June 29, 2005 and Lake Research Partners, *Strengthening Medicaid, Insights from Focus Groups and a National Voter Survey*, March 2008.
- ² Personal health care expenditures do not include expenditures associated with the administration of benefits, public health measures, research, or structures and equipment. The Public Employees Insurance Agency expenditures are included in the total of private payments. At the national level, these additional expenditures amount to roughly 16.4 percent of total expenditures.
- ³ CHIP covers children living in families earning up to 220 percent of the Federal Poverty Level in West Virginia.
- ⁴ 24 states cover parents at or above 100% of the FPL including Arizona, California, Connecticut, Delaware, District of Columbia, Hawaii, Illinois, Indiana, Iowa, Maine, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Washington, Wisconsin. Iowa covers parents at 250%. Six states have lower income thresholds than West Virginia. They are Alabama (26%), Kansas (34%), Louisiana (20%), Mississippi (32%), Texas (28%) and Virginia (31%). Data from Cohen Ross, Donna, Aleva Horn, and Caryn Marks, *Health Coverage for Children and Families in Medicaid and SCHIP: State Efforts Face New Hurdles*, January 2008.
- ⁵ Between 1999 and 2004 an average of 621 women per year delivered without a source of insurance payment. West Virginia Health Care Authority Data.
- ⁶ Kaiser Family Fund, State Medicaid Fact Sheets, <http://www.kff.org/MSF/>.
- ⁷ Ibid.
- ⁸ Limits for a house would be about \$500,000.
- ⁹ Naomi Karp, Charles P. Sabatino, Erica F. Wood, *Medicaid Estate Recovery: A 2004 Survey of State Programs and Practices*, AARP Report, June 2005.
- ¹⁰ Administrative data provided by the Centers for Medicare and Medicaid Services through the Medicaid Statistical Information System and Bureau of Senior Services, Annual Report, 2006. Nursing home services for West Virginians are about the same percent as nationally. In 2005, 2.9% West Virginians received nursing home services compared to an average of 2.6% nationally.
- ¹¹ Office of the Actuary, CMS, September, 2007.
- ¹² “FY 2008 SCHIP Funding Chart” from the Centers for Medicare and Medicaid Services (January 9, 2008); and C. Peterson, “FY 2008 Federal SCHIP Financing,” Congressional Research Services (January 9, 2008).
- ¹³ West Virginia Children’s Health Insurance Program data.
- ¹⁴ U.S. Census, Current Population Survey, 2007.
- ¹⁵ West Virginia University Institute for Health Policy Research, unpublished report. 2008
- ¹⁶ There are numerous research studies documenting rapid brain development in young children and the importance of regular and comprehensive screening to find and address problems early in life. Two authoritative studies are from the National Research Council and the Institute of Medicine, *Children’s Health, the Nation’s Wealth, Assessing and Improving Child Health*, 2004; and Jack P Shonkoff and Deborah A. Phillips Editors, *From Neurons to Neighborhoods, The Science of Early Childhood Development*, 2000.
- ¹⁷ Sara Rosenbaum, D Richard Mauery, Peter Shin, Julia Hidalgo, “National Security and U.S. Child Health Policy: The Origins and Continuing Role of Medicaid and EPSDT,” Department of Health Policy Brief, Georgetown University School of Public Health and Health Services, April 2005.
- ¹⁸ Executive Budget, SFY 2009.
- ¹⁹ National Association of State Budget Officers, 2006 Expenditure Report.
- ²⁰ Congressional Budget Office, The Long Term Outlook for Health Care Spending, November 2007.
- ²¹ Ibid, page 3.
- ²² The 2010 FMAP is not final until published in the Federal Register.
- ²³ Medicaid: Good Medicine for State Economies 2004 Update, A Report by Families USA, May 2004.
- ²⁴ Ibid.
- ²⁵ Michael Hendryx, Melissa M. Ahern, Timothy R. Nurkiewicz, *Hospitalization Patterns Associated with Appalachian Coal Mining*, Journal of Toxicology and Environmental Health, Part A, 70: 2064-2070, 2007.
- Michael Hendryx, PhD, and Melissa M. Ahern, PhD, *Relations Between Health Indicators and Residential Proximity to Coal Mining in West Virginia*, American Journal of Public Health, Vol 98, No.4, April 2008.