

## Medicaid and Medicaid-Financed Nursing Center Services are Cost Effective for Key Populations

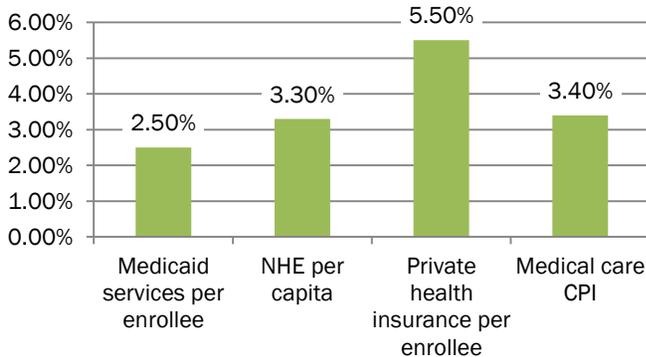
Medicaid provides health care at a fraction of the cost of employer-based coverage.

In fiscal year 2009, Medicaid spent an average of \$3,684 per adult enrollee<sup>1</sup>, while the average cost of employer-sponsored insurance for a single adult was \$4,824 (Figure 1).<sup>2</sup> This efficiency extends to families; the average cost to cover a parent and two children through Medicaid was \$8,592 in 2009, compared with an average cost of \$13,375 through employer-sponsored insurance—more than 1.5 times as expensive as Medicaid.<sup>3</sup>

Medicaid also does a better job in controlling cost growth. From 2007 to 2010, Medicaid spending per enrollee grew at less than half the rate of private insurance, and at a rate lower than both the medical care consumer price

**Figure 2. Medicaid Better Controls Rising Costs**

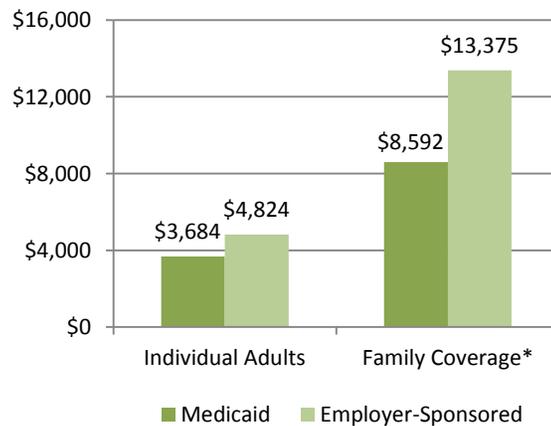
Average Cost Growth, 2007-2010



Source: Enrollment-Driven Expenditure Growth: Medicaid Spending During the Economic Downturn, FFY 2007-2010, Kaiser Family Foundation.

**Figure 1. Medicaid Coverage is Substantially Less Expensive than Employer-Based Insurance**

Costs of Coverage, Fiscal Year 2009



\*Family defined as an adult and two children. Sources: MACPAC analysis of MSIS and CMS-64 net financial management report data as of May 2012; Kaiser/HRET Health Benefits 2009 Annual Survey.

index (CPI) and national health expenditures per capita (Figure 2).<sup>4</sup>

In terms of nursing centers' role in efficiency, recent research indicates that people with multiple chronic conditions serviced in nursing facilities experience approximately half the number of avoidable hospitalizations when compared to the general Medicaid population and Medicare-Medicaid eligible beneficiaries enrolled in home and community-based services (HCBS) programs.<sup>5</sup> Researchers go on to indicate

<sup>1</sup> MACPAC analysis of Medicaid Statistical Information System (MSIS) and CMS-64 net financial management report data as of May 2012.

<sup>2</sup> Kaiser Family Foundation and Health Research Education Trust Employer Health Benefits 2009 Annual Survey

<sup>3</sup> MACPAC analysis of Medicaid Statistical Information System (MSIS) and CMS-64 net financial management report data as of May 2012

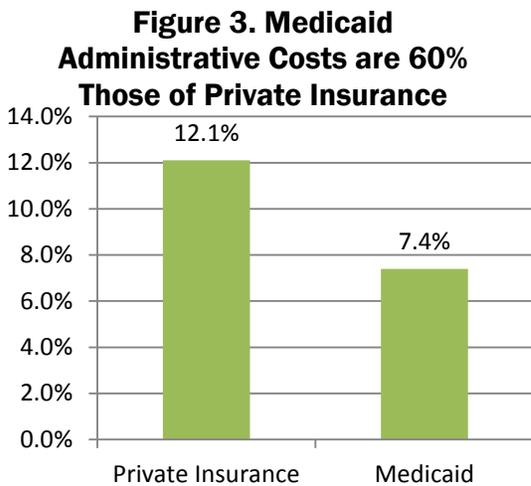
<sup>4</sup> Kaiser Family Foundation. Enrollment-Driven Expenditure Growth: Medicaid Spending During the Economic Downturn, FFY2007-2010

<sup>5</sup> Konezka, T., et. al. Users of Medicaid Home and Community-Based Services Are Especially Vulnerable to Costly Avoidable Hospital Admissions. Health Affairs, 31, no. 6 (2012): 1167-1175; Walsh, E. Ph.D. Cost Drivers for Dually Eligible Beneficiaries: Potentially Avoidable Hospitalizations from Nursing Facilities, Skilled Nursing Facilities, and

that such avoidable hospitalizations result in higher costs to Medicare and Medicaid. The findings also suggest that “HCBS as currently designed may not be a full substitute for institutional long term services and supports from a medical standpoint.”<sup>6</sup>

Finally, Medicaid spends a lower percentage on administration than private insurance. The Medicaid program’s administrative cost proportion is less than two-thirds that of private insurance (Figure 3). While administrative costs are necessary to assure accurate claims payment, eligibility determination, and fraud prevention, most health care program spending should go directly to care.

When combined with the slower growth in costs per enrollee, the lower cost per enrollee, and lower administrative costs, it is clear that the Medicaid program is cost effective.



Sources: Office of the Actuary (OACT), CMS, National health expenditures by type of service and source of funds, January 2012; OACT, National Health expenditure accounts: Methodology paper, 2010, 2012.

<sup>6</sup> Ibid.