



Analytics

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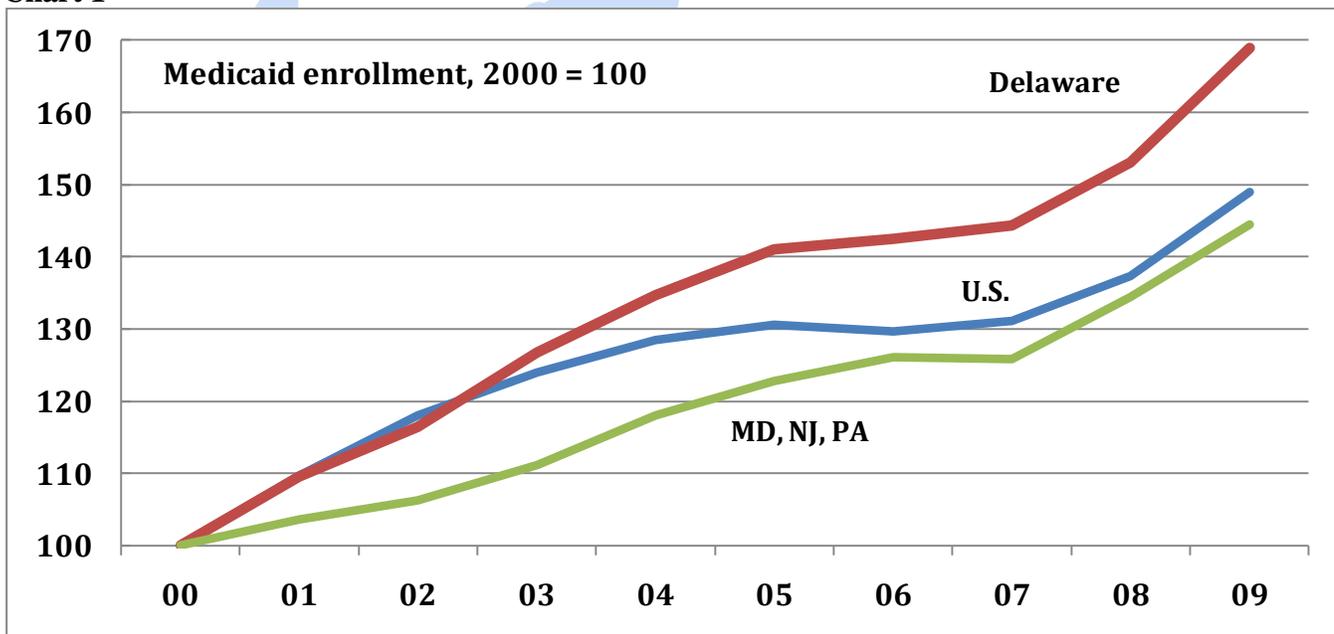
RE: Is Medicaid out of control?

DATE: 11/11/10

According to the Kaiser Commission, Medicaid utilization in Delaware is soaring. Since the year 2000, Medicaid enrollment across the nation rose 49%, while rising 44% in the region, and almost 70% in Delaware (Chart 1). Data from DEFAC shows that between FY-2005 and FY-2011 total state expenditures from the general fund rose 18%. State salaries rose 19% and fringe benefit spending jumped 32%. The increase in general fund Medicaid spending led all categories with a jump of 44%.

Why this explosion in Medicaid in Delaware? And will it continue?

Chart 1



Source: Kaiser Commission

Medicaid is a joint federal-state program that provides health coverage or nursing home care to low-asset individuals, children, and the disabled. States, and in some instances counties, provide up to half of the funding. Each state operates its own Medicaid program and the Federal matching funds are based upon the state's respective per capita income.

Medicaid spending within a state is driven by changes in poverty, eligibility requirements, and benefits and provider rates. The prime suspect in Delaware appears to be liberal eligibility requirements.



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Medicaid eligibility requirements are typically set as a percentage of the Federal poverty rate. Poverty has not been soaring in Delaware. The recession bumped Delaware's poverty rate up from 10.4% in 2008 to 10.8% in 2009. The national rate, meanwhile, went from 13.3% to 14.3%. For the past two decades Delaware's poverty rate has been below the nation's and the extent of income inequality in Delaware has been less than the nation's.

Compared to other states, however, Delaware's eligibility requirements have been more generous. Delaware's Medicaid qualification ceiling for childless adults is 110% of the Federal poverty level (FPL) and is 121% of FPL for parents. Pregnant women and children can get full benefits up to 200% of FPL. Delaware is one of only five states that allow childless adults to qualify for Medicaid and the 121% cutoff is the 12th highest among all states. Pregnant women and children in Delaware can get full benefits up to 200% of the FPL.

Consequently, as of 2007 Medicaid enrollment was 21% of the population in Delaware compared to 17% in Pennsylvania, 13% in Maryland, and 11% in New Jersey. The Department of Health and Human Services is the second largest expenditure center in Delaware state government. The estimated FY-2011 Medicaid spending of \$487 million from the General Fund comprises more than half of the DHHS budget.

Will the Medicaid surge continue in Delaware? The answer is unequivocally "yes." Currently, because of the Federal stimulus funds the state of Delaware covers 33% of Medicaid spending. As of July 1, 2011 when the stimulus funds disappear, the state share will jump to 47%. Because it accepted stimulus funds, Delaware can't lower its income thresholds for Medicaid through 2014. After that the mandated Federal minimum is 133% of FPL.

Compounding matters is the current movement of the baby-boomers into the 65+ age cohorts. Over the next ten years Delaware's population is projected to increase 10% while its population age 65 and older will increase 41%. Elderly who have depleted their assets can have their nursing home costs picked up by Medicaid. Although only 3% of Delaware's Medicaid recipients are currently nursing home residents, they account for over one-third of the state's Medicaid outlay.

One hopes that officials are preparing now for what will only become a greater expenditure issue for Delaware state government in the years ahead.

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