THE HENRY J. KAISER FAMILY FOUNDATION

THE KAISER COMMISSION ON
Medicaid and the Uninsured

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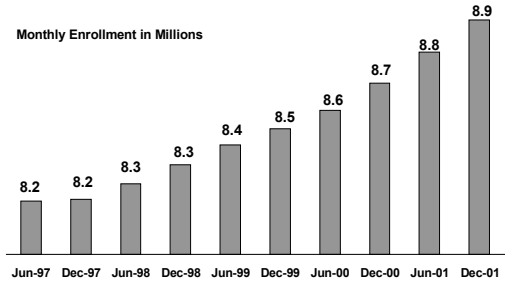
States Respond to Fiscal Stress: Implications for Elderly Women on Medicaid

Women make up the vast majority of elderly Medicaid beneficiaries because they are more likely to be poorer and sicker, and, thus, to meet Medicaid's eligibility criteria. More than 70 percent of elderly Medicaid beneficiaries are women. Among seniors over the age of 85, many of whom have particularly extensive health care needs, more than 80 percent are women. As a result, women are disproportionately affected by changes that states make to their Medicaid programs for seniors.

Medicaid spending on the elderly is growing and contributing to the rise in overall Medicaid spending. Medicaid enrollment of the elderly and persons with disabilities is growing steadily (Figure 1), but accounts for a relatively small part of total Medicaid enrollment. Because this group uses health care services more intensively, spending on the elderly and persons with disabilities accounts for a disproportionate share of the increase in Medicaid costs. Between 2002-2003, the elderly and persons with disabilities accounted for nearly three-quarters of the $11 billion increase in Medicaid expenditures (Figure 2). Most of this increase was due to increases in the cost of services and greater utilization.

Figure 1

Aged and Disabled Medicaid Enrollment in 44 States



Source: Compiled by Health Management Associates from State Medicaid enrollment reports.

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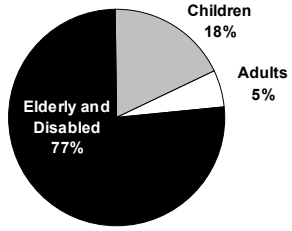
Figure 2

Sources of Growth in Federal Medicaid Expenditures on Benefits, 2002-2003



$11 Billion Increase in Federal Expenditures on Benefits

SOURCE: KCMU analysis of CBO Medicaid baseline, March 2003.

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To close budget shortfalls, states are looking for ways to contain costs. Forty-nine states reported plans to reduce growth in their Medicaid spending in FY 2003, according to a recent 50-state survey for the Kaiser Commission on Medicaid and the Uninsured. Nineteen states reported action to reduce long-term care spending in FY 2003. This paper describes some of the states' plans to reduce the growth in Medicaid spending on the elderly.

Eligibility for the "Medically Needy"

Thirty-five states and the District of Columbia operate "medically needy" programs. In 1999, 3.7 million individuals received Medicaid coverage through the medically needy

option. Medically needy coverage is often the last resort for children and families with incomes above categorical eligibility levels and for the elderly and individuals with disabilities with high recurring medical expenses. Seven states, **Arkansas**, **Florida**, **Massachusetts**, **Montana, Oklahoma, Oregon, Texas** have proposed changes to their medically needy programs. **Oklahoma** and **Oregon** eliminated their medically needy programs in FY2003, and **Arkansas** and **Texas** have proposed eliminating their programs. In addition, **Florida** has proposed eliminating all benefits, except prescription drugs, from their medically needy program.

Benefits
When extending coverage to a Medicaid beneficiary, states must provide physician services, hospital care, nursing home care, and a range of other "mandatory" services, but they also can provide an array of "optional" services. The list of Medicaid optional services includes a broad range of disability-related services, such as prescription drugs, case management, rehabilitative services, personal care services, and home and community-based services.

Many states have started to reduce or eliminate many of these "optional" services that are particularly important for the elderly. **Arkansas and Texas** have proposed eliminating home and community-based service waivers. **Kentucky** has reported plans to limit personal care services. **Indiana** announced plans to cut occupational and physical therapy. In FY2004, **New Jersey** may reduce personal care hours from 40 to 25. **Montana's** FY2004-2005 budget proposal includes eliminating home health services and hospice care.

Institutional Long-term Care
Medicaid is a major source of financing for long-term care services for the elderly. Medicaid provides assistance for people with long-term care needs in the community and in nursing homes, covering services often excluded from private insurance and Medicare. In order to curb spending growth, states are continuing to reduce provider payments, however, many states now have plans to reduce eligibility:

- **Arkansas** may rescind the increase in minimum staffing standards in long-term care facilities.
- **Connecticut** plans to delay a nursing home reimbursement rate increase of 2 percent to June 1, 2003.
- **Kentucky** has proposed eliminating coverage for low-intensity nursing home residents.
- **Massachusetts** has proposed many changes to their long-term care policies, including raising the nursing home clinical eligibility standard by establishing new acuity and disability admission criteria and reducing reimbursement rates for nursing homes.

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