

## The Basics of Medical Assistance in Pennsylvania

The Medicaid program is the underpinning of the health care safety net in Pennsylvania. It provides health care coverage – the key to accessing care – to the Commonwealth’s neediest, most vulnerable residents. It pays providers such as hospitals, physicians and pharmacies for treatment that would otherwise go largely uncompensated. It brings billions of federal dollars into the state to help finance care for low-income people.

The Medicaid program – known in Pennsylvania as Medical Assistance – also presents challenges. Because of its important role and the medical needs of the people it serves, the program demands a substantial commitment of public resources. It competes with other priorities in the state budget. The large and diverse Medical Assistance population requires a variety of approaches to delivering and managing care. Because of its size, both in terms of the number of people served and the budget, Medical Assistance has many interested stakeholders.

This fact sheet introduces the Pennsylvania Medical Assistance program by describing its basic structure, who receives benefits and what those benefits are and how enrollment and spending has changed over time. It concludes with a discussion of current policy issues and challenges facing the Medical Assistance program.

### Background

Medicaid is a means-tested entitlement program that is jointly funded by federal and state governments.<sup>1</sup> It was created by Congress in 1965 as Title XIX of the Social Security Act.<sup>2</sup>

<sup>1</sup> An entitlement program means that all individuals who meet the eligibility requirements must be enrolled in the program and cannot be placed on a waiting list.

<sup>2</sup> Medicare (Title XVII) was passed at the same time as Medicaid. In 1997, the State Children’s Health Insurance Program (CHIP), another funding stream for children, was added to the Social Security Act as Title XXI. However, CHIP is operated as a separate program from Medicaid in Pennsylvania and is called the Children’s Health Insurance Program (CHIP).

Governed by federal regulations<sup>3</sup>, states are required to cover a set of mandated services for specific groups of individuals to qualify for federal matching payments. States may also offer services to optional populations. The federal Centers for Medicare and Medicaid Services (CMS) provides regulatory oversight. States administer the program and set rules for eligibility, benefits and provider payments within broad federal guidelines. As a result, there are wide variations in the Medicaid program across states.

In Pennsylvania, Medical Assistance is administered by the Department of Public Welfare (DPW) and county assistance offices conduct eligibility determinations and recertifications.

### Who is covered?

Medical Assistance provides health coverage to many of the poorest, most vulnerable and intensive users of health care services in the Commonwealth.

In order to be eligible for the program, individuals must: (1) fit into a specified coverage group; (2) meet the income requirements for that specific coverage group (these income limits are usually specified in terms of a certain percentage of the federal poverty level, FPL); (3) meet the asset requirements for that specific coverage group; (4) be a United States citizen or a qualified legal alien; and (5) be a Pennsylvania resident.

Medical Assistance’s primary coverage groups are: infants and children to age 19; pregnant women; families with children that receive Temporary Assistance to Needy Families (TANF-cash welfare assistance) funds; individuals with disabilities; and the elderly. In addition, the program covers: workers with disabilities; Title IV-E adoptive or foster children; women enrolled in the Breast and Cervical Cancer Prevention and Treatment program; medically needy individuals<sup>4</sup>; low-income Medicare beneficiaries; and

<sup>3</sup> Title 42 of the Code of Federal Regulations

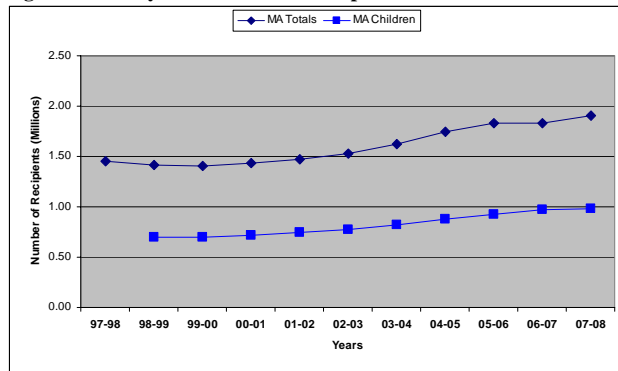
<sup>4</sup> Medically needy individuals are an optional Medicaid eligibility group consisting of individuals who qualify under an income standard that is separate from the standards used for categorically needy coverage. Medically needy individuals must meet Medicaid’s

family planning services for women with incomes up to 185 percent of the FPL.<sup>5</sup>

In FY08, there were 1,915,407 Medicaid recipients in Pennsylvania in the average month, representing 15.4 percent of the state’s population.<sup>6</sup> As shown in *Figure 1*, the number of Medicaid recipients has been increasing steadily since 2000, a period that overlaps the economic downturn in Pennsylvania.

There have been two major contributors to enrollment growth over this period. First, private insurance coverage in Pennsylvania decreased as a response to that downturn. As a result, many children shifted from private to public health insurance coverage. Second, in 2002, Pennsylvania extended Medicaid coverage to seniors and individuals with disabilities with incomes between 76 percent and 100 percent of the FPL.

**Figure 1: Pennsylvania Medicaid Recipients From FY98 - FY08**



Note. Data provided by PA DPW.<sup>7</sup>

Although 15.4 percent of Pennsylvania’s population was enrolled in Medical Assistance in FY08, the proportion varies across the individual counties as

categorical requirements and may meet the income level by incurring high medical expenses which are deducted from their incomes in a process known as “spend-down.”

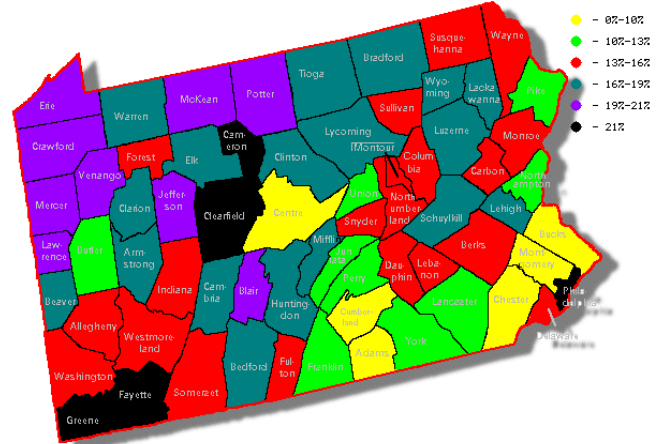
<sup>5</sup> For more detailed information on Medical Assistance eligibility requirements, please see the PMPC’s fact sheet *Common Medicaid Eligibility Categories in Pennsylvania*.

<sup>6</sup> Commonwealth of Pennsylvania, Department of Public Welfare (PA DPW). (2008). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, July 2007-June 2008.

<sup>7</sup> Commonwealth of Pennsylvania, Department of Public Welfare (PA DPW). (2008). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, 1997-2008.

shown in *Figure 2*. The main factor influencing the proportion of a county’s population enrolled in Medical Assistance is the county per-capita income.

**Figure 2: Proportion of Medical Assistance Recipients to Pennsylvania County Populations, September 2008.**



Note. Data provided by PA DPW.<sup>8</sup>  
 Pennsylvania map provided by “Map-Maker” Utility, Texas A&M University System, available at <http://monarch.tamu.edu/>.

**Who is not covered?**

Medicaid is popularly thought of as “health insurance for the poor.” However, low-income, non-disabled adults without children are generally not eligible for federally finance Medical Assistance, but may be eligible through special state-financed programs. For example, Pennsylvania only covers low-income parents up to 25 percent of the FPL. Thus, many of these adults are uninsured.

**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 recipients. These services include Early Periodic Screening, Diagnosis, and Treatment (EPSDT) for children under age 21; family planning; inpatient and outpatient hospital care; physician services; laboratory and x-ray; medical and surgical dental; nurse midwife; nurse practitioner; skilled

<sup>8</sup> Commonwealth of Pennsylvania, Department of Public Welfare (PA DPW). (2008). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, September 2008.

nursing facilities; home health care; rural health clinic and federally qualified health clinic services offered by these entities; and all medically necessary care for eligible individuals under age 21.

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, intermediate care facilities for individuals with mental retardation (ICF/MR), personal care, and targeted case management. Pennsylvania covers 24 optional services.<sup>9</sup>

### What does Medical Assistance cost and how is it funded?

Medicaid is jointly financed by the federal and state governments. The federal government reimburses states for a portion of Medicaid expenditures, with the federal contribution amounts tied to the state's per-capita income. The Federal Medical Assistance Percentage (FMAP) in Pennsylvania in 2008 is 54.08 percent, which means that for every \$100 spent on services and populations covered by Medicaid, the federal government pays \$54.08 and the Commonwealth pays \$45.92.<sup>10</sup> The federal government also pays about 50 percent of the states' costs of administering the Medicaid program. In FY08, total expenditures for Pennsylvania Medical Assistance were \$14.4 billion.<sup>11</sup>

### Distribution of recipients and expenditures

Although children make up the largest proportion of Medical Assistance recipients (46 percent), they do not account for the largest proportion of expenditures (only 19 percent) (see Figure 3). Disabled individuals are the second largest enrollment group (20 percent), and they account for 34 percent of expenditures. The elderly account for only 14 percent of recipients, but 33

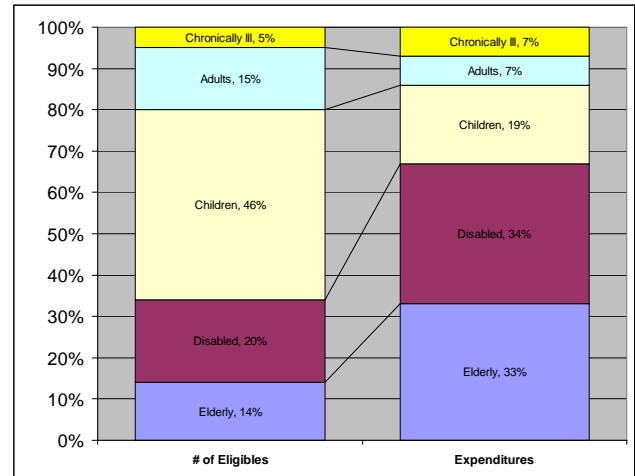
<sup>9</sup> For more detailed information on Medical Assistance services, please see the PMPC's fact sheet, *Covered Services Under the Pennsylvania Medicaid Program*.

<sup>10</sup> Federal Financial Participation in State Assistance Expenditures, 71 Fed. Reg. 69209 (November 30, 2006).

<sup>11</sup> For more information on Medical Assistance Spending in Pennsylvania, please see the PMPC report, *Pennsylvania Medical Assistance Budget for 2007-08: Issues and Analysis*.

percent of expenditures. The elderly account for such a disproportionate share of expenditures because of their higher incidence of chronic illness and increased use of long-term care services.

**Figure 3: Distribution of Medical Assistance Recipients and Expenditures by Broad Eligibility Category, FY07**



Note. Data provided by PA DPW.<sup>12</sup>

### Challenges

#### Enrollment Increase

In the first five months of FY09, Medical Assistance enrollment has increased by more than 48,671 individuals, or 2.5 percent, to cover 16.1 percent of the Pennsylvania population<sup>13</sup>. If the enrollment increase for FY09 continues at the current pace, the overall FY increase will be over 106,000 individuals, a 5.3 percent increase. The enrollment increase is a result of the recession, growing unemployment rate and consequent drop of health coverage.

#### Rising Health Care Costs

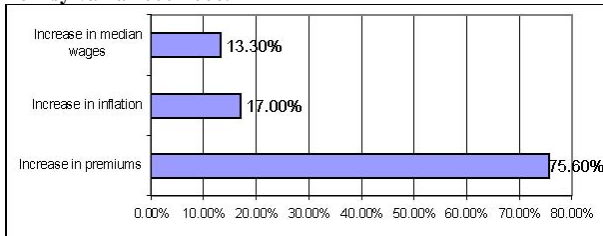
Health care costs continue to rise each year and at a faster rate than state tax revenues, causing the Medicaid program to become more expensive. Furthermore, in Pennsylvania, the premium increase for family health insurance coverage greatly outpaced

<sup>12</sup> Commonwealth of Pennsylvania, Department of Public Welfare, Office of Medical Assistance Programs. (2008). 2008-09 Executive Budget Briefing, slide 5. Retrieved April 18, 2008 from [http://www.dpw.state.pa.us/Resources/Documents/Pdf/AnnualReport/DPWBudget\\_2008-09\\_2-5\\_Presentation.pdf](http://www.dpw.state.pa.us/Resources/Documents/Pdf/AnnualReport/DPWBudget_2008-09_2-5_Presentation.pdf).

<sup>13</sup> Data provided by PA DPW.

inflation and median wage growth since 2000 (see Figure 4). If this continues, it is likely that some businesses and individuals in Pennsylvania will drop their health insurance. Consequently, the poorest employees will then turn to Medical Assistance for health care coverage.

**Figure 4: Increases of Premiums, Inflation and Median Wages in Pennsylvania 2000-2006.**



Note. Data provided by PA Office of the Governor.<sup>14</sup>

### Large and Growing Elderly Population

An increase in the number of individuals eligible for Medicaid will drive program costs. Currently, one in five Pennsylvanians is over the age of 60.<sup>15</sup> By the year 2020, this number will increase to one in four.<sup>16</sup> As shown in Figure 3, the elderly accounted for 33 percent of expenditures in FY07. From FY06 to FY07, the Medical Assistance elderly population increased by 5.6 percent.<sup>17</sup> By 2030, Pennsylvania will have more seniors (age 65+) than school-age children, further driving Medical Assistance costs.<sup>18</sup>

<sup>14</sup> 2008-09 Executive Budget Briefing, Commonwealth of Pennsylvania, slide 106. Available at [http://www.state.pa.us/papower/lib/papower/08-09\\_budget/budget-briefing.pdf](http://www.state.pa.us/papower/lib/papower/08-09_budget/budget-briefing.pdf).

<sup>15</sup> Id. at slide 157.

<sup>16</sup> Id. at slide 157.

<sup>17</sup> Department of Public Welfare, 2008-09 Executive Budget Briefing, slide 4.

<sup>18</sup> Id. at slide 19.

**Table 1: Pennsylvania Medical Assistance Recipient Growth for FY07.**

Eligibility Category	% Change
Elderly	5.6
Children	3.8
Disabled	2.2
Chronically Ill	0.0
Adults	-1.1

Note. Data provided by DPW.<sup>19</sup>

### Long-Term Care

Long-term care has become a critical concern in Pennsylvania with the increasing number of elderly individuals and adults with a disability who require assistance with daily living activities.<sup>20</sup> In FY09, federal funding for nursing homes will be reduced by \$109 million.<sup>21</sup>

### Changes at the Federal Level

The President's FY09 budget proposal would reduce federal Medicaid spending by \$17.4 billion over the next five years. If the budget is enacted, these Medicaid cuts would shift more of the program's financial burden to the states.

To address these financial pressures, Pennsylvania may choose to: restrict eligibility, reduce benefits, look for potential inefficiencies in the Medicaid program, or shift funding from other programs.

### Conclusion

The Medical Assistance program, which provides health insurance to about 15 percent of Pennsylvania's population and for 40 percent of its children, is the underpinning of the health care safety net. However, as enrollment increases, the cost of health care rises and the impact of Medical Assistance on the state's budget becomes greater, more attention will need to be focused on how the program can most effectively meet

<sup>19</sup> Id. at slide 4.

<sup>20</sup> Id. at slide 19.

<sup>21</sup> Id. at slide 9.

its mission of providing health care coverage to some of the Commonwealth's most vulnerable citizens.

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