

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 Medicaid program, 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.¹ It was created by Congress in 1965 as Title XIX to the Social Security Act.²

Governed by federal regulations³, states are required to cover a set of mandated services for specific groups of people in order to qualify for federal matching payments. The federal Centers for Medicare and Medicaid Services (CMS) provide 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.

1 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.

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

3 Title 42 of the Code of Federal Regulations

Who is covered?

Medical Assistance provides health coverage to many of the poorest, most vulnerable and most 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 lawful alien; and (5) be a Pennsylvania resident.

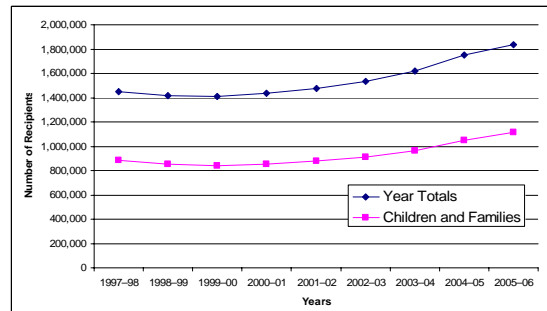
Medical Assistance's primary coverage groups are: infants and children to age 19; pregnant women; families with children that receive Temporary Assistance to Needy Families (TANF-cash welfare assistance) funds; individuals with disabilities; and the elderly. In addition, the program covers: workers with disabilities; Title IV-E adoptive or foster children; women enrolled in the Breast and Cervical Cancer Prevention and Treatment program; medically needy individuals⁴; and low-income Medicare beneficiaries.⁵

4 Medically needy individuals are an optional Medicaid eligibility group consisting of individuals who qualify under an income standard that is separated from the standards used for categorically needy coverage. Medically needy individuals must meet Medicaid's 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."

5 For more detailed information on Medical Assistance eligibility requirements, please

In 2006, there were 1,833,769 Medicaid recipients in Pennsylvania in the average month, representing 14.8 percent of the state's population.⁶ 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 partly 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 to individuals with disabilities with incomes between 76 percent and 100 percent of the FPL.

Figure 1. Pennsylvania Medicaid Recipients From 1997-2005



Note. Data provided by PA DPW.⁷

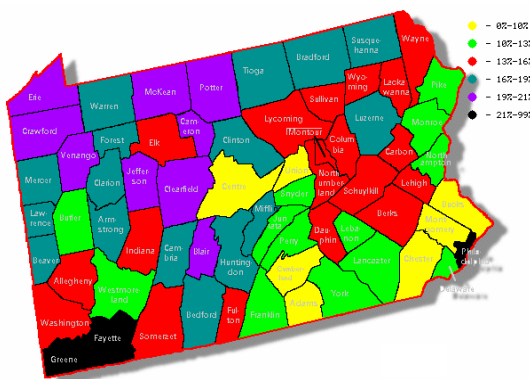
see the PMPC's fact sheet *Common Medicaid Eligibility Categories in Pennsylvania*.

6 Commonwealth of Pennsylvania, Department of Public Welfare (PA DPW). (2006). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, August-December, 2006.

7 Commonwealth of Pennsylvania, Department of Public Welfare (PA DPW). (2006). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, 1997-2006.

Although 14.8 percent of Pennsylvania's population is enrolled in Medical Assistance, the proportion varies across the individual counties as 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. The Proportion of Medical Assistance Recipients to Pennsylvania County Populations in 2006



Note. Data Provided by PA DPW. Other information from U.S. Census Bureau, 2006.⁸ Pennsylvania map provided via 'Do It Yourself' Color-Coded State Maps, <http://monarch.tamu.edu/~maps2/>, Texas A&M University System.

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 financed Medical Assistance, but may be eligible through special state

financed programs. 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 copayments) 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 nursing facilities; home health care; rural health clinic and federally qualified health clinic services offered by these entities; and all medically necessary care for eligibles 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.⁹

What does Medical Assistance cost and how is it funded?

Medicaid is jointly financed by the federal and state governments. The

⁸ Commonwealth of Pennsylvania, Department of Public Welfare (PA DPW). (2006). Medical Assistance Eligibility Statistics, (PA DPW). Provided to authors by Director, August-December, 2006. and U.S. Census Bureau. (2006). State and County QuickFacts. Retrieved November 15, 2006, from <http://quickfacts.census.gov/qfd/states/42000.html>

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

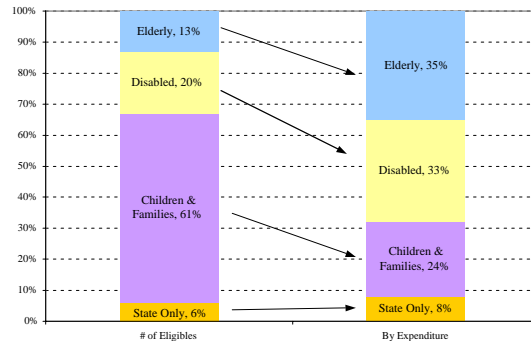
federal government reimburses states for a portion of Medicaid expenditures, with the federal contribution amounts tied to the state's per-capita income. The Federal Medical Assistance Percentage (FMAP) in Pennsylvania in 2007 is 54.39 percent¹⁰, which means that for every \$100 spent on services and populations covered by Medicaid, the federal government pays \$54.39, and the Commonwealth pays \$45.61.¹¹ The federal government also pays about 50 percent of the states' costs of administering the Medicaid program. In 2005, total expenditures for Pennsylvania Medicaid were 15,873 million dollars.¹²

Distribution of recipients and expenditures

Although children and families make up the largest proportion of Medical Assistance recipients (61 percent), they do not account for the largest proportion of expenditures (only 24 percent) (see Figure 3). Disabled individuals are the second largest enrollment group (20 percent), and they account for 33 percent of expenditures. The elderly account for only 13 percent of recipients, but 35 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 and prescription drugs.

Figure 3: Distribution of Medical Assistance Recipients and Expenditures by Broad Eligibility Category in 2005



Note. Data provided by PA DPW.¹³

Challenges

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 increase in the cost of premiums for family health insurance coverage greatly outpaced inflation and median wage growth since 2000 (see Figure 4). If this continues, it is likely that some businesses and individuals in the state will drop their health insurance. Consequently, the poorest employees will then turn to Medicaid for health care coverage.

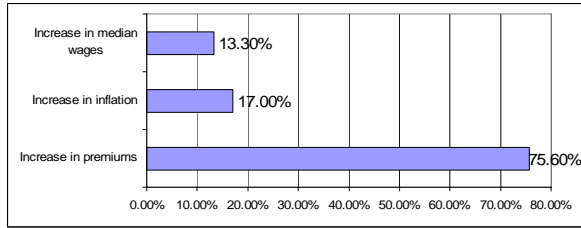
¹⁰ The national average FMAP is 55 percent.

¹¹ Federal Financial Participation in State Assistance Expenditures, 70 Fed. Reg. 71856 (November 30, 2005).

¹² Kaiser Family Foundation. (2005). Pennsylvania State Medicaid Fact Sheet. Retrieved November 15, 2006, from <http://www.kff.org/mfs/medicaid.jsp?r1=PA&r2=US&x=9&y=5>

¹³ Commonwealth of Pennsylvania, Department of Public Welfare, Office of Medical Assistance Programs. (2006). 2005/2006 Annual Report. Retrieved February 22, 2007, from <http://www.dpw.state.pa.us/Resources/Documents/Pdf/AnnualReports/OMAP05-06AnnualReport.pdf>.

Figure 4. Increases of Premiums, Inflation and Median Wages in Pennsylvania since 2000



Note. Data provided by PA DPW.¹⁴

Changes at the Federal Level

The President's FY 2008 budget proposes reducing the Medicaid program nationally by almost \$26 billion over the next five years. If the budget is enacted, these Medicaid cuts would then shift the financial burden of the program to the states. In 2007-08, Pennsylvania will potentially have to absorb an additional \$717.7 million in federal cuts.¹⁵

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.

Large and Growing Elderly Population

An increase in individuals eligible for Medicaid will drive program costs. Currently, one in five Pennsylvania residents is over the age of 60- the third highest of any state. As shown in *Figure 3*, the elderly consume more Medical Assistance resources than other eligibility categories, accounting for 35 percent of expenditures in

2005.¹⁶ From December 2005 to December 2006, the Medical Assistance elderly population increased by 5.6 percent. It is estimated that Pennsylvania's elderly population (85 years and older) will grow by 42 percent between 2000 and 2010, further driving Medical Assistance costs.¹⁷

Table 1. Pennsylvania Medical Assistance Recipient Growth for 2005-2006

| Eligibility Category | Dec-05 | Dec-06 | % Change |
|-------------------------------|----------------|----------------|------------|
| Elderly | 243,403 | 257,063 | 5.6 |
| Children | 821,528 | 865,338 | 5.3 |
| Disabled | 376,428 | 383,769 | 2.0 |
| Chronically Ill Adults | 99,831 | 99,897 | .07 |

Note. Data provided by PA DPW.¹⁸

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 activities of daily living.¹⁹ There has been a \$1 billion increase in long-term living costs since 2002-03.²⁰

16 Commonwealth of Pennsylvania, Department of Public Welfare, Office of Medical Assistance Programs. (2006). 2005/2006 Annual Report. Retrieved February 22, 2007, from <http://www.dpw.state.pa.us/Resources/Documents/Pdf/AnnualReports/OMAP05-06AnnualReport.pdf>.

17 Pennsylvania 2007-08 Executive Budget, Pennsylvania Cares, slide 35.

18 Id.

19 Id.

20 Id. at slide 36.

14 Pennsylvania 2007-08 Executive Budget, Pennsylvania Cares, slide 10.

15 Pennsylvania Department of Public Welfare, 07-08 Budget Presentation, Office of Medical Assistance Programs, slide 6.

Conclusion

The Medicaid program, which provides health insurance to 14 percent of Pennsylvania's population and for 32 percent of its children, is the underpinning of the health care safety net. However, as 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 its mission of providing health care coverage to some of the Commonwealth's most vulnerable citizens.

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