

Faces of the Pennsylvania Medicaid Program

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Preface

The Pennsylvania Medicaid Policy Center (PMPC) was established in 2006 with support from The Pew Charitable Trusts, the Jewish Healthcare Foundation, the North Penn Community Health Foundation, the Brandywine Health Foundation and the Pottstown Area Health & Wellness Foundation.

The PMPC is an independent and non-partisan source of information and analysis about the Commonwealth's Medical Assistance program. It aims to increase understanding of the structure and parameters of the Medicaid program in Pennsylvania as well as its role in the state's health care system. In addition, the PMPC seeks to assess and inform the development of policy options and long-term strategies that would best serve the program's constituents.

Faces of the Pennsylvania Medicaid Program provides information on the Medical Assistance program and is an update to an earlier report published in 2007. It describes the characteristics of the individuals who are eligible for the program. It provides data on the number of people who were covered in 2010 and examines the distribution of individuals and costs across the broad eligibility categories. It also provides information on the proportion of children and the overall population who are covered by Medical Assistance in each county in the Commonwealth. It also provides data on enrollment growth of Medical Assistance over time and demonstrates the importance of the program as a safety-net during the recent great recession.

We would like to thank the Pennsylvania Department of Public Welfare for providing us with the state data used in this report.

Faces of the Pennsylvania Medicaid Program

Introduction

Since its inception, Medicaid has paid for medical care for millions of low-income Americans. However, with its numerous eligibility categories, variations in covered services and complicated rules governing the administration of the program, it is easy to become confused about whom and what services the Medicaid program covers. This report will provide information on Medicaid in Pennsylvania where it is referred to as Medical Assistance, and put a “face” to the enrolled population. The intention is to provide state policy makers and stakeholders with a fundamental understanding of who the program serves and its significance across the Commonwealth.

We begin by presenting a broad overview of the Medicaid program. Then, we describe requirements for eligibility in Pennsylvania. Next, we provide detailed information on covered individuals, such as the proportion of the population in each Pennsylvania County that is covered by Medicaid. We go on to describe the recent enrollment growth in Pennsylvania’s Medical Assistance program as a result of the economic downturn. Finally, we compare the distribution of Pennsylvania individuals across the broad eligibility categories with spending across those categories.

Overview of the Medicaid Program

The Medicaid program, which was created by Congress in 1965 under Title XIX of the Social Security Act, is administered and financed by both the federal government and the states. It has evolved from a program that primarily paid for health services for individuals receiving cash welfare assistance, into an insurance program that fills in some of the coverage gaps resulting from the current health care financing system. It pays for medical and long-term care for low-income American citizens and some legal immigrants; and covers such vulnerable populations as poor children, pregnant women, individuals with disabilities, and seniors. As of June 2010, approximately 50.3 million individuals, or about 16.3 percent of the United States population, were covered by Medicaid. This is an increase in total enrollment of 7.6 million individuals or 17.8 percent since the start of the recession in December of 2007.^{1,2,3}

Medicaid is financed jointly by the federal and state governments and is administered by each individual state, as well as American Samoa, Guam, Northern Mariana Islands, Puerto Rico, Virgin Islands, and Washington, D.C. The federal government reimburses states for a portion of Medicaid expenditures, with the amount of the federal contribution tied to each state’s per-capita income. This amount is called the Federal Medicaid Assistance Percentage (FMAP).

At the federal level, the Centers for Medicare and Medicaid Services (CMS) provide regulatory oversight of the Medicaid program. Governed by federal regulations, states are required to cover a set of mandated services for specific groups of people in order to qualify for federal matching payments.

Subject to these requirements, states have considerable flexibility in designing their own Medicaid programs. States can extend Medicaid eligibility by increasing the income ceilings by which individuals qualify for services and /or by covering individuals whom they are allowed, but not required, to cover (such as women with breast or cervical cancer). In addition, they can increase the number of covered services above the mandated minimum or set limits (such as the number of days covered) on the receipt of services. States can also determine the amounts and methods by which they pay providers for services rendered to Medicaid recipients. Furthermore, they can obtain even greater flexibility by seeking a waiver of certain provisions of Medicaid law. Waivers allow states to implement policies, such as covering some populations or limiting coverage for some services to select individuals, which are not otherwise permitted by the Medicaid statute. In exchange for this additional flexibility, states must generally show that a waiver will be “budget neutral”; that is, it will not increase federal spending on Medicaid spending in their state. This system creates a decentralized program with at least 56 variations of coverage, but with the common objective of providing health care for low-income and special needs populations.

Overview of the Pennsylvania Medicaid Program

In Pennsylvania, the Department of Public Welfare (DPW) is primarily responsible for the Medical Assistance Program. Within DPW, Medical Assistance is administered by the Office of Medical Assistance Programs (OMAP) and the Office of Income Maintenance (OIM). OIM conducts determinations and recertifications through local county assistance offices. OMAP establishes medical benefits, provider payments and the level of beneficiary cost sharing. It also reimburses medical providers and makes payments to health plans. Like other states, Pennsylvania must submit an annual plan to CMS for approval. This plan covers all aspects of its program (such as the eligibility criteria, covered services and cost sharing requirements) and any proposed changes from the prior year.

Medical Assistance provides health insurance coverage for many low-income individuals, offers long-term care assistance, covers individuals with disabilities, and fills in the gaps of the Medicare program. In 2010, approximately 16.7 percent of Pennsylvania's population was enrolled in Medical Assistance. In addition to providing access to health care for a significant proportion of Pennsylvania's population, Medical Assistance is also a major source of funding for health care institutions that serve a disproportionately large population of low-income and otherwise uninsured patients. Through Medicaid, the Commonwealth is the second largest health insurer in Pennsylvania after Blue Cross/Blue Shield affiliates.

The Medical Assistance program consumes a significant portion of the state budget. The total cost of Medical Assistance in 2010 was \$15.3 billion of which federal and state funds accounted for 53 percent and 39 percent respectively. Special funds (Lottery and Tobacco Settlement Funds) contributed 5 percent of program revenues and other funds such as assessments on providers contributed 3 percent.

Currently, the Federal Medicaid Assistance Percentage (FMAP) in Pennsylvania is 65.85 percent. In 2008, the FMAP in Pennsylvania was 54.08 percent. It was raised to 65.59 percent in 2009 as a result of the Federal stimulus legislation. It is set to decline to 55.64 percent in 2011.⁴ The decrease in FMAP at a time of continuing economic uncertainty will pose a significant budgetary challenge for the state.

Program Eligibility

As stated above, general rules governing who is eligible for the Medicaid program are established by federal law. If individuals in Pennsylvania are to be covered under Medical Assistance they must: (1) fit into a specified coverage group; (2) meet the income and asset requirements for that specific coverage group; (3) be a United States citizen or a qualified lawful alien; and (4) be a Pennsylvania resident. Under the Patient Protection and Affordable Care Act (PPACA) – the health reform act that was signed into law on March 23, 2010 - eligibility for Medicaid will change considerably. In 2014, individuals in families with incomes up to and including 133 percent of the poverty level will be eligible for Medicaid.

Under current law, five broad categories of individuals are eligible for Medical Assistance: children, pregnant women, adults in families with children, disabled individuals and those aged 65 or older. In order to be classified as disabled, individuals must meet the Social Security Administration (SSA) definition of a disability. In addition, in the 1980s, the federal government classified people with Acquired Immunodeficiency Syndrome (AIDS) as being disabled for the purpose of Medicaid coverage*.

In *Figure 1*, we present the income and asset tests that individuals must meet to be eligible for Medical Assistance in Pennsylvania under each of these five categories. The income limits are always specified as a percent of the Federal Poverty Level (FPL) which varies with household size (Appendix 1). In 2011, the FPL for a family of four is

* Most states, including Pennsylvania, have a separate program under Medicaid that pays for health care services for individuals who are not eligible for federal matching funds. In Pennsylvania, this program is referred to as State-only Medicaid. It largely comprises single individuals or married couples without children. In general, income and asset limits governing eligibility are much more restrictive for this group and the scope of covered services is much narrower.

\$22,350. As noted above, the federal government sets the minimum requirements for states. (These are sometimes referred to as the mandatory minimum requirements). However, states may choose to extend coverage to individuals with incomes that exceed those limits and still receive federal matching funds. In *Figure 1*, we italicize those groups where Pennsylvania's eligibility criteria are more generous than the mandatory minimums. For example, with respect to children, state Medicaid programs *must* cover all children less than one year of age whose family incomes are at or below 185 percent of the FPL. As indicated in *Figure 1*, Pennsylvania's eligibility criteria for children less than one year of age does not go beyond the federal minimum requirements. With respect to people with disabilities, the states *must* cover disabled individuals who are eligible for Supplemental Social Security (SSI). Individuals are eligible for SSI if their incomes are less than 76 percent of the FPL and if they have assets less than \$2,000. However, Pennsylvania extends eligibility to disabled individuals with incomes up to 100 percent of the FPL.

Figure 1 demonstrates both the extensive reach and complexity of the Medical Assistance program. We discuss some of these eligibility groups in more detail below. We also discuss the intersection between Medicare and Medicaid.

Expanded Coverage for Children with Disabilities: Although many children with disabilities are covered under their parents' health insurance policies, these private policies usually do not include the types of long-term care services, such as attendant, ventilator, and intensive mental health services that are frequently needed by these children. It would be very difficult for many parents to pay for these services out of their own pockets. Pennsylvania is the only state that has no income and asset requirements that disabled children must meet to be eligible for the program. As of February of 2011, 138,860 children with disabilities were covered by Medical Assistance in Pennsylvania.

Expanded Coverage for Working Adults with Disabilities: Pennsylvania covers individuals with disabilities who are employed with incomes up to 250 percent of the FPL. The argument for extending coverage to employed disabled individuals is that it encourages work. In the absence of such a program, some people with disabilities might choose not to work; because if they did so, their incomes might rise above the Medicaid eligibility limit and they would lose their health coverage. Thus, the expanded eligibility provides individuals with disabilities the opportunity to engage more fully in the community and earn some income while retaining health benefits. In December 2010, 22,376 disabled workers were eligible for the program.

Expanded Coverage for Specific Health Conditions: Medicaid provides coverage for low-income individuals with specific health conditions who would not otherwise be covered under the broad eligibility categories (disabled, aged, children or adults in families with children). Two specific health conditions for which individuals may receive Medicaid coverage are breast and cervical cancer. The Centers for Disease Control and Prevention has established designated screening centers for these cancers based on the evidence that early detection and treatment can save lives. Uninsured women who are diagnosed with these cancers or precancerous conditions face significant medical costs and often have difficulty obtaining the necessary follow-up medical services. The federal government allows (but does not mandate) states to cover women who screen positive for these conditions. Coverage lasts as long as the women are in treatment. However, individuals with other cancers who are not otherwise eligible for Medicaid are not eligible for Medical Assistance. In December 2010, 1,682 women were eligible for the program.

Another important specific health condition for which Medical Assistance is available is pregnancy. Very few uninsured pregnant women would be eligible for Medical Assistance under current eligibility limits for "adults in families with children", "individuals with disability" or "children." Because of the importance of prenatal care, the federal government mandates that states cover pregnant women with incomes up to 133 percent of the FPL. Pennsylvania, as noted in *Figure 1*, covers pregnant women with incomes up to 185 percent of the FPL. Women who receive Medical Assistance because they are pregnant are eligible for the program for the duration of their pregnancy and through the post-partum period. In December 2010, 17, 586 pregnant women were eligible for this program. As a result of this program, the Medical Assistance Program pays for about 41 percent of all births in the commonwealth.

Figure 1: Medicaid Eligibility in Pennsylvania

Children

- Children under age 1 whose family incomes are at or below 185 percent of the Federal Poverty Level (FPL)
- Children between the ages of 1 and 6 whose family incomes are at or below 133 percent of the FPL
- Children age 6 to 19 whose family incomes are at or below 100 percent of the FPL
- Recipients of adoption or foster care assistance under Title IV –E of the Social Security Act
- *Children with disabilities regardless of their families' incomes and assets*
- *Medically Needy—Children in families where the medical bills are sufficiently high that the family income minus the medical bills is between 33 percent and 50 percent of the FPL depending on family size.*

Pregnant Women

- *Pregnant women whose family incomes are below 185 percent of the FPL. They are covered by Medical Assistance for the duration of pregnancy and through the postpartum period (60 days after delivery and any additional days to complete the last month of coverage).*
- *Medically Needy—Pregnant women whose medical bills are so high that their family income minus their medical bills is less than or equal to 33 percent of the FPL*

Adults in Families with Children

- Adults in families with children who have incomes less than 25 percent of the FPL (Temporary Assistance for Needy Families)
- *Medically Needy—Adults in families with children whose incomes minus medical bills are less than or equal to 25 percent of the FPL*

Individuals with Disabilities

- *Individuals with disabilities with incomes less than 100 percent of the FPL and assets less than \$2,000.*
- *Individuals with disabilities who lose their Supplemental Security Insurance (SSI) cash assistance due to earnings from work or from increased Social Security benefits*
- *Individuals with disabilities who work and have family incomes of less than 250 percent of the FPL and assets less than \$10,000. These individuals must pay a small premium to enroll in Medicaid.*
- *Women with breast or cervical cancer with family incomes below 250 percent of the FPL. They are covered for the duration of their treatment. (Women with breast or cervical cancer are included with the disabled category because of federal reporting purposes.)*
- *Medically Needy—Individuals with disabilities whose incomes minus their medical expenses are less than 50 percent of the FPL*
- *Individuals who would be Medicaid eligible if institutionalized but who live in the community and receive home and community-based services.*
- Medicare beneficiaries with incomes below 100 percent of the FPL and with assets less than \$4,000. Medicaid must pay the Medicare Part B premium and Medicare cost-sharing. Medicaid does not cover other services.
- Medicare beneficiaries with incomes between 100 and 120 percent of the FPL and assets less than \$4,000. Medicaid must pay the Medicare Part B premium. Medicaid does not cover other services

Elderly (65 and Over)

- *Individuals with incomes less than 100 percent of the FPL with assets less than \$2,000*
- *Individuals residing in institutions, such as nursing homes, whose incomes are under 300 percent of the federal SSI (\$674 in 2010) and whose assets have been spent down to the state authorized level. (The process for determining income and assets for purposes of Medicaid coverage in a nursing home is complicated and depends on a number of factors including whether there is a spouse living in the household.)*
- *Medically Needy—seniors whose income minus their medical expenses is less than the 50 percent of the FPL.*
- *Individuals who would be Medicaid eligible if institutionalized, but who are living in the community and receiving home and community-based services (the waiver population)*
- Medicare beneficiaries with incomes below 100 percent of the FPL and with assets less than \$4,000. Medicaid must pay the Medicare Part B premium and Medicare cost-sharing. Medicaid does not cover other services.
- Medicare beneficiaries with incomes between 100 and 120 percent of the FPL and assets less than \$4,000. Medicaid must pay the Medicare Part B premium. Medicaid does not cover other services.

Note: The italicized groups are those for which Pennsylvania's eligibility criteria are more generous than the federal requirements

Filling in Gaps in Medicare: Medicare covers most individuals age 65 and over, individuals under the age of 65 who have been enrolled in the Social Security Disability Insurance program for two years, and most individuals with end-stage renal disease (kidney failure). While individuals who are eligible for Medicare are automatically enrolled in Part A (which primarily covers hospital and some nursing home services), they have to pay a premium to enroll in Medicare Part B (which covers physician and other outpatient services) and Part D (drug coverage). Furthermore, Medicare has significant cost-sharing provisions for most services, limited coverage for long-term care, and does not cover services such as dental, vision and hearing care. In Pennsylvania, Medicare beneficiaries who live in the community qualify for Medicaid benefits if their incomes are less than 100 percent of the FPL and their countable assets are less than \$2,000. In this case, Medicaid pays: the premium for Medicare, Medicare cost-sharing, and the services such as vision and hearing care that Medicare does not cover. In addition, Medicaid covers Medicare beneficiaries in skilled nursing facilities with incomes up to 300 percent of the FPL or who have spent down their income and assets to the specified level. As a result, Medicaid pays for about 67 percent of skilled nursing home care in Pennsylvania. As noted in *Figure 1*, Medicaid provides some support for other low-income Medicare beneficiaries by paying their Part B premiums and cost-sharing.

Collectively, all individuals who are covered under both Medicare and Medicaid are called “dual eligibles.”[†] The relationship between Medicare and Medicaid is very complex, and there is considerable policy debate about the appropriate division of responsibility for providing health care services to this group of beneficiaries. In Fiscal Year 2009, the most recent year for which these data were available, there were 380,676 dual eligibles in the average month in Pennsylvania. The dual eligibles are among the sickest, poorest and oldest of the Medical Assistance population.

Services and Delivery Systems

Medical Assistance, like all insurance plans, must define the set of services that it will cover. As noted above, the federal government gives states some flexibility in determining the amount, duration, and scope of medical services covered by the program. As a condition of receiving federal matching funds, states are statutorily required to provide the services classified as mandatory and may cover some or all of the services the regulations classify as optional. With the exception of the medically needy, states are required to provide all covered services to all individuals who are eligible for the program. However, states can obtain waivers which allow them to cover some services for certain populations and not for others.

The coverage rules for children are different. The Early and Periodic Screening, Diagnosis and Treatment Program (EPSDT) is Medicaid’s comprehensive and preventive child health program for individuals under the age of 21. EPSDT includes periodic screening, vision, dental and hearing services. The law requires that any medically necessary health care service be provided to an EPSDT recipient even if that service is not covered under the State’s Medicaid program.

Table 1 lists the services that all Medicaid programs must cover as well as the “optional services” that are currently covered under the Pennsylvania Medical Assistance Program. It will be noted that “optional” services include such items as prescription drugs and dental care.

[†]For a detailed discussion of dual eligibles in Pennsylvania see: Judith R. Lave & Caleb B. Wallace. The Intersection of Medicare and Medicaid: The Dual *Eligibles* in Pennsylvania. http://www.pamedicaid.pitt.edu/documents/Duals_fs_09.pdf. 2009.

Table 1: Covered Services under the Pennsylvania Medicaid Program

MANDATORY MEDICAL SERVICES	“OPTIONAL” MEDICAL SERVICES
EPSDT Services for Children Under Age 21	Ambulatory Surgical Center
Family Planning Services and Supplies	Birthing Center Services
Home Health Care	Case Management (Targeted)
Inpatient Hospital Services	Chiropractic
Laboratory and X-Ray Services	Dental, including Orthodontics
Medical and Surgical Dental Services	Drug and Alcohol Outpatient Clinic
Nurse Midwife Services	Hospice
Nursing Facility Services	Inpatient Hospital and Nursing Facility Services for 65+ in an Institution for Mental Disease
Outpatient Hospital Services	Intermediate Care Facilities for Persons with Mental Retardation
Nurse Practitioner Services	Intermediate Care Facilities/Other Related Conditions
Physician Services	Independent Medical Clinic/Surgical Center Medical Supplies and Equipment
Rural Health Clinic and Federally Qualified Health Clinic Services Offered by These Entities	Optometry
All Medically Necessary [‡] Care for Eligibles Under Age 21	Partial Hospitalization
	Primary Care Case Management Services
	Prescription Drugs
	Podiatrist
	Prosthetic Devices
	Psychiatric Clinic
	Rehabilitation Services
	Renal Dialysis
	Tuberculosis-Related
	Therapy (Occupational, Physical, and Speech for Adults Limited to Those Provided by a Hospital, Outpatient Clinic or Home Health Provider)
	Transportation To and From Appointments
	Home and Community-Based Services are covered under a waiver

Several of the optional services are specially designed for individuals with mental retardation or who have various addiction disorders. As is clear from *Figure 1*, most individuals on Medical Assistance have very low incomes and thus lack the ability either to purchase services that are not covered or to meet cost-sharing obligations. In addition, many of the individuals covered under Medical Assistance have special needs and disabilities, thereby requiring a broader range of services than those generally covered by private insurance.[‡]

Pennsylvania Medical Assistance purchases services both through contracts with managed-care organizations and under an indemnity, or traditional, fee-for-service system. Services for dual eligibles are paid for through a variety of mechanisms: Medicare established prices (or some discount thereof) for those services covered by Medicare and fees set by the state for those services that are covered by Medicaid

A health care provider that enrolls in the Medicaid program is required to meet applicable national, federal, and state licensing and credential requirements. The Medical Assistance provider network in Pennsylvania comprises approximately 68,000 providers, including hospitals, long-term care facilities, dentists and physicians.

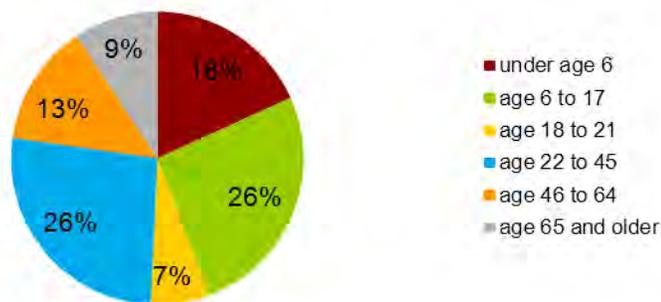
[‡] The differences between Medicaid Scope of Benefits for Mental Health and Substance Abuse Disorders and those of Private Health plans are discussed in RL Garfield, JR Lave and JM Donohue. “Health Reform and the Scope of Benefits for Mental Health and Substance Use Disorder Services.” *Psychiatric Services*. November 2010. 61(11). 2010.

The Number and Distribution of Medicaid Recipients

Distribution of Medicaid Eligibles by Age: In 2010, there were 2,110,390 Medical Assistance recipients in Pennsylvania in the average month, representing approximately 16.7 percent of the state's population. *Figure 2* shows the distribution of those eligible for Pennsylvania Medical Assistance by age. In this graph, children with disabilities are identified as children.

Individuals under the age of 18 make up the largest proportion of Medical Assistance recipients. Adults are only eligible for Medical Assistance if they are aged, disabled or in households with children. As noted in *Figure 1*, adults in families with children are only eligible for Medical Assistance if their family income is less than or equal to 25 percent of the FPL. Therefore, most of the adults between ages 18 and 65 who are on Medical Assistance are disabled. Many of the elderly covered by Medical Assistance are eligible because they are residents of long-term care facilities and have "spent down" their assets to meet the asset requirements.

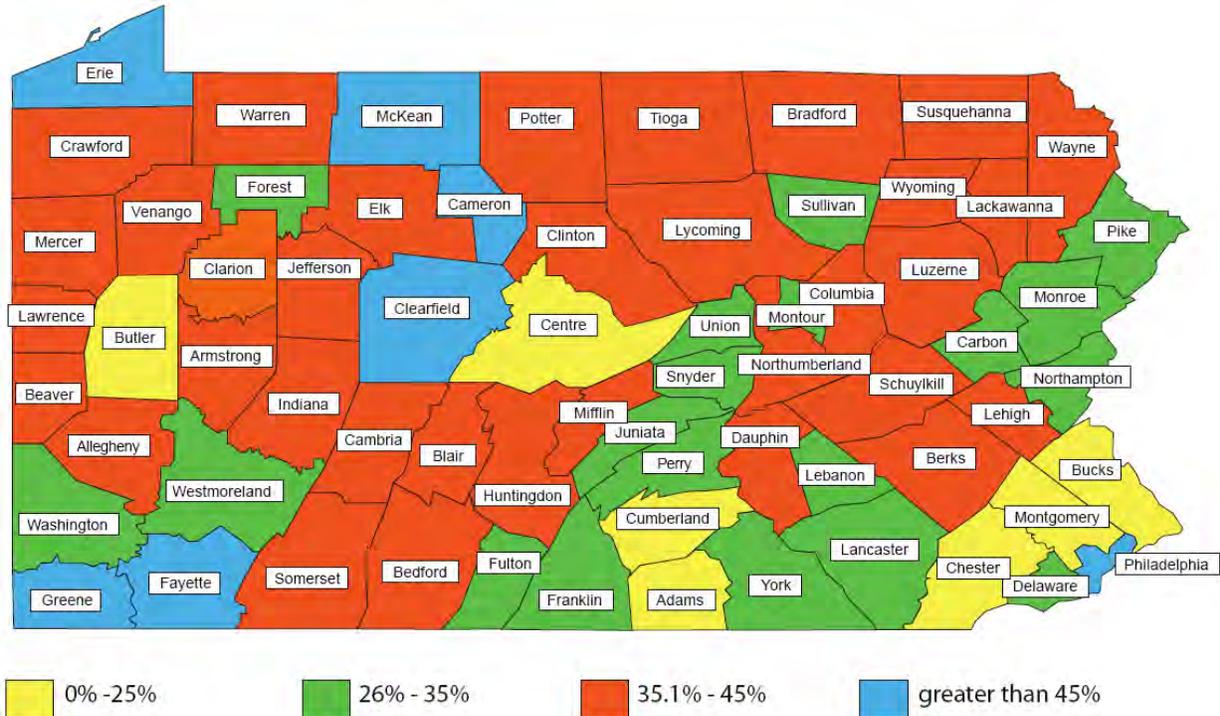
Figure 2: MA Eligibility by Age Group



Percent of County Population Enrolled in Medical Assistance: As noted earlier, 16.7 percent of Pennsylvania's population was covered by Medical Assistance in the average month in 2010. However, the proportion of the population covered varied considerably across the counties. *Figure 3* shows the distribution of the Medicaid population across Pennsylvania counties. As of 2009 (the most recent year for which specific county population data are available), the proportion of a county's population covered by Medical Assistance ranged from 6.4 percent in Chester County to 31.5 percent in Philadelphia County. Not surprisingly, the main factor influencing the proportion of a county's Medical Assistance population is the proportion of a county's population with incomes below the FPL. This is clearly demonstrated in *Figure 4* which shows the association between the percent of a county's population that is enrolled in Medical Assistance and the percentage of people in the county below the poverty line. Most of the data points cluster on a straight which estimates the relationship between the two.

Proportion of Children Enrolled in Medical Assistance by County : As noted above, children (defined as individuals who are 17 years of age or younger) make up the largest proportion of Medical Assistance recipients in Pennsylvania. During the average month in 2010,[§] approximately 1,241,971 children were covered by Medical Assistance. In 2010, almost 37 percent of children in Pennsylvania were covered by Medical Assistance. However, there was considerable variation across the counties with respect to the proportion of children covered (*Figure 5*). The percentage of children covered by Medical Assistance ranged from 16 percent in Chester County to 67 percent in Philadelphia County. In 44 of Pennsylvania's 67 counties, more than one third of children were covered by the program. As with the overall Medicaid population, the major factor accounting for the proportion of children enrolled in Medical Assistance in any given county was the percent of the people in poverty.

Figure 5: Percent of Children Covered by Medical Assistance by County, 2010.

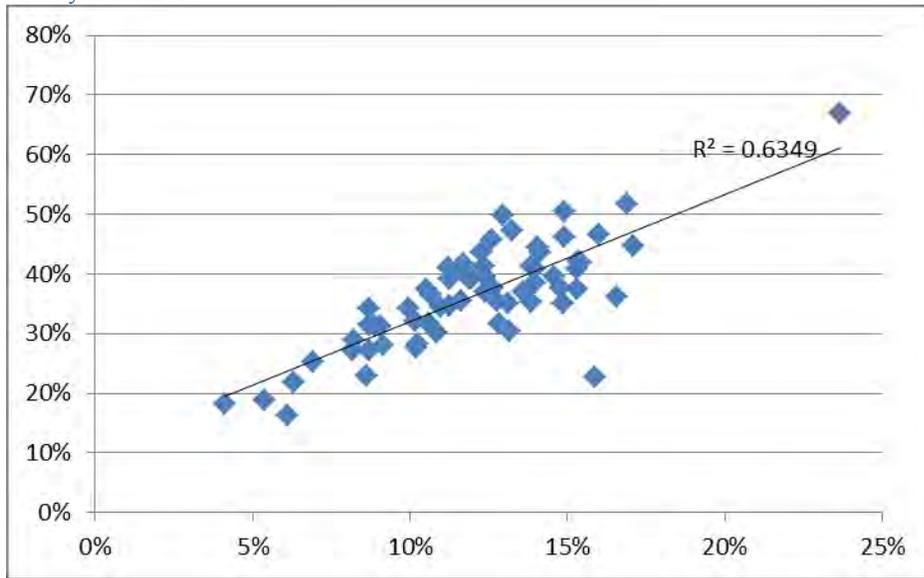


Notes: Enrollment Data Provided by PA DPW. Number of children is from the U.S. Census Bureau, 2010.⁶ Total Number of Children by County is estimated from the mean score of a 90% Confidence Interval of US Census Data

Figure 6 shows the relationship between the percent of children in a county that are covered by Medical Assistance and the percent of individuals with incomes below the federal poverty level (FPL). The proportion of children in a county covered by Medical Assistance is strongly related to the degree of poverty in the county. This relationship underscores the importance of the Pennsylvania Medical Assistance program as a source of health insurance for low income children.

[§] Based on an average of the 11-month period ending in November 2010.

Figure 6: Association between the Percent of Children on MA in County and the Percent of Individuals living Below the Federal Poverty Level. 2010



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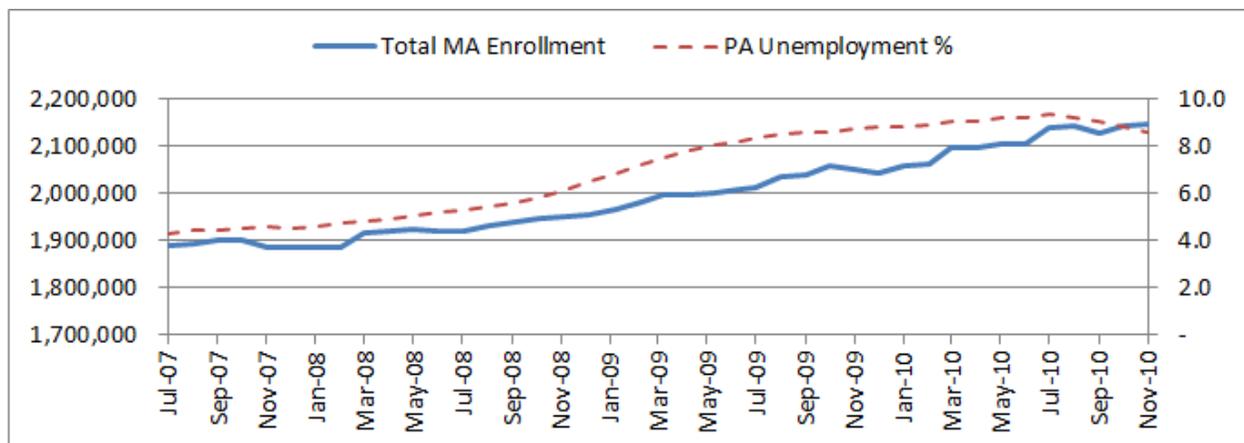
Notes: Enrollment Data Provided by PA DPW. Other information from U.S. Census Bureau, 2010.⁷
Total Number of Children by County is estimated from the mean score of a 90% Confidence Interval of US Census Data

Growth in the Program

Between July 2007 and November 2010, the number of Medical Assistance enrollees in Pennsylvania increased from 1,886,687 to 2,144,956 or by 13.7 percent. However, the growth in Medical Assistance over this time period has been uneven. One of the most important economic factors is the state unemployment rate. If individuals lose their jobs, they usually lose their health insurance.

In order to assess the association between economic conditions and enrollment in Medical Assistance, we examined the relationship between the state monthly unemployment rate and monthly number of Medicaid recipients. This relationship, which is shown in *Figure 7*, indicates that there is a strong relationship between unemployment rate and Medicaid enrollment. (The estimated correlation between the two numbers is 99 percent). Furthermore, with the exception of the elderly, there is a strong relationship between the unemployment rate and enrollment in all the eligibility categories ((children, adults in families with children, and the disabled).

Figure 7. Association between the Number of individuals Enrolled in Medical Assistance and the State Unemployment Rate by Month: July 2007 – November 2010.

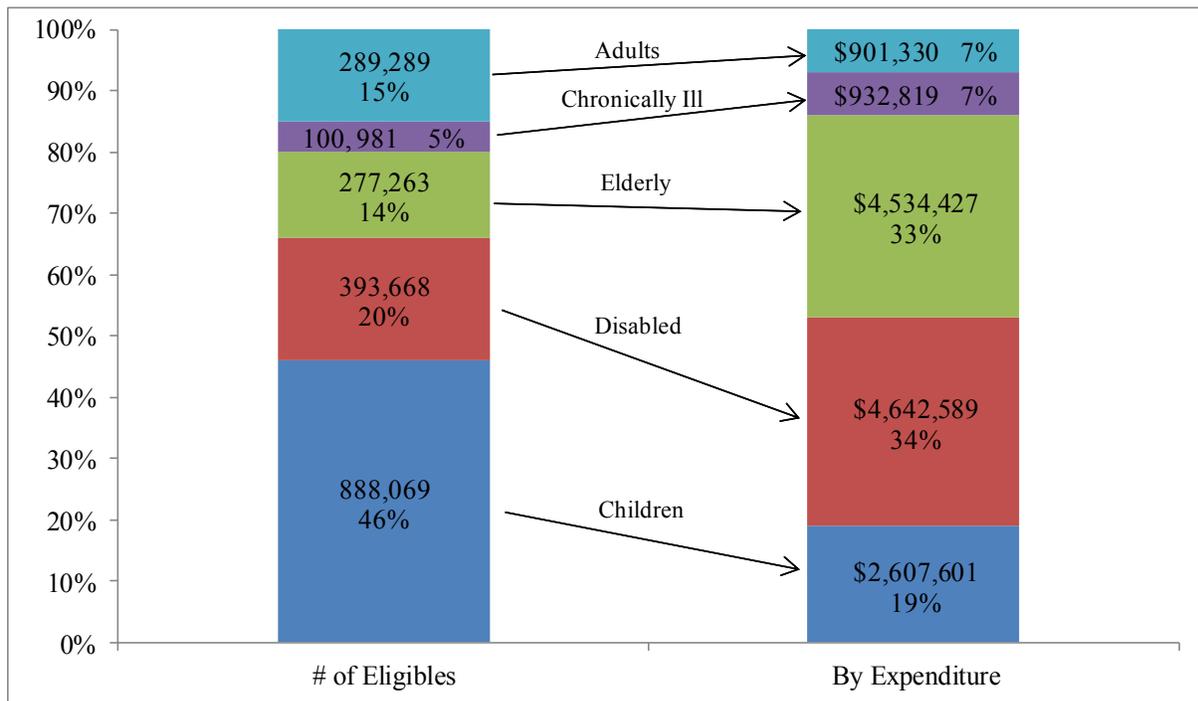


Medicaid enrollment and expenditures

In FY 2010, the Pennsylvania Medical Assistance program had an annual budget of approximately \$15.3 billion, which represented a 3.4 percent increase over the FY 2009 budget of \$14.8 billion. However, to understand the cost of the program, it is important to examine how expenditures vary across the different eligibility groups.

Figure 8 shows the distribution of Medical Assistance recipients and expenditures by broad eligibility category in 2009.⁸ We include the “Chronically Ill” data because the Department of Public Welfare traditionally includes information on these individuals when it is reporting on the Medicaid

Figure 8: MA Expenditures by Category of Recipient Eligibility



Although children make up the largest proportion of Medicaid recipients (46 percent), they account for only 19 percent of overall expenditures. Disabled individuals are the second largest enrollment group (20 percent) and they account for 34 percent of expenditures. Adults are the third largest enrollment group (15 percent) and they account for 7 percent of expenditures. The elderly are the fourth largest enrollment group (14 percent) and they account for 33 percent of expenditures. Finally, the chronically ill is the fifth largest enrollment group and accounts for 7 percent of expenditures.

Together the elderly and the disabled make up 34 percent of the overall Medicaid population but they account for 67 percent of expenditures. The disabled account for a high proportion of expenditures because their overall need for services is great. For example, the average child enrolled in Medicaid is relatively healthy, but the average disabled individual often needs a broad range of supports. The elderly account for a high proportion of expenditures because of their need for long term care. Like disabled individuals, many elderly are enrolled in the program not just because they are poor but because they have spent down their assets in obtaining long term care – services they will need continuously once they are enrolled in the program.

Summary

This report aims to provide policy makers and other key stakeholders with an understanding of the structure and reach of the Medicaid program in Pennsylvania. The complexity of Medical Assistance, its eligibility criteria, the type of services covered, governance and funding makes it impenetrable to many and hampers the debate about future reform.

As noted in the introduction, the program has evolved over time. Although it started as a program for people who received cash assistance, most of those currently enrolled in Medicaid do not receive cash welfare assistance. In addition, many people who are poor are not covered by Medicaid. The federal Medicaid program does not cover single adults or many adults in families with children unless they fall into one of the eligibility categories. As described earlier Pennsylvania covers adults in families with children only if their countable income is less than 25 percent of the FPL.

The Medicaid program plays an important role as a safety net. This is demonstrated by the increase in the program's enrollment when economic conditions deteriorate. Furthermore, it plays a crucial role for pregnant women and children. About 40 percent of the births in Pennsylvania are paid for by Medical Assistance. This means that the program is responsible for ensuring that these women receive prenatal care resulting in healthy children.

However, the Medical Assistance program is financially stressed. Enrollment has grown substantially in recent years. In addition, a major cost driver for the program is the need for assistance by the disabled and aged, the most expensive coverage groups.

Through Medical Assistance, the state is the second largest health insurer in Pennsylvania after Blue Cross/Blue Shield affiliates, thus the program plays an important role in reducing the number of individuals who might otherwise be uninsured. Close to 68,000 providers (hospitals, long-term care facilities, dentists and physicians) participate in the Medicaid program. Medical Assistance is an important funding stream for health care institutions that serve a disproportionately large number of poor patients.

As the cost of health care rises and thus the impact of Medical Assistance on the state's budget becomes greater, attention in Pennsylvania will continue to focus on how the program can most effectively meet its mission of providing health care coverage to some of the Commonwealth's most vulnerable citizens.

Appendix 1: Department of Health and Human Services
Federal Poverty Guidelines

Persons in Family	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,890	\$13,600	\$12,540
2	14,710	18,380	16,930
3	18,530	23,160	21,320
4	22,350	27,940	25,710
5	26,170	32,720	30,100
6	29,990	37,500	34,490
7	33,810	42,280	38,880
8	37,630	47,060	43,270
For each additional person, add	3,820	4,780	4,390

SOURCE: *Federal Register*, Vol. 76, No. 13, January 20, 2011

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