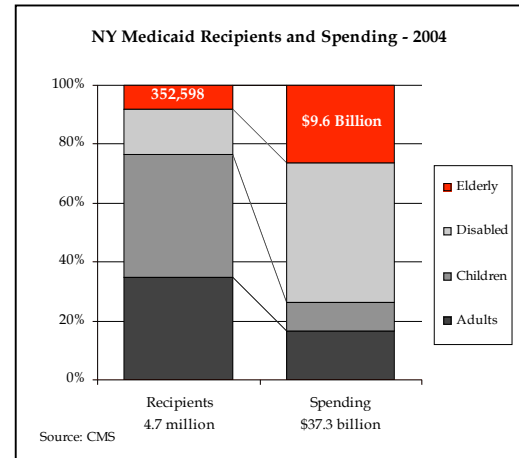


Medicaid In Depth: A Special Research Series

1. The Elderly

by **Tarren Bragdon**, Health Policy Analyst

Governor Spitzer's 2007-08 Executive Budget calls for a series of Medicaid cost-containment measures, including a freeze on hospital and nursing-home reimbursement rates. These steps are appropriate and justifiable – but they only scratch at the surface of the problem. New York's high Medicaid spending – more than double the per-capita norm for all states – stems from deeply rooted patterns of health-care spending, regulation and utilization that have failed to produce better care. In keeping with Governor Spitzer's "patients first" perspective, this special research series uses the latest federal data to highlight Medicaid spending on major demographic groups: the elderly, children, non-elderly adults, and the disabled.



Key Facts – Medicaid Spending on the Elderly in New York State

- New York has about the same portion of low-income elderly¹ as other states.
- The elderly make up just 7.5 percent of all New Yorkers on Medicaid but drive 25 percent of New York's Medicaid budget.
- New York Medicaid spends 142 percent more per elderly recipient than the other states - \$27,200 compared to \$11,300.
- New York spends \$20,750 per elderly Medicaid beneficiary on four categories of service: inpatient, nursing-home, home-health and personal care. The average for all other states is roughly \$14,000 less - about \$6,860 per beneficiary - for these same four services. If New York had average spending in these categories, its Medicaid costs would be almost \$4.9 billion less, broken down as follows:
 - Inpatient hospital services are used at one-and-a-half times the rate² of other states and at three-and-a-half times the cost per user. Having average costs and utilization would save New York Medicaid \$569 million a year.
 - Nursing-home services are used 35 percent more than in other states and at 74 percent higher costs per user. Having average costs and utilization would save New York Medicaid \$2.7 billion annually.
 - Home health is used at almost five times the rate of other states and at two-and-a-half times the cost per user. Having average costs and utilization would save New York Medicaid \$467 million a year.

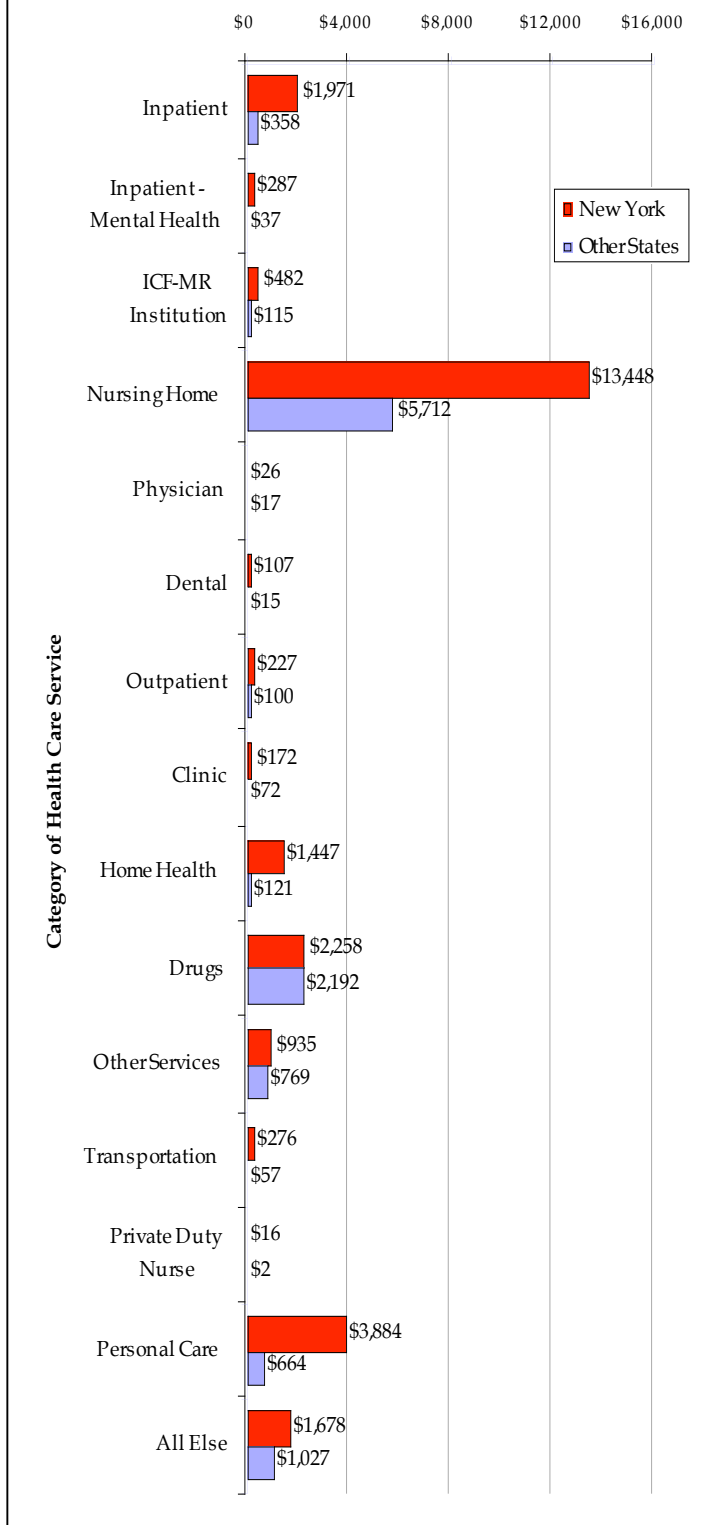
- Personal-care services are used 72 percent more than in other states and at almost three-and-a-half times the cost per user. Having average costs and utilization would save New York Medicaid \$1.1 billion annually.
- With just 10 percent of elderly Medicaid recipients, New York consumes almost 38 percent of all inpatient spending, 21 percent of nursing-home spending, 57 percent of all home-health spending and almost 39 percent of all personal-care spending of the 39 states reporting in 2004.
- Despite heavy spending on home care, New York's nursing-home utilization rate is 35 percent higher than those of other states, and the cost per user is 74 percent higher. Yet health statistics do not immediately explain the high utilization rate. For example, New York has the lowest Alzheimer's death rate in the U.S. (8.8 per age-adjusted 100,000 recipients compared to a U.S. average of 21.4)³ and a lower-than-average rate of elderly people with disabilities.⁴
- Other Medicaid services with extremely high utilization by elderly New Yorkers include inpatient mental-health services (985 percent higher), physician services (73 percent higher), dental (218 percent higher) and transportation (159 percent higher), compared to other states.
- Other Medicaid services for the elderly with extremely high costs per user include institutional care for the developmentally disabled – known as ICF-MR – (at 154 percent higher), dental (120 percent higher), clinic (153 percent higher), transportation (87 percent higher) and private-duty nursing (at an astounding 2,858 percent higher).
- According to the U.S. Census Bureau, the number of elderly New Yorkers will grow by 454,000 (18 percent) from 2004 to 2015, which could mean an additional 64,000 elderly on Medicaid. The population over age 85 will grow twice as fast. Assuming average annual cost-per-recipient increases of just 4 percent, NY Medicaid spending on the elderly will rise 82 percent from just under \$9.6 billion in 2004 to almost \$17.5 billion by 2015.

New York Elderly - Medicaid Spending and Utilization Compared to Other States - 2004

	Users	Spending	Cost per User of Health Care Service		Users per 1,000 elderly on Medicaid		Savings if NY Had Average Costs and Utilization
			New York	Other States	New York	Other States	
Total	352,612	\$ 9,596,352,454	\$ 27,215	\$ 11,260	-	-	\$ 5,625,996,600
Inpatient	87,080	695,127,635	7,983	2,296	247	156	568,816,875
Inpatient - Mental Health	4,448	101,117,293	22,733	32,226	13	1	87,909,322
ICF-MR Institution	790	170,038,993	215,239	84,580	2.2	1.4	129,444,789
Nursing Home	110,390	4,742,030,096	42,957	24,635	313	232	2,727,891,473
Physician	67,665	9,050,548	134	154	192	111	3,045,226
Dental	63,414	37,658,032	594	270	180	57	32,279,665
Outpatient	140,784	79,951,757	568	394	399	254	44,680,269
Clinic	41,584	60,768,598	1,461	578	118	125	35,210,464
Home Health	80,012	510,099,673	6,375	2,598	227	47	467,355,196
Drugs	262,381	796,260,112	3,035	2,606	744	841	23,506,298
Other Services	152,568	329,868,220	2,162	2,386	433	322	58,583,941
Transportation	127,724	97,269,225	762	407	362	140	77,156,542
Private Duty Nurse	93	5,627,671	60,513	2,046	0.3	1.0	4,927,491
Personal Care	59,441	1,369,710,224	23,043	6,759	169	98	1,135,508,248
All Else		591,774,377	1,678	1,027			229,680,802

Source: U.S. Centers for Medicare and Medicaid Services, Census Bureau

Medicaid Spending per Elderly Beneficiary by Health Care Service - NY to Other States - 2004



Five-Year Spending Trends (1999-2004)

- In other states, Medicaid spending per elderly recipient increased by just 9 percent over five years, less than the 14 percent rate of inflation during the same period. But in New York, Medicaid spending on the elderly increased 55 percent per recipient – *four times the rate of inflation*.
- In 1999, New York had near-average utilization of inpatient and nursing-home services. That changed dramatically over the next five years.
 - While other states reported a 15 percent decline in utilization of Medicaid inpatient services for the elderly, New York had a 24 percent increase.
 - Whereas other states reported a 22 percent decline in utilization of Medicaid nursing-home services during that same five-year period, New York had no drop in utilization. In other states, the cost per nursing-home user increased 24 percent. New York, meanwhile, had a per-user cost increase of 41 percent in five years.
 - Other states during that period also reported a nursing-home utilization decrease, at 64 per every 1,000 Medicaid recipients. That’s despite an increase of 13 per 1,000 elderly recipients using home-health services and an 18 percent increase in spending per user. In New York, nursing-home service utilization remained the same, despite a home-health utilization increase of 10 per every 1,000 and a 78 percent increase in per user home-health Medicaid costs.

- New Yorkers on Medicare spend just 16 percent more per recipient than the other states. Yet elderly New Yorkers on Medicaid spend 142 percent more.
- New Yorkers on Medicare use inpatient, outpatient, nursing-home, physician and home-health services at about – or less than – the average of the other states.
- Elderly New Yorkers on Medicaid use particular health-care services more frequently than their peers in other states: inpatient care (93 percent more), outpatient (57 percent more), nursing home (35 percent more), physician services (73 percent more) and home health services (383 percent more).

Key Questions for Policymakers

1. At a cost to Medicaid of \$43,000 per person per year, are too many elderly New Yorkers needlessly in nursing homes?
2. What assessment of medical need should be done before Medicaid pays for nursing-home care?
3. Are the elderly in New York overusing home-health and personal-care services? Is the high home-health and personal-care spending driven by provider abuse, fraud or just overuse?
4. What controls should be put in place to ensure more appropriate home-health and personal-care spending?
5. Why has New York seen no drop in nursing-home care utilization despite a \$788 million increase in home-health and personal-care spending from 1999 to 2004?
6. Why are the elderly using inpatient hospital services so much more than their peers, and at such higher costs?
7. Why are New York Medicare recipients using key health-care services at the national average, yet New York elderly Medicaid users have such extreme spending and utilization?
8. What factors are driving the extremely high rate of inpatient mental health, physician, dental and transportation service utilization for the elderly in New York?
9. What factors are driving the extremely high per-user costs of ICF-MR⁵, dental, clinic, transportation and private-duty nursing costs for the elderly in New York?

¹ Defined as 150 percent of poverty, or annual income of \$15,000 for an individual or \$20,000 for a couple in 2006, because that is the definition of eligibility for Medicare Part D subsidies.

² Utilization is a comparison of how many Medicaid recipients use the service per 1,000 elderly Medicaid recipients.

³ Kaiser Family Foundation. 2003. Available at: www.statehealthfacts.org/cgi-bin/healthfacts.cgi?previewid=290&action=compare&category=Health+Status&subcategory=Alzheimer%27s+Disease&topic=Alzheimer%27s+Disease+Death+Rate+per+100%2c000

⁴ M1803. Percent of People 65 Years and Over With a Disability: 2005. 2005 American Community Survey. US Census Bureau. 2005. Available at:

factfinder.census.gov/servlet/ThematicMapFramesetServlet?_bm=y&-geo_id=01000US&-tm_name=ACS_2005_EST_G00_M00649&-ds_name=ACS_2005_EST_G00_&-MapEvent=displayBy&-dBy=040#?479,206

⁵ ICF-MR stands for intermediate care facilities for the mentally retarded.