

# ADVANCING STATES



Leadership, innovation, collaboration  
for state Aging and Disability agencies

## Overview, History, and How Medicaid is Administered

**Medicaid 101 Intensive  
2023 HCBS Conference  
August 28, 2023**

# What is Medicaid?

- Medicaid provides health care coverage to low-income adults, children, pregnant women, older adults, and people with disabilities.
- Medicaid is administered by States, according to Federal requirements.
- Medicaid is a State and Federal Partnership.

**States develop their unique Medicaid programs based on federal rules**

each program must be approved by the Federal Centers for Medicare and Medicaid Services (CMS).

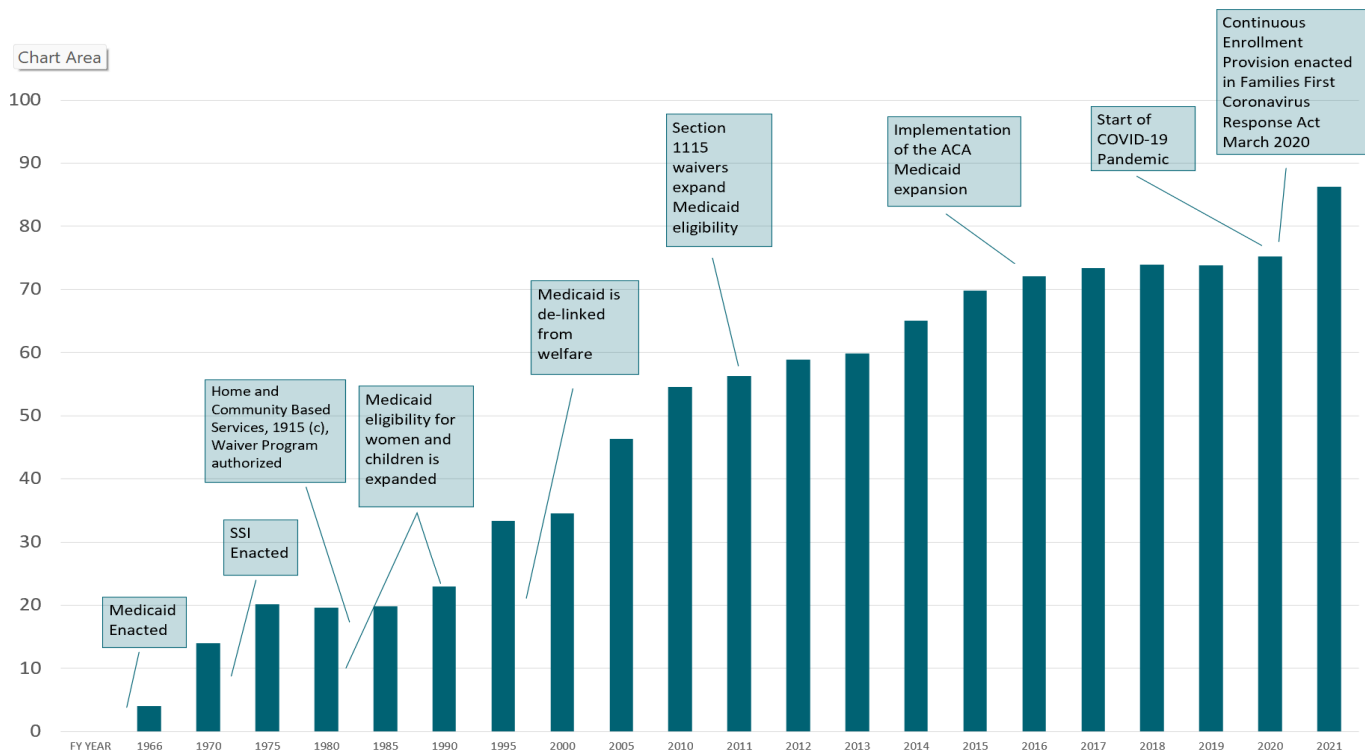
The federal government establishes basic mandatory program requirements

States choose whether to participate

Federal and State governments pay a share (=FMAP)

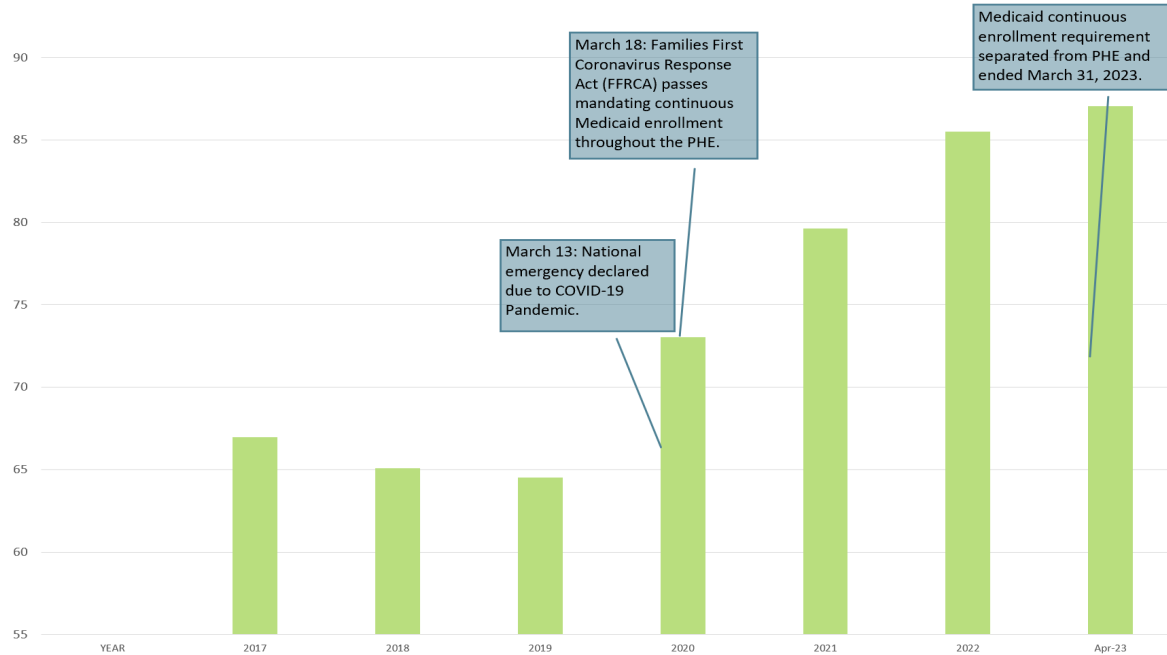
# Medicaid History: Big Picture

Total Medicaid Enrollment in Millions (FY 1966 to FY 2021)



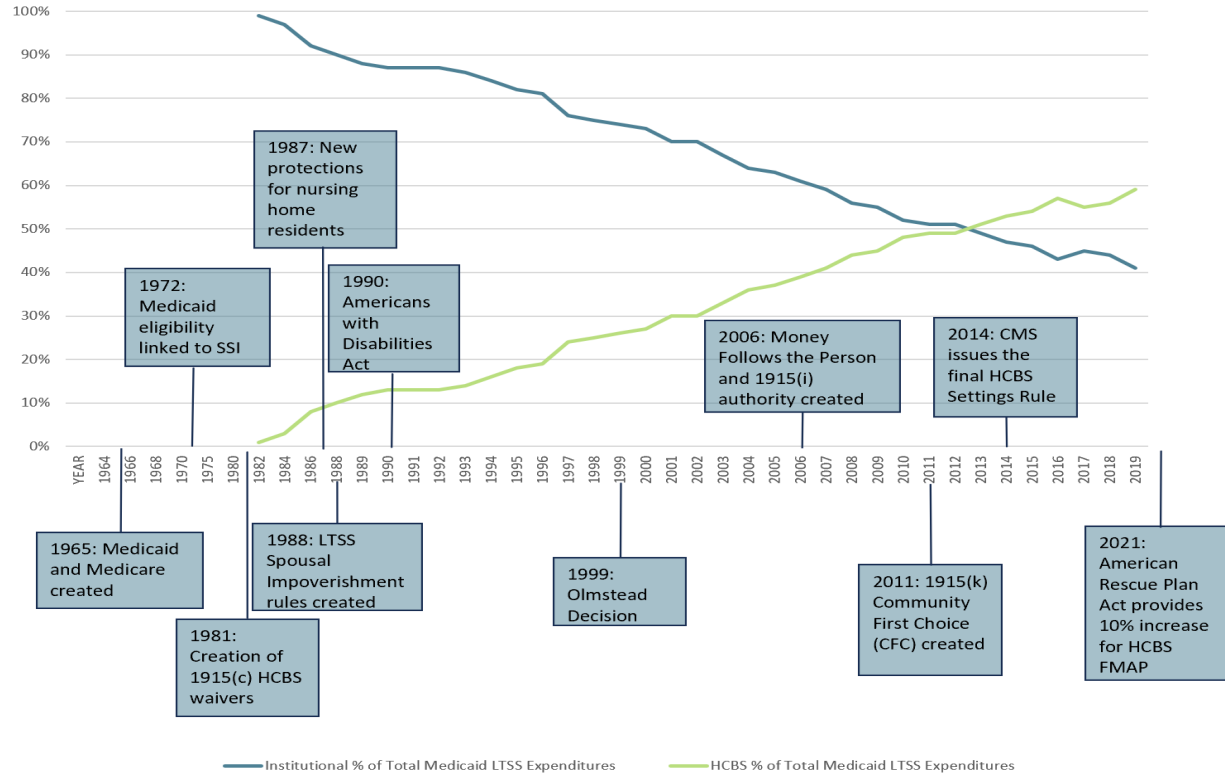
# COVID-19 PHE Snapshot:

Total Medicaid Enrollment Per Calendar Year in Millions (December 2017-2022, April 2023)



# Medicaid History: Long-Term Services and Supports

## Percent of LTSS Expenditures (1982-2020)



# Federal Requirements

- Congress and the federal government set basic mandatory requirements for all state Medicaid programs. These include:
  - Administrative requirements for states
  - Minimum coverage populations and services
  - Rules for receipt of federal matching funds
- The US Department of Health and Human Services, Centers for Medicare & Medicaid Services (CMS) is responsible for administering the Medicare and Medicaid programs.

# Medicaid Governance

- Federal Rules of engagement are defined in statute and regulations.
  - Social Security Act -- Title XIX – Medicaid, Title XX1 – CHIP
  - Code of Federal Regulations (CFR) -- Title 42
- Subregulatory Guidance
  - State Medicaid Director’s Letters
  - State Health Official Letters
  - Informational Bulletins
  - Frequently Asked Questions (FAQs)
- Medicaid State Plan
  - State Plan Amendments (SPAs)
- Medicaid Waivers/Section 1115 Demonstration Authority

# Medicaid State Plan/Waivers

- State Medicaid plans or state plan amendments often indicate who and what is covered by a State Medicaid program.
- Key Medicaid Concepts:
  - Statewideness
  - Comparability
  - Amount, Duration, and Scope
  - Freedom of Choice
- Under a Medicaid waiver, a state can waive certain Medicaid requirements.



# Primary Role of CMS

- Monitors and enforces state compliance with federal requirements as well as State Plan or waivers.
- Ensures the efficient administration of the program by the state.
- Ensures federal matching funds are not spent improperly or fraudulently.

# Primary Role of the State

- Must identify a single-state agency.
- Day-to-day administration of the Medicaid program.
- Define eligible populations and enrollment.
- Determine covered benefits, service settings, and provider types.
- Identify delivery system(s).
- Set reimbursement and pay providers.

# Federal Mandatory Groups and Services

- “Mandatory” Eligibility Groups
  - States must cover people in these groups up to federally defined income thresholds.
- “Mandatory” Services
  - States’ Medicaid programs must offer medical assistance for certain basic services to most eligible populations in order to receive federal matching funds.
- “Optional” Groups and Services
  - States may choose to cover additional groups or add additional services, based on federal approval.

# Medicaid Funding Sources

- Recognized sources of state funding include:
  - General Fund revenues
  - Special Fund revenues (e.g., special health care fund, tobacco settlement funds, etc.)
  - Permissible Taxes and Provider Assessments
  - Intergovernmental Transfers
  - Certified Public Expenditures
- Federal law requires that at least 40 percent of the non-federal share come from state funds.
- CMS verifies that state funding sources meet statutory and regulatory requirements prior to authorizing FMAP payments.

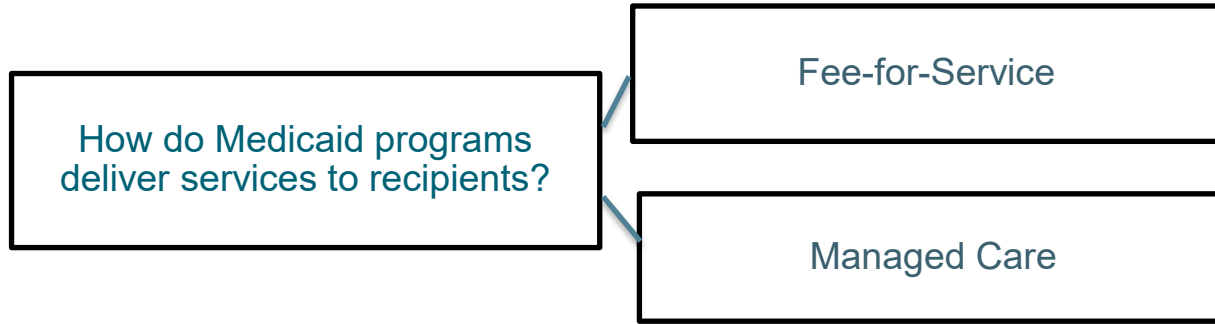
# Federal Medical Assistance Percentage

- The Federal Medical Assistance Percentage (FMAP) is used to calculate the amount of federal share of state Medicaid program expenditures.
  - Varies from state-to-state
  - Updated annually
- The FMAP formula is based on the ratio of the state per capita income to the national per capita income.
- Uses three most recent calendar years for which satisfactory data are available from the Department of Commerce, Bureau of Economic Analysis.
  - The lower the state's average per capita income, the more FMAP and vice versa.
  - All states receive at least 50% FMAP.

# Medicaid Funding Flow

- States file a CMS-37 form identifying anticipated quarterly budgeted costs.
- CMS issues a grant award to the state authorizing federal Medicaid funds for the quarter based on the CMS-37.
- States file a CMS-64 form identifying actual quarterly expenses.
- Actual expenses are reconciled to the advance.

# Medicaid Delivery Systems

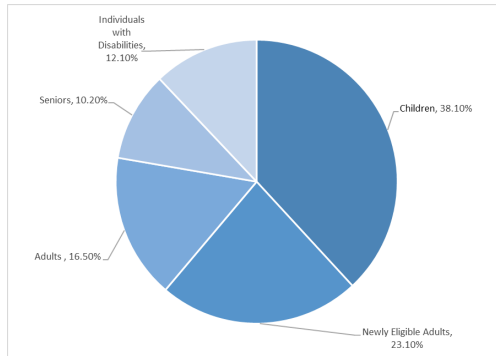


- States may choose from several different systems through which to deliver Medicaid services.
- The two main “delivery systems” are:
  - Fee-for-Service
  - Managed Care

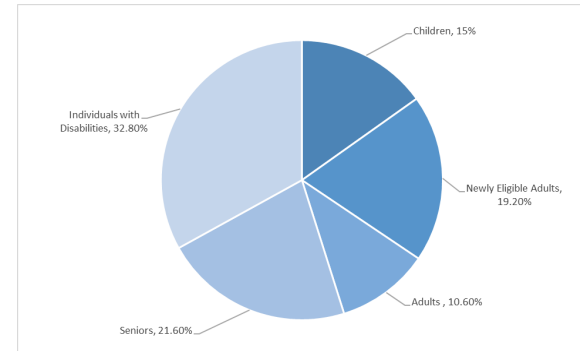
# Medicaid Today

- Medicaid & CHIP cover 94,151,768 Americans (April 2023):
  - Medicaid: 87,062,629
  - CHIP: 7,089,139
- Medicaid spending in 2021 was \$734.0 billion which comprises 21% of the National Health Expenditure.

Medicaid enrollment (2020)



Medicaid spending (2020)





# Medicaid Today (cont.)

- Medicaid is the primary payer for long-term services and supports.
- Total Medicaid LTSS spending was \$162.1 billion in FY 2019.
- The share of LTSS out of total Medicaid expenditures declined from 47 percent in FY 1988 to 34 percent in FY 2019.
- The percentage of HCBS expenditures of total Medicaid LTSS expenditures has steadily increased over the last three decades, but the rate of growth has slowed in recent years.
- The absolute amount spent on MLTSS programs increased more than sevenfold in the past 20 years, climbing from \$6.7 billion in FY 2008 to \$47.5 billion in FY 2019.
- Total Medicaid and CHIP expenditures grew from \$633 billion in 2019 to \$756.3 billion in 2021 during the PHE

Sources: Murray, Caitlin, Alena Tourtellotte, Debra Lipson, and Andrea Wysocki. "Medicaid Long Term Services and Supports Annual Expenditures Report: Federal Fiscal Years 2019." Chicago, IL: Mathematica, December 9, 2021; 2020 Medicaid and CHIP Beneficiaries at a Glance ; 2023 Medicaid and CHIP Beneficiaries at a Glance

# Summary

- Medicaid created in 1965 through Amendments to the Social Security Act.
- Medicaid is a joint federal and state partnership.
- Medicaid has experienced tremendous growth over the years.
- Medicaid State Plan is the operational agreement between CMS and the state, but State flexibility is available through various waivers.
- Programs vary dramatically from state to state, and the program has changed throughout its history.
- Majority of funding through CMS with several elaborate and complex funding mechanisms.
- Medicaid Managed Care has become the predominant delivery system model.

# Thank You!

Questions?