



The Daily Dish

# The Medicaid Outlook

DOUGLAS HOLTZ-EAKIN | JUNE 7, 2018

## Eakinomics: The Medicaid Outlook

The trustees of the Social Security and Medicare programs released their [annual reports](#) this past Tuesday, providing an update to the (gloomy) financial futures of these core elements of the social safety net. But there has been no such report on the [Medicaid program](#) under the Trump Administration, which is a bit frustrating since Medicaid was a core part of the Obama-era coverage expansions. What is going on in Medicaid?

First, it is spending a lot of money — nearly \$600 billion annually. Its most recent [Actuarial Report](#) (issued in 2016) showed that federal Medicaid expenditures accounted for 63 percent of total program costs, which is far beyond the 50-50 split originally envisioned for Medicaid finance. This is attributable to the disproportionate (90 percent) federal share covering the Medicaid expansions under the Affordable Care Act. This imbalance will get worse, as the ranks of the expansion states have swelled to 34 states (including the District of Columbia), 4 more than covered by the 2016 report. The most recent additions are Virginia (which voted to expand last week) and Maine (which passed a ballot measure the governor refused to implement, but a judge just ordered it to go forward).

Second, not every dollar is targeted to eligible recipients. Medicaid has consistently been at or near the top of the list of federal programs with the most [improper payments](#). A recent Government Accountability Office report shows that was true even though the Center for Medicare and Medicaid Services' (CMS) own tools to assess improper payments were not accounting for all of the program integrity risks *within* Medicaid managed care programs (MCOs, which account for half of all federal Medicaid expenditures). Investigations into just a fraction of the more than 270 MCOs operating across the country found more than \$200 million in improper payments unaccounted for. Real [reforms](#) are in order to curb these costs.

Finally, even those dollars focused on eligible recipients are not being spent effectively, although CMS is attempting to rectify this shortcoming. A new Medicaid/CHIP [scorecard](#) is part of a larger effort to improve the programs through greater transparency and accountability. This scorecard displays metrics such as:

- 7-day follow-up after hospitalization for mental illness (which ranges among states from 17 to 80 percent);
- Rate of postpartum care visits, 21-56 days after delivery (which has a median of 54 percent, and ranges from 21 to 74 percent);
- Rate of well-child visits for various ages;
- Immunization rates;
- Controlling high blood pressure; and
- How quickly care is received (wait times) and how often needed care is received.

While these measures are not perfect, CMS has committed to continual efforts at improvement and — realistically — one has to start somewhere. These are flawed in that they do not control for differences across states in demography (and other factors), but they are just a start. As Congress and future administrations undertake [real reforms](#) to Medicaid, they can be strengthened.

In short, Medicaid is filling a real need, but spending money inefficiently with too few incentives for better performance. Put differently, it looks like much of the federal health world.