

**What is Medicaid and the Children’s Health Program?**

Medicaid is a joint federal and state program authorized under Title XIX of the Social Security Act that provides health and long term care coverage to low-income people. The Children’s Health Insurance Program (called MCHP in Maryland) also is a joint federal and state program authorized under Title XXI of the Social Security Act. In FY 2010 Maryland Medicaid covered benefits for an average of 856,000 people at a cost of approximately \$6.8 billion in state and federal funds, including services budgeted in other agencies. As of May 2011, total enrollment averaged about 921,000 for FY 2011.

Like other states, Maryland receives federal financial assistance for coverage of Medicaid eligibles through matching federal payments. The proportion of federal payments is based on the state’s per capita income. Maryland’s matching rate is 50% for most services, although Maryland has received additional money through ARRA which ended June 30, 2011.

**Who is Covered Under Medicaid and MCHP?**

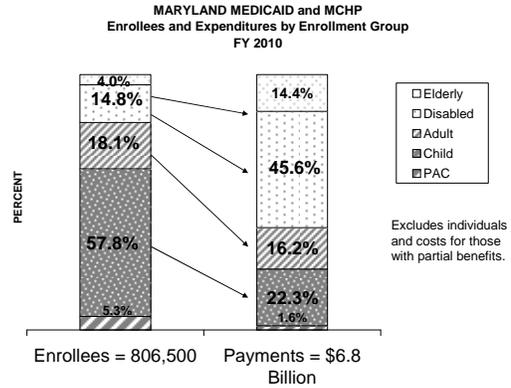
Eligibility for Medicaid is primarily for persons in particular “categories”, such as low-income children and their parents, pregnant women, older adults, and individuals with disabilities. Medicaid also covers certain low-income aged and disabled beneficiaries for limited assistance with their Medicare premium, copayment and deductible payments.

People who receive money through Supplemental Security Income (SSI) or Temporary Cash Assistance (TCA) automatically receive Medicaid. In addition, individuals may qualify for Medicaid because of high medical expenses (commonly hospital or nursing home care), or if they have low income and assets and are aged, blind, or disabled. Over the years the federal government has added coverage for additional groups of people, primarily pregnant women and children below specified poverty thresholds.

MCHP provides health insurance coverage for low-income children with family incomes up to 300 percent of the federal poverty level. MCHP was implemented on July 1, 1998.

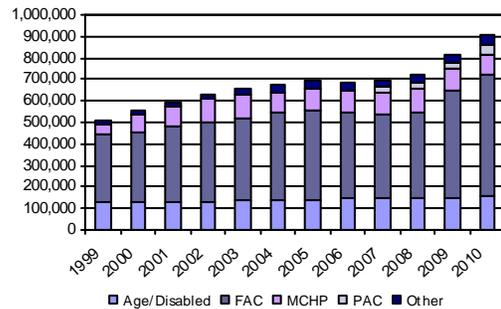
**Enrollment and Expenditures**

Parents and children in low-income families make up over three-fourths of Medicaid and MCHP beneficiaries, but they account for a little more than one-third of Medicaid and MCHP spending. Older adults and individuals with disabilities account for the majority of spending because of their intensive use of acute and long-term care services (Figure 1). Dual eligibles, who have both Medicare and Medicaid coverage, on average account for about 33% of total Medicaid and MCHP costs in Maryland.



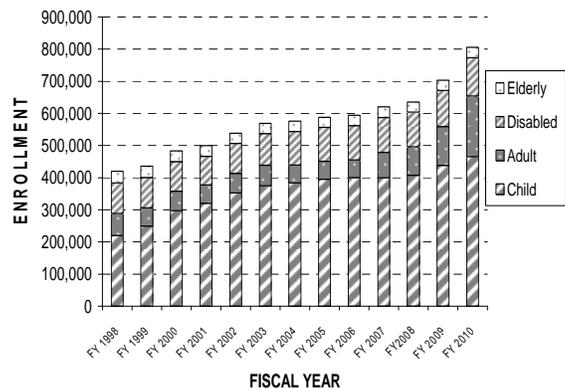
Within the last few years, Medicaid and MCHP enrollment has increased significantly. Between 2005 and 2010, the growth rate was 30% (Figure 2).

Figure 2  
Medicaid and MCHP Enrollment FY1999-FY2010



In the last 5 years, the average number of enrolled children increased 15%. Enrollment for people in disabled categories increased almost 13%. Average enrollment among non-disabled adults and elderly categories increased 33% over the same five year period (Figure 3).

Figure 3  
MARYLAND MEDICAID and MCHP Enrollment Growth by Eligibility Category FY 1998 - 2010



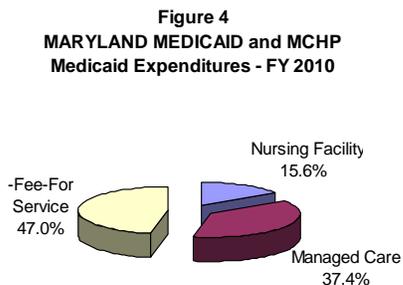
## What Services Are Covered?

The federal Medicaid and CHIP statutes mandate state programs cover certain services, such as: inpatient and outpatient hospital; physician; nurse midwife and certified nurse practitioner; laboratory and x-ray; nursing home and home health care; early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21; family planning; rural health and federally qualified health centers.

The federal government also allows states to cover specified "optional services," such as prescription drugs; home and community based care under waivers; medical day care, personal care and other community based services for individuals with disabilities; rehabilitation and other therapies; clinic services; and institutional care for individuals with mental retardation. Maryland Medicaid covers some optional services because they are cost effective substitutes for the more expensive federally-required services.

## What Does Medicaid Cost?

Of the \$6.8 billion spent by Maryland Medicaid and MCHP in FY 2010 (which includes services budgeted in other agencies), 41% was spent on capitation payments for managed care organizations, 15.6% was spent on nursing home payments, and 47% on fee-for-service expenditures for other services (Figure 4).



In recent years, Maryland and other states have been faced with new budgetary pressures. Between FY 2001 and FY 2010, Maryland Medicaid experienced an average annual growth rate of approximately 5.3%.

## How do People Receive Services?

About 80% of Medicaid beneficiaries receive services through HealthChoice, a statewide managed care program. Generally, individuals are not enrolled in HealthChoice if they are Medicare beneficiaries, are age 65 or older, or are enrolled for short periods of time.

Beneficiaries eligible for HealthChoice choose a primary care provider (PCP) and enroll in one of seven managed care organizations (MCO). The MCOs contract with the Department of Health and Mental Hygiene (DHMH) to provide Medicaid covered services through their provider networks in return for monthly payments from DHMH. Medicaid beneficiaries not enrolled in HealthChoice still receive Medicaid services, but through the "fee-for-service" system, where each provider of service bills DHMH.

Certain Medicaid services are "carved out" of the benefit package provided by the MCOs and are paid on a fee-for-service basis by the program. Altogether about one-third of Medicaid services are carved-out. Both specialty mental health and dental services are carved out and are provided on a fee-for-service basis through an administrative services organization.

Many of the Medicaid enrollees not in HealthChoice, and some enrollees in HealthChoice, receive long term care services, which include nursing facility and community-based care. Long term care represents a large portion, about 54%, of fee-for-service payments. Recent expansions under Home and Community Based Services (HCBS) waivers allow more individuals in need of long term care to choose community-based options, which advances Medicaid's goal to provide services in the most integrated setting appropriate to the needs of individuals with disabilities. Maryland operates nine HCBS waivers.

## Recent Issues

In addition to Maryland Medicaid's continuing efforts to control costs and operate more efficiently, there are several new Medicaid initiatives underway.

During the 2011 General Assembly Session, legislative House Bill 778 directed DHMH to extend family planning services to all women whose family income is at or below 200% of the Federal Poverty Level (FPL). It is expected that over 30,000 women will enroll in the new family planning program, which begins January 1, 2012.

Also, DHMH has recognized the need to rebalance long term care services, *i.e.*, to provide more community-based long-term care services. In 2010, DHMH submitted a report on Long Term Care Supports and Services to the Maryland General Assembly. The report consisted of recommendations pertaining to redesigning the Medical Assistance Personal Care (MAPC) program to provide better access to personal care services; improving of the Department's assessment and intervention methods, *e.g.*, better targeting services to individuals; and evaluating the new long-term options detailed in the Affordable Care Act (ACA). The Department will be continuing to work with stakeholders to develop a more detailed proposal to rebalance Medicaid's long-term care program.