

Revised: April 30 1995

METHODS FOR CALCULATING THE EFFECTS OF MEDICAID CUTS

MEDICAID

The aggregate amount of the Republican cuts was specified: \$160 billion (a 6% cap) or a 5% cap (\$192 billion). The analyses assumed that all expenditures -- including DSH and administration - - are capped, and used the CBO baseline.

The effects on provider payments, services and recipients were estimated assuming managed care. The managed care savings estimate of \$5 billion over the 7 year period comes from OMB's estimate of \$4.5 billion, rounded up. It was assumed that approximately \$1 billion of this savings occurs in 2002. Thus, all of the provider payments, services and recipients effects were calculated using the total Republican targets of \$160 billion or \$192 billion minus the \$5 billion savings from managed care. For the year 2002 estimates, the target amount is \$43.7 billion or \$52.3 billion minus \$1 billion from managed care.

It was assumed that 25% of the cuts came from provider payments, 25% from services, 25% from recipient reductions in kids and 25% from recipient reductions in elderly and disabled. In order to account for interactions, these cuts were taken sequentially, as described below.

Service cuts: There were two steps in calculating these costs. First, the 2002 federal expenditures for Medicaid services were converted to total computable costs. Second, a conversion factor was used to account for the CBO and Administration baseline differences. This was done using the information available on the differences between acute and long-term care benefits expenditures. In 2002, the acute care estimates were: CBO: \$97.3 b, Admin: \$92.5 b. This yields a ratio of 1.05, which was applied to all services considered acute care. In 2002, the long-term care estimates were: CBO: \$62.7 b, Admin: \$48.1 b. This yields a ratio of 1.3, which was applied to all services considered acute care.

After these adjustments, services were chosen that, when summed, are less than or equal to the target cut allocated to service reductions (\$10.7 b or \$12.8 billion).

Provider payment reductions: This is simply the target amount of \$10.7 b or \$12.8 billion; we did not calculate it as a percent of payment for this exercise.

Recipient cuts: The Administration baseline's per-recipient costs in 2002 are the basis of these estimates. The 2002 total expenditures for each of the groups, kids and aged & disabled, were calculated. Three adjustments were made to these totals. First, the expenditures for the eliminated services for each group were subtracted from the total expenditures for the groups. Second, the provider payment cut was subtracted. The amount of the provider payment cut allocated to each recipient group was calculated by using the group's proportion of total expenditures, net of the eliminated services' expenditures. Third, there was also an adjustment to the kids' per-recipient cost to account for managed care savings. It was assumed that \$500 million of the full \$1 billion savings in 2002 were associated with kids. Fourth, the kids' per-

recipient costs were multiplied by 1.05 to adjust for CBO differences; the aged and disabled per-recipient costs were multiplied by $(1.05 * 0.45 + 1.30 * 0.55)$, which weights the CBO ratios by the proportion of acute care and long-term care expenditures for this group.

Once these per-recipient estimates are calculated, they are divided into the targeted amount for each group to yield estimates of the number of recipients cut.

Assembly
\$10.05

PER CAPITAS	Total Exp	Recip	Admin PC	PC	CUTS
KIDS					
Kids Total	44,233				
Kids Cuts	2,398	(Home H, EPSDT, Hospice)			
Mng Care	500				
Provider hit	1,891				
Net	39,444	21.94	1,798	1,887	-5.65 50% of Recip Cuts (25% of total cut)

AGED AND DISABLED					
A & D Total	166,603				
A&D Cut	4,108	(Home H, EPSDT, Hospice)			
Mng Care					
Provider hit	7,344				
Net	155,151	14.32	10,832	12,863	-0.83 50% of Recip Cuts (25% of total cut)
	988				

PER CAP Total Exp Recip Admin P CBO PC CUTS

KIDS

Kids Total	44,233				
Kids Cuts	3,980	(Home H, EPSDT, Hospice, Dental)			
Mng Care	500				
Provider h	2,214				
Net	37,539	21.94	1,711	1,796	-7.14 50% of Recip Cuts (25% of total cut)

5 PER CAP
(1924)

AGED AND DISABLED

A & D Tot	166,603				
A&D Cut	7,337	(Home H, EPSDT, Hospice, Dental)			
Mng Care					
Provider h	8,905				
Net	150,361	14.32	10,498	12,466	-1.03 50% of Recip Cuts (25% of total cut)

SERVICES

	2002		Total
	ADMIN TCC	CBO TCC	
InptGen	44.3		
MentHosp	4.1		
NF	48.1		
ICFMRPu	9.1	18.58407	
ICFMRPv	5.2		
Phys	13.6		
Outpt	12.4		ALL
Drugs	17.3	14.72892	42.32246 Drugs, CBLTC, EPSDT
Rebate	-3.2		
Dental	3.0	3.198263	Half
OthPrac	2.6		21.52249 Drug, EPSDT, Dental, H
Clinic	7.1		
LabRad	1.8	HCB	
HomeHlth	3.5	24.93446	
Ster	0.3		
Abort	0.0		
EPSDT	2.5	2.659079	
RurHlth	1.6		

DRAFT

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Clinic	7.1		
LabRad	1.8	HCB	
HomeHlth	3.5	24.93446	
Ster	0.3	4.65	
Abort	0.0		
EPSDT	2.5	2.659079	
RurHlth	1.6		
MCRCoD	1.2		
PremGrp	8.0		
PremOth	24.9		
HCBW	9.7		
FrailEld	0.2		
CSLA	0.0		
PersCare	5.7	7.45607	
TgtCasM	2.8		
Hospice	0.9	0.033333	
PCWC	1.1		
OthCare	12.0		

EPSDT + HomeHlth + Hospice
 2.7 4.6 0.9 = 8.26
 + Dental
 3.2 = 11.46