

Medicaid Costs May Outpace U.S. Economy Soon

BY MARY ELLEN SCHNEIDER
New York Bureau

The price tag for medical assistance under Medicaid is expected to reach nearly \$674 billion over the next decade, with the federal government picking up more than \$383 billion of the cost, according to projections from the Centers for Medicare and Medicaid Services.

Under this estimate, which was part of the first annual actuarial report on the financial outlook of Medicaid, the program's expenditures for medical assistance are projected to grow on average 7.9% per year for the next 10 years, outpacing the 4.8% growth in the U.S. gross domestic product.

"This report should serve as an urgent reminder that the current path of Medicaid spending is unsustainable for both federal and state governments," Mike Leavitt, secretary of the Health and Human Services department, said in a statement. "If nothing is done to rein in these costs, access to health care for the nation's most vulnerable citizens could be threatened."

Medicaid spending for fiscal 2007 was about \$333 billion, with the federal government paying 57% of the cost and the states picking up 43%. The average per-person spending for medical services was \$6,120 in fiscal year 2007, with more spent on older and disabled enrollees and less on children. The average per-person spending was \$2,435 for nondisabled children and

\$3,586 for nondisabled adults, compared with \$14,058 for older adults and \$14,858 for disabled beneficiaries.

Average Medicaid enrollment also is expected to increase over the next decade, according to the report, from 49.1 million in FY 2007 to 55.1 million by FY 2017.

The projections are no surprise given the rising cost of health care overall, said Judith Solomon, senior fellow at the Center on Budget and Policy Priorities, a research organization that analyzes state and federal budget issues. For states, which pay a significant share of Medicaid costs, the 10-year projections are likely to be mainly academic, she said, as they struggle to balance this year's budgets in a worsening economy.

The report, issued in October, offers an

analysis of past trends in Medicaid and a 10-year projection of expenditures and enrollment. Future reports are expected to have longer-range projections and more extensive analysis, according to CMS.

The data and assumptions of the report are based largely on three sources: data submitted to CMS from the states; the boards of trustees of the Social Security and Medicare programs; and National Health Expenditure historical data and projections. The analysis is based on current law and does not make predictions of possible policy or legislative changes. ■

The full report is available online at http://cms.hhs.gov/ActuarialStudies/03_MedicaidReport.asp.

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