

Updated August 14, 2014

## THE DISTRICT OF COLUMBIA'S MEDICAID PROGRAM

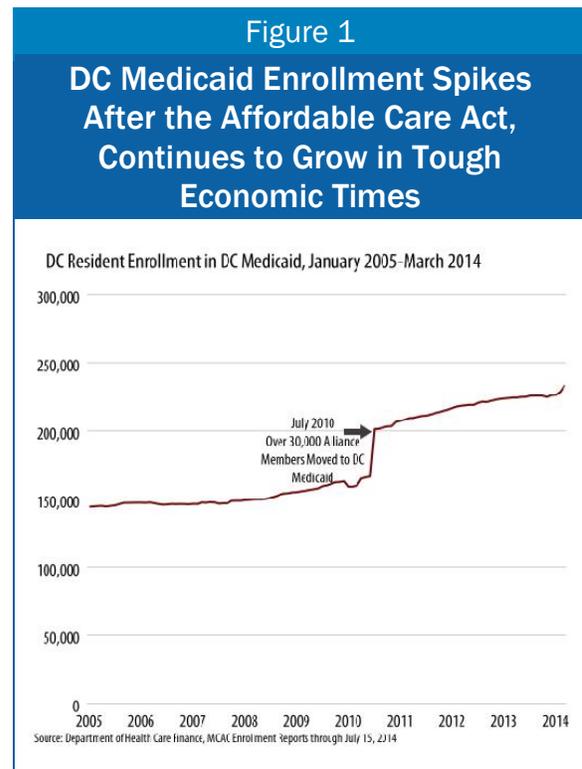
Medicaid is a federal-state program created in 1965 to provide health insurance coverage to eligible low-income families and individuals.<sup>1</sup> DC's Medicaid program serves about 225,000 people in DC, or one out of every three residents.<sup>2</sup> In FY 2015, the program will make \$2.8 billion in payments to health care providers, with federal funds covering about three-quarters of the total budget.

While DC and the states operate Medicaid under federal guidelines, they are given a great deal of flexibility to determine who is eligible and what health care services are covered. The District has expanded both eligibility and services for its Medicaid program beyond the minimum federal requirements. The District also opted for early implementation of some Medicaid provisions of the federal Affordable Care Act — the federal health care reform legislation passed in 2010 — to expand Medicaid coverage to many more DC residents.<sup>3</sup>

This policy brief provides basic information on DC's Medicaid program, including the population served by DC's Medicaid program, services provided, funding, and an area of focus for the future: combatting rising costs.

### Population Served by DC Medicaid

Medicaid is an “entitlement” program, which means that anyone who meets the eligibility rules for the program has a right to participate. Federal law requires states and the District to provide Medicaid coverage to low-income residents in several categories including: families with children, elderly populations, and people with disabilities. In addition, the Affordable Care Act allowed states to



<sup>1</sup> For more information on the federal Medicaid program, see the Center for Budget and Policy Priorities Medicaid factsheet - <http://www.cbpp.org/files/policybasics-medicaid.pdf>.

<sup>2</sup> DC Medicaid enrollment: 224,734 (February 2014); data from DHCF, “MCAC Report, June 18, 2014.” DC total population estimate: 646,449 data from U.S. Census State & County QuickFacts, <http://quickfacts.census.gov/qfd/states/11000.html> (last revised July 8, 2014).

<sup>3</sup> For more information on the Affordable Care Act, visit <http://www.healthcare.gov/>.

provide Medicaid coverage to any resident with income below 138 percent of the federal poverty line. A U.S. Supreme Court decision prohibited the federal government from mandating this expansion and instead made this a state option.

The District adopted this option and provides Medicaid coverage to all low-income residents, but income eligibility level varies among different groups. DC’s Medicaid program covers:

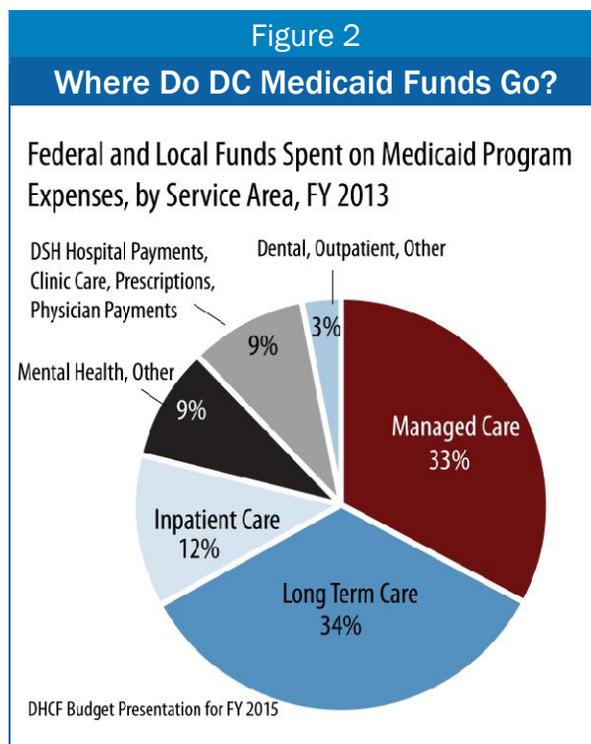
- Pregnant women and children up to 319 percent of poverty (\$63,130 for a family of three)
- Parents up to 216 percent of poverty (\$42,746 for a family of three)
- Other adults up to 210 percent of poverty (\$24,507 for a single person).

In DC, almost half of those in Medicaid are in families with children, 29 percent are elderly, have a disability or are in foster care, and the remaining 22 percent are adults without children. Enrollment in DC’s Medicaid program saw minimal growth during the mid-2000s, then began to increase during the recession as people lost jobs or were forced to cut back their hours. In 2010, enrollment increased by more than 30,000 when many childless adults enrolled in Medicaid as part of DC’s implementation of the federal Affordable Care Act. (Most of these residents had previously been served by the city’s locally funded HealthCare Alliance program.) Since that time, enrollment has grown steadily at nearly 3 percent per year, with a total of 224,734 residents enrolled in Medicaid as of February 2014.<sup>4</sup> (See **Figure 1**.)

## Services Provided Under Medicaid

Many of DC’s Medicaid recipients are served by managed care providers that are selected by the city. Other Medicaid recipients find health care providers of their choosing, who are then reimbursed by the District on a “fee-for-service” basis. The program does not require participants to pay any co-payments for Medicaid services.

Federal guidelines require states to cover certain services through Medicaid and allow states to cover other services on an optional basis. The required services include physician, midwife, and nurse practitioner services; inpatient and outpatient hospital services; nursing home and home health care services; lab and x-ray services; family planning services and supplies; and early and periodic screening, diagnostic, and treatment (EPSDT) services for children under age 21. The District of Columbia has taken advantage of federal options to expand the scope of Medicaid



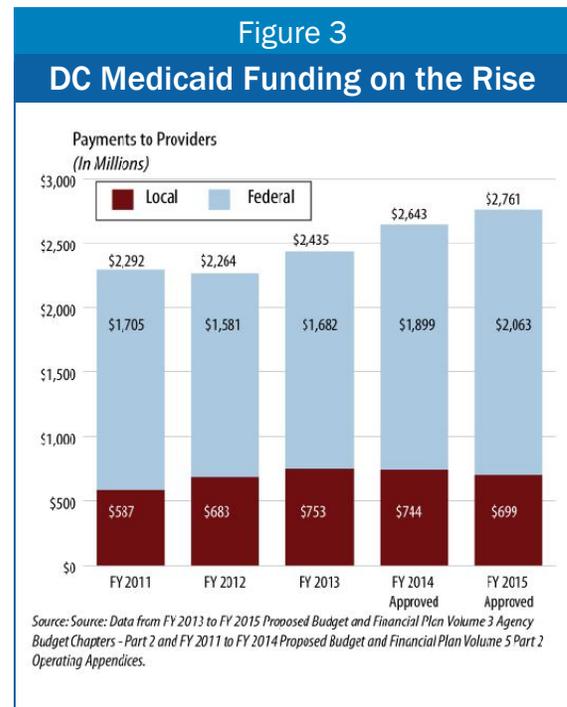
<sup>4</sup> Data from DHCF, “MCAC Report, June 18, 2014.”

services, including dental and eye care, and a limited amount of mental health services. **Figure 2** shows what share of Medicaid program dollars were spent on certain services in FY 2013.

## Medicaid Funding

Medicaid is funded through a combination of federal and state funding. In all states, federal funding covers at least 50 percent of costs, but states that have higher levels of poverty receive higher contributions. In DC, the federal government covers 70 percent of costs for most recipients. Beyond that, the federal government will pay 100 percent of Medicaid costs in 2015 and 2016 for residents who became eligible as a result of the Affordable Care Act, such as childless adults with incomes up to 210 percent of the federal poverty line.

Funding for DC Medicaid in fiscal year 2015 is almost \$2.8 billion in gross funds which includes both local and federal funds. (See **Figure 3**.) The city will provide \$700 million in local funds, about one quarter of the overall budget. The majority of local Medicaid funds are managed by DC’s Department of Health Care Finance which is also responsible for the management of the Medicaid program.



## Future Focus: Battling Rising Costs

The DC Medicaid budget is sensitive to a number of factors other than rising enrollment. A significant factor is rising health care costs, and, in DC, the large proportion of those funds spent on long-term care. The costs of health care have risen nationally each year well beyond the cost of inflation. Average per-member per-month managed care costs continue to rise about 6 percent a year. This rapid growth partly reflects high rates of hospital re-admissions, which indicates a need for a stronger level of case coordination and management by the managed care organizations.<sup>5</sup>

The District has taken steps in recent years to reduce Medicaid program costs without reducing services. One area is the use of long-term care and personal care assistant services. These two services are costly, because enrollees participate under Medicaid’s fee-for-service plans and those enrollees tend to need more services. In fact, one in three DC Medicaid dollars funds long-term care.<sup>6</sup> (See **Figure 2**.) In an effort to decrease long-term care and personal care assistant services the District implemented a more rigorous application process to better target residents who need personal care and took actions to limit fraud in the program.

<sup>5</sup> DC Department of Health Care Finance (DHCF) Budget Presentation for FY 2015, Presentation for the Medical Care Advisory Committee, April 2014, slides 24-29 of 42, <http://dhcf.dc.gov/node/814102> (accessed July 8, 2014).

<sup>6</sup> Ibid. DC Department of Health Care Finance (DHCF) Budget Presentation for FY 2015, slide 21 of 42.