

## Medicaid in Alabama: A Primer

### What is Medicaid?

In 1970, the federal government created Medicaid to pay for medical and nursing home care for the poor. In Alabama, Medicaid is the largest program providing medical and health-related services to the poor, including children, senior citizens, the blind and/or disabled, and those who are eligible to receive federally-assisted income maintenance payments.<sup>1</sup> Medicaid is the second largest budget item in Alabama, behind only education expenditures.<sup>2</sup>

### Who does Medicaid cover?

In Alabama, Medicaid is available to those whose low income puts them in need of healthcare insurance assistance. It covers state residents, U.S. nationals, citizens, permanent residents, and legal aliens. In addition, applicants must be either pregnant, blind, have a disability or a family member in their household with a disability, be responsible for children under 19 years of age, or be 65 years of age or older.<sup>3</sup>

### How does Medicaid work?

The Medicaid program has several different parts, with each state having slightly different rules and coverage. In Alabama, Medicaid medical coverage includes most common forms of healthcare, including doctor visits, eye exams and corrective lenses, prescription drugs, in- and out-patient hospital care, and medical equipment.<sup>4</sup> In addition to these services, part of Medicaid covers long-term nursing home care, as well as long-term, in-home personal care.<sup>5</sup> Currently, Alabama is one of only two states whose Medicaid program does not cover assisted living facilities for Medicaid beneficiaries.<sup>6</sup>

### ISSUE SNAPSHOT

In Alabama, Medicaid is the largest program providing medical and health-related services to the poor.

Each dollar Alabama allocates to Medicaid attracts \$2.78 in federal dollars.

The current fee-for-service healthcare delivery model for Medicaid does not focus on a holistic approach to beneficiary care and creates serious budgetary problems for Alabama.

Currently, Alabama pays participating healthcare providers on a fee-for-service basis.<sup>7</sup> Essentially, the Medicaid agency dictates how much it will pay for a service such as a test for strep throat, or setting a broken bone, and the provider files for reimbursement from the agency.<sup>8</sup> This method of delivery suffers from two primary challenges. First, it fails to effectively account for a holistic view of patients and their long-term health decisions. In other words, it is oriented towards providing the health care services themselves rather than maintaining and improving the actual health of beneficiaries. Secondly, it provides little cost certainty or stability to state and federal taxpayers. As seen in Alabama, the Medicaid budget can quickly and unpredictably grow out of control. After federal stimulus money ran out in 2011, enrollment continued to grow at an expedited pace, and Medicaid leaders could be constantly found among the pages of Alabama's newspapers speaking of \$100 million holes, with no real solution in sight.<sup>9</sup> Additionally, with no absolute

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measure of the services needed or budget in a given year, Medicaid budgets can easily grow out of control.

## What is Enrollment and Cost for Medicaid in Alabama?

In fiscal year (FY) 1991, the number of Alabamians receiving Medicaid assistance was 469,944 or about 9.9% of the state's population.<sup>10</sup> By FY 2011, that number had risen to 893,312 (18.6%)<sup>11</sup>, with another 177,469<sup>12</sup> eligible for, but not receiving, Medicaid. Put another way, if every person in Alabama who is eligible for Medicaid received services, approximately 1,070,781 residents would be enrolled or approximately 22.3% of the state population.<sup>13</sup>

If every eligible Alabamian began receiving Medicaid and the expenditure per recipient remained the same, total annual Medicaid expenditures would increase from around \$5 billion to almost \$6.3 billion. This means Alabama's total Medicaid bill would also jump from roughly \$1.38 to \$1.66 billion annually.

Much of the growth in Medicaid recipients and costs has occurred in the past decade. From FY 2001 to FY 2011, the number of Medicaid recipients increased 33.5% in Alabama.<sup>14,15</sup> At the same time, net inflation-adjusted payments, including administrative costs, for Medicaid in Alabama increased 67.9%, to slightly more than \$5.23 billion in FY 2011.<sup>16</sup> Of this total, 35.1% was spent on hospital care, 18% on nursing facilities, and 10.9% on pharmacy expenses.<sup>17</sup>

## Federal Involvement

For every dollar spent on Medicaid in Alabama, 27 cents is provided by the state and 73 cents is given by the federal government. Put another way, each dollar Alabama allocates to Medicaid attracts \$2.78 in federal dollars.<sup>18</sup> This gives policymakers an incentive to increase Medicaid spending or, at the very least, maintain the status quo in Medicaid funding. Not only does one dollar bring in over twice as much from the federal government, but the elimination of one state

Medicaid dollar also cuts \$2.78 in federal matching. This creates a political predicament for state policymakers. In *The Conscience of a Conservative*, Barry Goldwater clarifies the degree of the problem by noting that "many legislators feel that to refuse aid would be political suicide."<sup>19</sup>

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<sup>1</sup> BENEFITS.GOV, *Alabama Medicaid*, [www.benefits.gov/benefits/benefit-details/1618](http://www.benefits.gov/benefits/benefit-details/1618) (last visited Apr. 16, 2012).

<sup>2</sup> State General Fund Comparison Sheet: SGF FY 2013 Enacted, Legislative Fiscal Office 4, 6/12/2012 2:00 PM available at [www.lfo.alabama.gov/pdfs/FY2013%20Budget%20Info/FY2013%20SGF/SGF%20FY%202013%20AS%20ENACTED%206-12.pdf](http://www.lfo.alabama.gov/pdfs/FY2013%20Budget%20Info/FY2013%20SGF/SGF%20FY%202013%20AS%20ENACTED%206-12.pdf).

<sup>3</sup> BENEFITS.GOV, *Alabama Medicaid*, *supra* note 1.

<sup>4</sup> ALABAMA MEDICAID AGENCY, *Alabama Medicaid Covered Services and Co-Payments* (Aug. 2011), available at [http://medicaid.alabama.gov/documents/4.0\\_Programs/4.2\\_Covered\\_Services/4.2\\_Covered\\_Services\\_Summary\\_8-11.pdf](http://medicaid.alabama.gov/documents/4.0_Programs/4.2_Covered_Services/4.2_Covered_Services_Summary_8-11.pdf).

<sup>5</sup> Joseph L. Matthews, *How Medicaid Works*, CARING.COM, [www.caring.com/articles/how-does-medicaid-work](http://www.caring.com/articles/how-does-medicaid-work) (last visited Apr. 16, 2012).

<sup>6</sup> ROBERT MOLLIKA, NATIONAL CENTER FOR ASSISTED LIVING, STATE MEDICAID REIMBURSEMENT POLICIES AND PRACTICES IN ASSISTED LIVING V (Sept. 2009), [www.ahcancal.org/ncal/resources/documents/medicaidassistedlivingreport.pdf](http://www.ahcancal.org/ncal/resources/documents/medicaidassistedlivingreport.pdf).

<sup>7</sup> *Fee Schedules*, ALABAMA MEDICAID AGENCY, available at [http://www.medicaid.alabama.gov/CONTENT/6.0\\_Providers/6.6\\_Fee\\_Schedules.aspx](http://www.medicaid.alabama.gov/CONTENT/6.0_Providers/6.6_Fee_Schedules.aspx).

<sup>8</sup> *Fee-for-Service*, MEDICAID.GOV, available at <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Delivery-Systems/Fee-for-Service.html>

<sup>9</sup> Kim Chandler, *Alabama Medicaid will get through '14 with a prayer and luck, but faces potential crisis in '15, says state health officer*, available at [http://blog.al.com/wire/2013/02/alabama\\_medicaid\\_will\\_get\\_thro.html](http://blog.al.com/wire/2013/02/alabama_medicaid_will_get_thro.html) and Neal Vickers, *Governor promises to pay back the Alabama Trust Fund*, available at: <http://www.examiner.com/article/governor-promises-to-pay-back-the-alabama-trust-fund>.

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<sup>10</sup> ALABAMA MEDICAID AGENCY, *1995 Annual Report*, [http://medicaid.alabama.gov/documents/2.0\\_Newsroom/2.3\\_Publications/2.3.4\\_Annual\\_Report\\_Archive/2.3.4\\_FY95\\_Annual\\_Report.pdf](http://medicaid.alabama.gov/documents/2.0_Newsroom/2.3_Publications/2.3.4_Annual_Report_Archive/2.3.4_FY95_Annual_Report.pdf) (last visited Jan. 24, 2013).

<sup>11</sup> ALABAMA MEDICAID AGENCY, *Alabama Medicaid Statistics 2011*, [http://medicaid.alabama.gov/documents/2.0\\_Newsroom/2.3\\_Publications/2.3.1.6\\_Annual\\_Report\\_FY11/2.3.1.6\\_FY11\\_Eligibles\\_ALPop+Eligibes+Jobs.pdf](http://medicaid.alabama.gov/documents/2.0_Newsroom/2.3_Publications/2.3.1.6_Annual_Report_FY11/2.3.1.6_FY11_Eligibles_ALPop+Eligibes+Jobs.pdf) (last visited Jan. 24, 2013).

<sup>12</sup> STATEHEALTHFACTS.ORG, THE HENRY J. KAISER FAMILY FOUNDATION, *Health Coverage & Uninsured*, [www.statehealthfacts.org/comparecat.jsp?cat=3&rgn=2&rgn=1](http://www.statehealthfacts.org/comparecat.jsp?cat=3&rgn=2&rgn=1) (last visited Jan. 24, 2013).

<sup>13</sup> *Id.*

<sup>14</sup> ALABAMA MEDICAID AGENCY, *FY 2001 Annual Report*, [http://medicaid.alabama.gov/documents/2.0\\_Newsroom/2.3\\_Publications/2.3.4\\_Annual\\_Report\\_Archive/2.3.4\\_FY01\\_Annual\\_Report.pdf](http://medicaid.alabama.gov/documents/2.0_Newsroom/2.3_Publications/2.3.4_Annual_Report_Archive/2.3.4_FY01_Annual_Report.pdf) (last visited Jan. 24, 2013).

<sup>15</sup> ALABAMA MEDICAID AGENCY, *FY 2011 Annual Report*, *supra* note 8.

<sup>16</sup> ALABAMA MEDICAID AGENCY, *FY 2011 Expenditures by Type of Service*, [http://medicaid.alabama.gov/documents/2.0\\_Newsroom/2.3\\_Publications/2.3.1.6\\_Annual\\_Report\\_FY11/2.3.1.6\\_FY11\\_Finance\\_Expenditures\\_by\\_type\\_of\\_service\\_wo\\_rounding.pdf](http://medicaid.alabama.gov/documents/2.0_Newsroom/2.3_Publications/2.3.1.6_Annual_Report_FY11/2.3.1.6_FY11_Finance_Expenditures_by_type_of_service_wo_rounding.pdf) (last visited Jan. 24, 2013).

<sup>17</sup> *Id.*

<sup>18</sup> Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for October 1, 2011 through September 30, 2012, 75 FED. REG. 69,082, 69,083 (Nov. 10, 2010).

<sup>19</sup> Barry Goldwater, *The Conscience of a Conservative*, 21, Bottom of the Hill Publishing, 1<sup>st</sup> ed, 2010.