



# Thanks to Medicaid, Utah Gets More Health Care Bang for the Buck

By Allison Rowland, PhD, and Tracy Gruber, JD

August 6, 2012

Medicaid has helped record numbers of Utahns care for their health since the economic downturn began in 2008. It has done so by becoming more efficient than ever before, allowing scarce resources to be re-allocated to other uses during the state's fiscal crisis. This analysis of the data on the state's Medicaid performance demonstrates its importance as a response to Utahns in need. In the wake of the harshest recession in a generation, Medicaid has provided quality health care and financial security for struggling families, particularly children.

## Utah Medicaid Helped More Children than Ever During the Recession

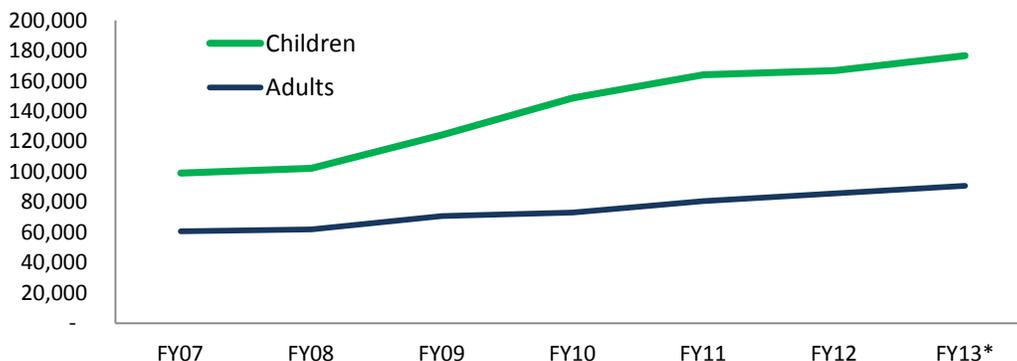
The Great Recession caused job loss or other income reductions for hundreds of thousands of Utahns. Upheaval in the economy often left entire families without healthcare coverage. At the same time, many other workers lost health insurance as businesses continued the trend of eliminating it from employee compensation.

In addition, Utah's population expanded by roughly 200,000 from 2007 to 2012. This growth undoubtedly included some new residents who need the services that only Medicaid can provide. The combination of these

factors meant that over the past six years, more Utahns than ever needed help caring for their health and that of their families.

Medicaid responded to Utahns in need by enrolling 108,000 additional clients from 2007 to 2013, an increase of 67 percent (Figure 1). Among the 267,000 clients that will be protected by Medicaid in fiscal year 2013, two of every three are children. Together with the CHIP program, Utah's Medicaid helps guarantee that 200,000 children in Utah have access to medical care.

**Figure 1. Medicaid Serves a Record Number of Utahns--Mostly Kids**



\*FY13 enrollment number based on Utah Department of Health estimate of 5.9 percent growth (personal communication from Michael Hales, July 5, 2012).

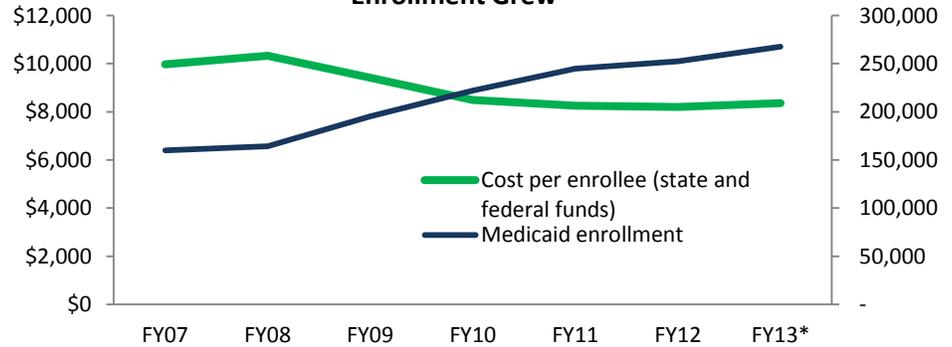
Source: Derived by Voices for Utah Children from Utah Department of Health, *Utah Cases Served Report*, July 2012.

# Utah Medicaid is Increasingly Efficient

As the need for Medicaid coverage increased in Utah, the per capita costs associated with the program actually declined (Figure 2). Through administrative changes, like reduced reimbursement rates and expanded use of Medicaid managed care, the total cost per enrollee dropped by 16 percent from 2007 to 2013.

The fiscal impact of these gains in program efficiency should not be underestimated. For a relatively small increase in state expenditure, over 100,000 additional Utahns obtained the health care they needed, allowing them to work, study, or just be kids.

**Figure 2. Utah Medicaid Became More Efficient, Even as Enrollment Grew**



\*FY13 enrollment number based on Utah Department of Health estimate of 5.9 percent growth (personal communication from Michael Hales, July 5, 2012).

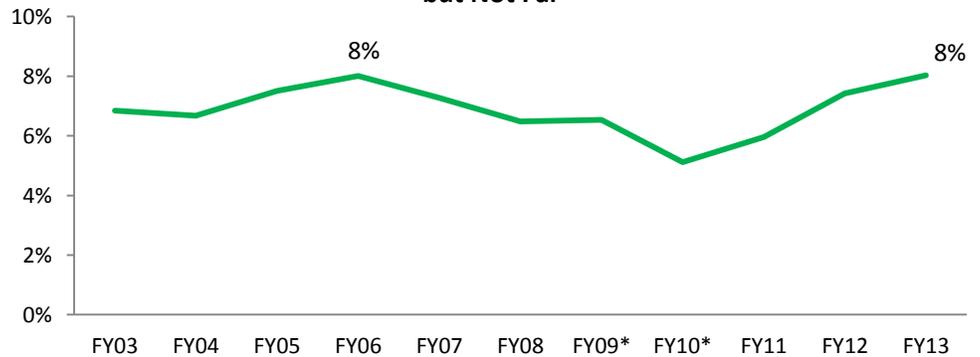
Source: Derived by Voices for Utah Children from GOPB, *Budget Summary*; various years; DOH,

Still, the dollar amount of Utah funds spent on Medicaid did rise from FY10 to FY13. This has prompted some policymakers to suggest that Medicaid is the major cause of shortfalls in the state budget. For example, the campaign website for Governor Gary Herbert asserts that “In Utah, Medicaid consumes 21.5 percent of our budget... encroaching on critical education funding and elbowing out social service, transportation and corrections needs.”<sup>1</sup>

However, these types of statements are misleading. According to the state’s annual *Budget Summary*, the share of Medicaid expenditures from Utah resources actually amounts

to \$755 million in FY13, just 8 percent of the \$9.41 billion the state will spend that year (Figure 3). As a share of the budget, this returns the state to its FY06 level of Medicaid expenditure.

**Figure 3. Share of Utah Funds Spent on Medicaid Rose since FY10, but Not Far**



\*In FY09, FY10 and FY11, the federal government temporarily increased its Medicaid funding through ARRA, allowing Utah to direct resources to other areas.

Source: derived by Voices for Utah Children from GOPB, *Budget Summary*, various years.

The confusion on the part of the governor and others may reflect the fact that Utah Medicaid is funded by a combination of state and federal funds. In FY13, the federal government granted Utah’s Medicaid program \$71 for each \$29 that the state spent. So if *combined* federal and state spending for Medicaid in Utah amounted to 21.5 percent of the size of the state’s total budget in FY13, over two-thirds of that amount would come directly from the federal government. The matching agreement that underlies the program ensures that for every dollar of Utah’s own funds spent on Medicaid, it receives two more.

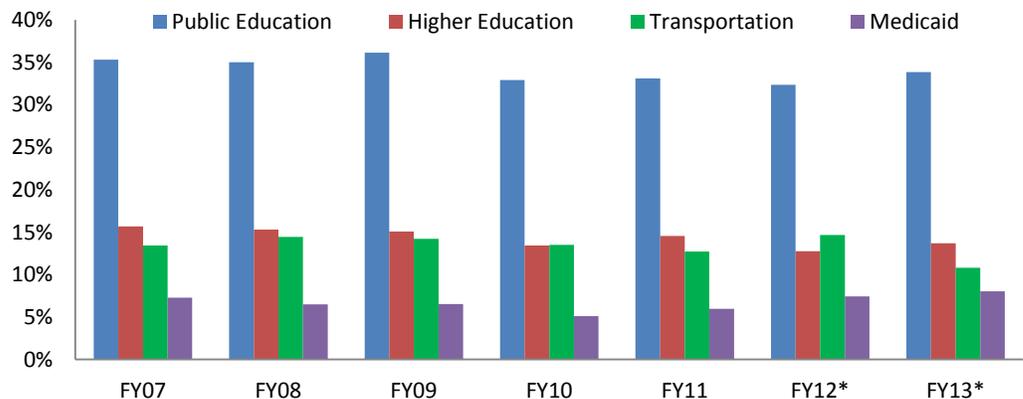
The precise size of the federal contribution to Medicaid programs in Utah and other states, known as Federal Medical Assistance Percentages (FMAP), does vary from year to year. For example, in an effort to ease the state fiscal crises that resulted from the recession, the federal government offered enhanced FMAP rates from October, 2008, to June, 2011, through the American Recovery and Reinvestment Act of 2009 (ARRA). As a result, the share of Utah funds expended on Medicaid dropped as low as 5 percent during those years. As the ARRA funds expired, Utah has returned to its pre-recession share of funding for Medicaid.

## Utah’s Medicaid Funding in Perspective

Additional insight on the true impact of Utah’s Medicaid expenditure comes by placing it in perspective. Compared to state dollars spent on other areas of government, Medicaid ranks fourth (Figure 4). Public Education expenditure consistently amounts to over four times the amount spent on Medicaid. Higher Education and Transportation funding are also notably greater. If the annual debt service for capital projects were included in these totals, they would rise even higher.<sup>2</sup>

So why has Medicaid caught the attention of some Utah lawmakers? Those responsible for balancing the state’s budget are rightly concerned when costs associated with a state program rise sharply. This may have appeared to be the case for Utah’s Medicaid program in 2012, when lawmakers were asked to dedicate one-third of *new* revenue for FY13 to fill shortfalls in the Medicaid budget.

**Figure 4. Utah Budget Priorities Are Clear**  
*Share of total state funds for operations and capital*



\* FY12 figures are Authorized, FY13 figures are Appropriated.

Source: Derived by Voices for Utah Children from GOPB, *Budget Summary*, various years.

However, this supplemental appropriation had nothing to do with unanticipated increases in Utah's Medicaid costs. Rather, as the recession deepened, Utah policymakers chose to delay full funding of projected Medicaid caseload growth in the annual budget. Instead, they have relied on supplemental appropriations to cover this growth the following year.

Another possible reason that some state lawmakers are focusing on Medicaid costs, rather than its benefits for adults and children, is tied to the national debate over Medicaid expansion under the Affordable Care Act. This should not distract them from the important lesson that this review of data provides: Utah has managed its Medicaid program in a careful, responsible manner.

## Medicaid: Helping Utahns Stay Healthy

Good state management has allowed Utahns to get more bang for their Medicaid bucks. It has helped hundreds of thousands of Utahns stay healthy and avoid financial disaster from unexpected medical costs. This, in turn helps the state economic recovery.

Medicaid requires significant investment of state funds, but the program delivers critically important benefits to hundreds of thousands of Utahns, most of whom are children, by providing quality health care and financial security for their families.

---

<sup>1</sup> *Gary Herbert on Medicaid Waiver*, <http://garyherbert.com/issues/medicaid-waiver/>, accessed July 9, 2012.

<sup>2</sup> Funds appropriated for all debt service amounted to \$465 million in FY13. Debt service for highway bonds alone surpassed \$353 million in FY13, 47 percent the size of Medicaid's total budget that year. See GOPB, *FY13 Budget Summary*, Table 57, "Restricted Funds."