

Trends in Medicaid payments and utilization, 1975-89

by Thomas W. Reilly, Steven B. Clauser, and David K. Baugh

Trends in Medicaid payments and utilization from 1975 through 1989 are examined in this article. Medicaid payments grew significantly over the period 1975-89, but the rate of growth was uneven. Total payments grew rapidly from 1975 through 1981, but the rate of growth slowed considerably from 1982 through 1988. Recent data suggests that there may be a new discontinuity in the

series; payments increased sharply in 1989. Sectors that account for growth in the costs of the program are identified by examining who are served and what types of services they receive. The dynamics of change in Medicaid payments within sectors also are explored by examining changes in the number of people receiving services and the average payment per recipient.

Introduction

Medicaid is a federally supported and State-administered assistance program providing medical care for selected poor and near poor populations. In this article, we examine expenditure and utilization trends in Medicaid from 1975 through 1989.

The Medicaid program was enacted by Congress under title XIX of the Social Security Act, and it provides medical assistance to certain low-income families and to low-income aged and disabled. Historically, coverage of low-income families has focused on families receiving cash assistance through the Aid to Families with Dependent Children (AFDC) program, but recent legislation has expanded Medicaid eligibility in this area to include other low-income families. Coverage of the aged and disabled has focused on individuals receiving cash assistance through the Supplemental Security Income (SSI) program and certain SSI-related groups. The program also may cover medically needy individuals who are not recipients of cash assistance but have incomes, after deducting medical expenses, that fall below certain levels.

The Social Security Act requires State Medicaid programs to offer certain basic services, such as inpatient and outpatient hospital services, physicians' services, skilled nursing facility services, and home health, and it enables States to provide optional Medicaid coverage for other services, such as intermediate care facility services and prescription drugs.

Although the Federal Government may finance between 50 and 83 percent of care provided under the Medicaid program for any given State, individual States administer Medicaid within broad Federal requirements and guidelines. The Medicaid program allows individual States broad influence and control over the delivery of services to program recipients. Federal guidelines allow States discretion in establishing income and resource criteria for program eligibility; determining the amount, duration, and scope of covered services; and determining provider reimbursement methodologies. This means that the characteristics of State Medicaid programs vary considerably from State to State. (For detailed descriptions of Medicaid program characteristics, refer to

Congressional Research Service (1988) and Howe and Terrell (1987).)

Despite program differences, much is to be gained from the analysis of general Medicaid program expenditure and utilization trends. Medicaid can be viewed as a confederation of individual State programs designed to address the health care needs of many of our most vulnerable populations. Changes in the number and types of persons served, the types of services they receive, and the relative cost of serving different eligibility groups keep us informed of the choices we are making as a society in providing health care to low income persons. This analysis also puts in broader perspective the State-specific challenges in addressing cost and access issues for these populations.

These issues have grown in importance as the Medicaid program has grown. Program expenditures have increased to \$54.5 billion in fiscal year 1989. The State's share of these expenditures now represents a sizable component of the total budget in most States. Over the last decade, expenditure growth, coupled with constraints on increases in revenue, has resulted in budget deficits in many States. These problems have led to calls for cost containment, management of health care services, reduction of the use of unnecessary care, and a wide variety of measures designed to increase competition and efficiency.

Against the backdrop of these issues, we present an overview of expenditure and utilization trends in the Medicaid program from 1975 through 1989. We examine changes in Medicaid expenditures in terms of changes in who are served and the types of services they receive. We also explore the dynamics of change in total payments by examining the number of people receiving services and the average payment per recipient.

Methodological issues

Results in this article are based on reports submitted to the Health Care Financing Administration (HCFA) that are generated from State Medicaid Management Information Systems (MMIS). MMIS is a general system for automated claims processing that is maintained by the States, and it is the basic administrative source for Medicaid utilization and payment data.

As part of basic MMIS processing, States must produce a yearly report entitled, "Statistical Report on Medical Care: Eligibles, Recipients, Payments, and Services" (also known as the HCFA Form-2082 report).

Reprint requests: Thomas W. Reilly, Ph.D., Office of Research and Demonstrations, Health Care Financing Administration, Room 2502, Oak Meadows Building, 6325 Security Boulevard, Baltimore, Maryland 21207.

In this report, each State generates information that includes total Medicaid recipients and payments broken down by factors such as eligibility group and service type. States submit the HCFA Form-2082 reports to HCFA on an annual basis. Together, these reports represent the primary source of basic descriptive data on Medicaid recipients and payments for all Medicaid jurisdictions. These reports are used by HCFA, Congress, State agencies, and many researchers for evaluation and assessment of Medicaid policies and program trends. (See, for example, Congressional Research Service, 1988; Health Care Financing Administration, 1985; Muse, 1982; Ruther and Reilly, 1988.)

In this article, we examine trends in Medicaid for the years 1975 to 1989, the most currently available time series of HCFA Form-2082 data. We will analyze trends in Medicaid payments broken down by eligibility group and service type. We also will examine the number of recipients of Medicaid services and average payment per recipient. Measurement issues associated with this approach are discussed next.

Payments

For the purposes of this article, payments are defined as amounts paid by the State during the fiscal year in question for Medicaid covered services. This includes payments for medical vendor services and Medicare deductibles and coinsurance. We also will present payment data adjusted for inflation in the medical sector by using the medical component of the Consumer Price Index (1982-84 as the base).

One advantage of this payment measure is that in most cases Medicaid vendor payments reflect the full payment for services rendered to a Medicaid recipient—providers must accept the Medicaid payment rate as payment in full for services. Its weakness is that it does not capture all payments made by Medicaid, in that it does not include Medicare Part A or Part B premiums paid by the States for the dually enrolled, premiums for capitation plans, payments for State-only enrollees or services, or State program administration and training costs.

Recipients

Recipients are defined to be Medicaid enrollees on whose behalf a payment was made during the reporting period for a Medicaid-covered service. Because a Medicaid recipient may use a given service more than once in a reporting period, one strength of the HCFA Form-2082 recipient data is that it represents an unduplicated annual count. For example, an enrollee for whom Medicaid paid for two inpatient hospital admissions during the year would be included only once in the count of total inpatient recipients. An enrollee receiving multiple services (e.g., inpatient hospital, physician, and outpatient services) is included in the recipient count for each service.

Average payment per recipient

Average payment per recipient is simply payment amount divided by the number of recipients.¹

Type of service

We will present payments, recipients, and average payment per recipient broken down by the following types of service (Health Care Financing Administration, 1989):

- **Inpatient hospital services**—These are services that are ordinarily furnished in a hospital for the care and treatment of acute inpatient episodes. This does not include skilled nursing facility or intermediate care facility services furnished by a hospital with swing-bed approval or services in an institution for tuberculosis or mental disease. It includes services provided in a psychiatric wing of a general hospital if the psychiatric wing is not administratively separate from the general hospital.
- **Intermediate care facility services for the mentally retarded (ICF/MR)**—These are services provided in an institution for persons with mental retardation or related conditions.
- **Other intermediate care facility services (ICF)**—These are services provided in a facility for individuals who do not require the level of care provided in a hospital or in a skilled nursing facility, but whose physical or mental condition requires services that are above the level of room and board and can be made only through institutional facilities. ICF services do not include services furnished in an institution for tuberculosis or mental disease. They do include services provided in a swing-bed hospital that has an approval to furnish ICF services.
- **Skilled nursing facility services (SNF)**—These are services provided in a facility for individuals who require a level of care below that of an acute inpatient but of sufficient complexity that it can be performed safely and effectively only by skilled nursing or skilled rehabilitative personnel. SNF services do not include services furnished in an institution for tuberculosis or mental disease. They do include SNF care provided in a swing-bed hospital.
- **Physicians' services**—This type of service includes services provided and billed by a physician, whether furnished in a physician's office, hospital, SNF, or elsewhere. It does not include physician services if they are provided and billed by a hospital, clinic, or laboratory. In addition, it does not include lab and X-ray services even when they are provided and billed by a physician.

¹The measure of average payment per recipient should be interpreted carefully, particularly with regard to long-term care services. The measure represents the average amount paid by Medicaid in a given year. For long-term care services, this may include payments for 12 months of service for some people, but it also may include payments only for part of a year of service for other people. Thus, this measure does not represent the average payment for a full year of service.

- Outpatient hospital services—These are preventive, diagnostic, therapeutic, rehabilitative, or palliative services that are furnished to outpatients by a licensed hospital.
- Home health services—These are services provided at the patient's place of residence in compliance with a physician's written plan, and they include nursing services; home health aide services; medical supplies, equipment, and appliances suitable for use in the home; physical, occupational, and speech therapy; personal care services; and services provided under a home and community-based waiver.
- Prescription drugs—These are drugs prescribed by a physician and dispensed by a licensed pharmacist for the cure, mitigation, or prevention of disease.

The eight service types described above account for a large share of total Medicaid payments (almost 90 percent in 1989), and they will be examined in this article. A number of other services are covered by Medicaid and are reported on the HCFA Form-2082, including services such as clinic, lab and X-ray, family planning, EPSDT, dental, inpatient mental health, and rural health clinic services. These services are not examined separately but are included in counts of total payments and recipients.

Eligibility group

As noted earlier, the Medicaid program was designed to cover only specific poor and near poor populations deemed to be most in need—low-income aged, low-income disabled, and certain low-income families. To better understand trends in Medicaid, we will present data on Medicaid payments, recipients, and average payment per recipient separately by eligibility group. There are dozens of specific eligibility provisions related to these groups, but they can be described generally as follows:²

- Low-income aged—This group basically is composed of persons 65 years of age or over who receive cash assistance through the SSI program and a number of SSI-related groups who do not actually receive cash assistance. The SSI program is a cash assistance program with income and resource standards for determining eligibility. In 1990, the Federal SSI income standard was \$386 per month for an individual and \$579 per month for a couple. (Certain States, referred to as 209(b) States, employ more restrictive criteria for Medicaid eligibility than the criteria used by the SSI program.)
- Low-income disabled—Like the low-income aged, this group generally is composed of blind and disabled persons who receive cash assistance through the SSI program and other SSI-related groups who do not receive cash assistance.
- Low-income families—Historically, this group has been composed of families receiving cash assistance through the AFDC program and various AFDC-related groups

²These groups include both the categorically needy and medically needy. Details on the specific eligibility provisions related to these groups can be obtained from the authors.

who do not actually receive cash assistance. The AFDC program is a cash assistance program basically designed to provide support for low-income families in which one parent is absent, incapacitated, or unemployed. Income standards for AFDC (and thus Medicaid) eligibility vary by State. For example, in 1989, AFDC payment standards for a family of three ranged from \$118 per month in Alabama to \$809 per month in Alaska. Note that recent Federal legislation has expanded Medicaid eligibility in this area to include other low-income families (especially pregnant women and children, regardless of family structure and without regard to AFDC status). Two separate subpopulations within the group of low-income families are identified on HCFA Form-2082: children (defined as "individuals under 18 years of age" in such families) and adults (defined as "caretaker relatives" in such families, where caretaker relatives are defined to be adults regardless of their age). In this article, we will present results separately for children and adults in low-income families.

These four broad eligibility groups account for most Medicaid payments and recipients (over 90 percent throughout the period). A small number of Medicaid recipients are eligible under other provisions and are categorized as "other title XIX" on the HCFA Form-2082. This group is not separately examined in this article but is included in counts of payments and recipients for the category "all eligibility groups."

Finally, it should be noted that at times there can be ambiguity in how MMIS data should be coded into categories for the HCFA Form-2082. Therefore, States may not be entirely consistent in how they code payments, recipients, and the different eligibility and service categories. Nevertheless, the HCFA Form-2082 represents the best currently available source of data for Medicaid payments and recipients that includes all Medicaid jurisdictions through an extended time period.

Findings

Data on trends in Medicaid payments will be summarized in this section. We will begin by examining the overall trend in Medicaid payments. We will then identify the sectors that account for program growth by examining who are served (eligibility group) and what services they receive (type of service). We also will attempt to understand the dynamics of change in Medicaid payments within sectors by examining changes in the number of people receiving services and average payment per recipient.

Overall trend in Medicaid payments

As can be seen from Table 1, total Medicaid payments have grown from \$12.2 billion to \$54.5 billion in the period 1975 through 1989—an increase of almost 350 percent. In nominal terms, the program experienced an annual rate of increase of 11.3 percent. However, the growth of program expenditures has not been uniform over the entire period. Significant discontinuities can be observed.

Table 1
Medicaid payments, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
All eligibility groups²									
Payments in millions									
1975	\$12,242 (100.0)	\$3,374 (27.6)	\$380 (3.1)	\$1,885 (15.4)	\$2,434 (19.9)	\$1,225 (10.0)	\$373 (3.0)	\$70 (0.6)	\$815 (6.7)
1976	14,091 (100.0)	3,905 (27.7)	634 (4.5)	2,209 (15.7)	2,476 (17.6)	1,369 (9.7)	555 (3.9)	134 (1.0)	940 (6.7)
1977	16,239 (100.0)	4,562 (28.1)	917 (5.6)	2,637 (16.2)	2,691 (16.6)	1,505 (9.3)	877 (5.4)	180 (1.1)	1,018 (6.3)
1978	17,992 (100.0)	4,992 (27.7)	1,192 (6.6)	3,104 (17.3)	3,125 (17.4)	1,554 (8.6)	835 (4.6)	210 (1.2)	1,082 (6.0)
1979	20,472 (100.0)	5,655 (27.6)	1,488 (7.3)	3,773 (18.4)	3,379 (16.5)	1,635 (8.0)	847 (4.1)	263 (1.3)	1,196 (5.8)
1980	23,311 (100.0)	6,412 (27.5)	1,989 (8.5)	4,202 (18.0)	3,685 (15.8)	1,875 (8.0)	1,101 (4.7)	332 (1.4)	1,318 (5.7)
1981	27,204 (100.0)	7,194 (26.4)	2,996 (11.0)	4,507 (16.6)	4,035 (14.8)	2,101 (7.7)	1,409 (5.2)	428 (1.6)	1,535 (5.6)
1982	29,399 (100.0)	7,670 (26.1)	3,467 (11.8)	4,979 (16.9)	4,427 (15.1)	2,086 (7.1)	1,438 (4.9)	496 (1.7)	1,599 (5.4)
1983	32,391 (100.0)	8,813 (27.2)	4,079 (12.6)	5,381 (16.6)	4,621 (14.3)	2,175 (6.7)	1,574 (4.9)	597 (1.8)	1,771 (5.5)
1984	33,891 (100.0)	8,848 (26.1)	4,256 (12.6)	5,823 (17.2)	4,810 (14.2)	2,220 (6.6)	1,646 (4.9)	774 (2.3)	1,968 (5.8)
1985	37,508 (100.0)	9,453 (25.2)	4,731 (12.6)	6,516 (17.4)	5,071 (13.5)	2,346 (6.3)	1,789 (4.8)	1,120 (3.0)	2,315 (6.2)
1986	41,005 (100.0)	10,364 (25.3)	5,072 (12.4)	6,773 (16.5)	5,660 (13.8)	2,547 (6.2)	1,980 (4.8)	1,352 (3.3)	2,692 (6.6)
1987	45,050 (100.0)	11,302 (25.1)	5,591 (12.4)	7,280 (16.2)	5,967 (13.2)	2,776 (6.2)	2,226 (4.9)	1,690 (3.8)	2,988 (6.6)
1988	48,710 (100.0)	12,076 (24.8)	6,022 (12.4)	7,923 (16.3)	6,354 (13.0)	2,953 (6.1)	2,413 (5.0)	2,015 (4.1)	3,294 (6.8)
1989	54,500 (100.0)	13,378 (24.5)	6,649 (12.2)	8,871 (16.3)	6,660 (12.2)	3,408 (6.3)	2,837 (5.2)	2,572 (4.7)	3,689 (6.8)
Annual compound rate of growth (Percent)									
1975-89	11.3	10.3	22.7	11.7	7.5	7.6	15.6	29.4	11.4
1975-81	14.2	13.4	41.1	15.6	8.8	9.4	24.8	35.2	11.1
1982-88	8.7	7.7	10.5	8.4	6.7	5.0	8.0	24.8	11.5
1989	11.9	10.8	10.4	12.0	4.8	15.4	17.6	27.6	12.0
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	2.5	1.7	13.0	2.9	-1.0	-0.9	6.5	19.2	2.6
1975-81	4.1	3.4	28.5	5.4	-0.9	-0.3	13.7	23.3	1.3
1982-88	1.0	0.1	2.7	0.7	-0.9	-2.4	0.3	16.0	3.6
1989	3.9	2.8	2.5	4.0	-2.7	7.1	9.1	18.5	4.0
Share of total growth (Percent)									
1975-89	NA	23.7	14.8	16.5	10.0	5.2	5.8	5.9	6.8
1975-81	NA	25.5	17.5	17.5	10.7	5.9	6.9	2.4	4.8
1982-88	NA	22.8	13.2	15.2	10.0	4.5	5.0	7.9	8.8
1989	NA	22.5	10.8	16.4	5.3	7.9	7.3	9.6	6.8

See footnotes at end of table.

From 1975 through 1981, the program grew rapidly at an average annual rate of 14.2 percent (4.1 percent per year after adjusting for inflation in medical care). However, the growth in the program slowed considerably from 1982 to 1988; expenditures grew only at a rate of 8.7 percent per year (only 1.0 percent per year after adjusting for inflation). A number of authors (Health Care Financing Administration, 1985; Holahan and Cohen,

1986) suggest that this discontinuity, at least partially, may reflect the effects of provisions of the Omnibus Budget Reconciliation Act (OBRA) of 1981, which lowered Federal matching rates and increased State flexibility for administering the Medicaid program.

Recent data, however, suggests that there may be a new discontinuity in the series. The increase in Medicaid payments jumped to 11.9 percent in 1989. After adjusting

Table 1—Continued
Medicaid payments, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Payments in millions									
1975	\$4,358 (35.6)	\$205 (1.7)	\$20 (0.2)	\$1,431 (11.7)	\$1,894 (15.5)	\$133 (1.1)	\$25 (0.2)	\$27 (0.2)	\$297 (2.4)
1976	4,910 (34.8)	244 (1.7)	18 (0.1)	1,693 (12.0)	1,901 (13.5)	147 (1.0)	34 (0.2)	56 (0.4)	364 (2.6)
1977	5,499 (33.9)	300 (1.8)	18 (0.1)	2,028 (12.5)	2,063 (12.7)	166 (1.0)	44 (0.3)	72 (0.4)	387 (2.4)
1978	6,308 (35.1)	382 (2.1)	29 (0.2)	2,327 (12.9)	2,428 (13.5)	174 (1.0)	44 (0.2)	85 (0.5)	410 (2.3)
1979	7,046 (34.4)	454 (2.2)	33 (0.2)	2,805 (13.7)	2,565 (12.5)	184 (0.9)	58 (0.3)	78 (0.4)	449 (2.2)
1980	8,739 (37.5)	806 (3.5)	199 (0.9)	3,281 (14.1)	3,007 (12.9)	225 (1.0)	67 (0.3)	202 (0.9)	519 (2.2)
1981	9,926 (36.5)	941 (3.5)	167 (0.6)	3,609 (13.3)	3,350 (12.3)	259 (1.0)	81 (0.3)	267 (1.0)	611 (2.2)
1982	10,739 (36.5)	1,006 (3.4)	95 (0.3)	3,996 (13.6)	3,678 (12.5)	247 (0.8)	90 (0.3)	310 (1.1)	629 (2.1)
1983	11,954 (36.9)	1,482 (4.6)	161 (0.5)	4,385 (13.5)	3,848 (11.9)	257 (0.8)	106 (0.3)	378 (1.2)	692 (2.1)
1984	12,815 (37.8)	1,396 (4.1)	106 (0.3)	4,759 (14.0)	3,890 (11.5)	255 (0.8)	110 (0.3)	451 (1.3)	763 (2.3)
1985	14,096 (37.6)	1,450 (3.9)	175 (0.5)	5,341 (14.2)	4,068 (10.8)	264 (0.7)	105 (0.3)	639 (1.7)	883 (2.4)
1986	15,097 (36.8)	1,603 (3.9)	179 (0.4)	5,577 (13.6)	4,480 (10.9)	264 (0.6)	126 (0.3)	766 (1.9)	973 (2.4)
1987	16,037 (35.6)	1,375 (3.1)	226 (0.5)	5,988 (13.3)	4,699 (10.4)	249 (0.6)	145 (0.3)	982 (2.2)	1,075 (2.4)
1988	17,135 (35.2)	1,411 (2.9)	216 (0.4)	6,593 (13.5)	5,025 (10.3)	240 (0.5)	161 (0.3)	1,143 (2.3)	1,186 (2.4)
1989	18,558 (34.1)	1,263 (2.3)	264 (0.5)	7,377 (13.5)	5,182 (9.5)	272 (0.5)	181 (0.3)	1,441 (2.6)	1,282 (2.4)
Annual compound rate of growth (Percent)									
1975-89	10.9	13.9	20.2	12.4	7.5	5.2	15.2	32.9	11.0
1975-81	14.7	28.9	42.4	16.7	10.0	11.7	21.6	46.5	12.8
1982-88	8.1	6.0	3.7	9.0	6.0	-1.1	10.3	23.1	9.9
1989	8.3	-10.5	22.2	11.9	3.1	13.3	12.4	26.1	8.1
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	2.2	4.9	10.8	3.6	-1.0	-3.1	5.9	22.4	2.3
1975-81	4.5	17.5	29.8	6.3	0.2	1.8	10.4	33.5	2.8
1982-88	0.5	-1.5	-3.6	1.3	-1.5	-8.1	2.4	14.4	2.2
1989	0.5	-16.9	13.5	3.9	-4.2	5.2	4.3	17.0	0.4
Share of total growth (Percent)									
1975-89	33.6	2.5	0.6	14.1	7.8	0.3	0.4	3.3	2.3
1975-81	37.2	4.9	1.0	14.6	9.7	0.8	0.4	1.6	2.1
1982-88	33.1	2.1	0.6	13.4	7.0	0.0	0.4	4.3	2.9
1989	24.6	-2.6	0.8	13.5	2.7	0.6	0.3	5.1	1.7

See footnotes at end of table.

for inflation in medical care, this corresponds to a 3.9 percent increase, which is roughly comparable to the rate of increase observed prior to OBRA 1981.

Several recent legislative initiatives suggest that the rapid growth in Medicaid payments in 1989 may not be an anomaly. For example, OBRA 1986 gave States the option to cover pregnant women and some children in families whose income was below the poverty level. It

also gave States the option to cover all Medicaid services or Medicare copayments and deductibles for aged and disabled persons with incomes below the poverty level. OBRA 1987 extended the OBRA 1986 legislation by giving States the option to cover infants and pregnant women up to 185 percent of the Federal poverty level and by mandating coverage of additional children in families

Table 1—Continued
Medicaid payments, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs	
		Inpatient hospital	Mentally retarded						Other
Low-income disabled									
Payments in millions									
1975	\$3,145 (25.7)	\$1,049 (8.6)	\$294 (2.4)	\$443 (3.6)	\$498 (4.1)	\$243 (2.0)	\$81 (0.7)	\$27 (0.2)	\$201 (1.6)
1976	3,920 (27.8)	1,247 (8.9)	545 (3.9)	509 (3.6)	543 (3.9)	286 (2.0)	121 (0.9)	55 (0.4)	258 (1.8)
1977	4,883 (30.1)	1,498 (9.2)	819 (5.0)	598 (3.7)	599 (3.7)	342 (2.1)	193 (1.2)	76 (0.5)	299 (1.8)
1978	5,620 (31.2)	1,652 (9.2)	1,086 (6.0)	753 (4.2)	673 (3.7)	358 (2.0)	190 (1.1)	87 (0.5)	321 (1.8)
1979	6,882 (33.6)	1,957 (9.6)	1,402 (6.8)	913 (4.5)	790 (3.9)	396 (1.9)	208 (1.0)	129 (0.6)	372 (1.8)
1980	7,621 (32.7)	2,207 (9.5)	1,699 (7.3)	868 (3.7)	638 (2.7)	475 (2.0)	275 (1.2)	111 (0.5)	424 (1.8)
1981	9,455 (34.8)	2,521 (9.3)	2,760 (10.1)	890 (3.3)	672 (2.5)	529 (1.9)	353 (1.3)	140 (0.5)	500 (1.8)
1982	10,405 (35.4)	2,691 (9.2)	3,296 (11.2)	964 (3.3)	719 (2.4)	512 (1.7)	349 (1.2)	162 (0.6)	531 (1.8)
1983	11,367 (35.1)	2,943 (9.1)	3,838 (11.9)	988 (3.0)	761 (2.3)	543 (1.7)	369 (1.1)	194 (0.6)	599 (1.8)
1984	11,977 (35.3)	3,064 (9.0)	4,073 (12.0)	1,057 (3.1)	905 (2.7)	540 (1.6)	429 (1.3)	292 (0.9)	687 (2.0)
1985	13,452 (35.9)	3,293 (8.8)	4,477 (11.9)	1,170 (3.1)	987 (2.6)	588 (1.6)	484 (1.3)	433 (1.2)	855 (2.3)
1986	14,913 (36.4)	3,636 (8.9)	4,817 (11.7)	1,181 (2.9)	1,156 (2.8)	637 (1.6)	566 (1.4)	531 (1.3)	1,025 (2.5)
1987	16,817 (37.3)	4,213 (9.4)	5,282 (11.7)	1,260 (2.8)	1,231 (2.7)	714 (1.6)	679 (1.5)	658 (1.5)	1,174 (2.6)
1988	18,594 (38.2)	4,588 (9.4)	5,748 (11.8)	1,317 (2.7)	1,298 (2.7)	779 (1.6)	803 (1.6)	815 (1.7)	1,336 (2.7)
1989	20,885 (38.3)	5,043 (9.3)	6,311 (11.6)	1,442 (2.6)	1,370 (2.5)	892 (1.6)	962 (1.8)	1,052 (1.9)	1,540 (2.8)
Annual compound rate of growth (Percent)									
1975-89	14.5	11.9	24.5	8.8	7.5	9.7	19.3	29.9	15.7
1975-81	20.1	15.7	45.2	12.3	5.1	13.8	27.8	31.6	16.4
1982-88	10.1	8.9	11.0	5.8	9.9	5.7	12.5	28.6	15.1
1989	12.3	9.9	9.8	9.5	5.5	14.5	19.8	29.1	15.3
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	5.5	3.1	14.7	0.2	-0.9	1.1	10.0	19.7	6.6
1975-81	9.5	5.5	32.4	2.4	-4.2	3.8	16.5	19.9	6.0
1982-88	2.3	1.2	3.2	-1.7	2.1	-1.8	4.5	19.5	6.9
1989	4.3	2.1	1.9	1.7	-1.9	6.4	11.2	19.9	7.1
Share of total growth (Percent)									
1975-89	42.0	9.5	14.2	2.4	2.1	1.5	2.1	2.4	3.2
1975-81	42.2	9.8	16.5	3.0	1.2	1.9	1.8	0.8	2.0
1982-88	42.4	9.8	12.7	1.8	3.0	1.4	2.4	3.4	4.2
1989	39.6	7.9	9.7	2.2	1.2	2.0	2.7	4.1	3.5

See footnotes at end of table.

with incomes below AFDC requirements who were not otherwise eligible. OBRA 1987 also mandated a series of nursing home quality reforms, including new staffing requirements and a new inspection system. The Medicare Catastrophic Coverage Act (MCCA) of 1988³ mandated

phased-in coverage of infants and pregnant women in families with incomes below the Federal poverty level. MCCA also mandated phased-in coverage of Medicare copayments and deductibles for aged and disabled persons with incomes below the poverty level.⁴ Regulations

³Even though the basic provisions of the Medicare Catastrophic Coverage Act were repealed by Congress, Medicaid provisions remain in effect.

⁴OBRA 1989 also includes important eligibility provisions related to Medicaid, but the effective date of these provisions occurred outside the time period covered in this study.

Table 1—Continued
Medicaid payments, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Payments in millions									
Children in low-income families									
1975	\$2,186 (17.9)	\$881 (7.2)	\$17 (0.1)	\$3 (0.0)	\$21 (0.2)	\$397 (3.2)	\$143 (1.2)	\$8 (0.1)	\$127 (1.0)
1976	2,431 (17.3)	1,012 (7.2)	11 (0.1)	3 (0.0)	16 (0.1)	442 (3.1)	219 (1.6)	13 (0.1)	126 (0.9)
1977	2,610 (16.1)	1,149 (7.1)	16 (0.1)	5 (0.0)	11 (0.1)	456 (2.8)	348 (2.1)	17 (0.1)	125 (0.8)
1978	2,748 (15.3)	1,260 (7.0)	14 (0.1)	4 (0.0)	9 (0.1)	471 (2.6)	332 (1.8)	24 (0.1)	135 (0.8)
1979	2,884 (14.1)	1,334 (6.5)	22 (0.1)	5 (0.0)	8 (0.0)	474 (2.3)	310 (1.5)	33 (0.2)	140 (0.7)
1980	3,123 (13.4)	1,476 (6.3)	22 (0.1)	16 (0.1)	8 (0.0)	528 (2.3)	381 (1.6)	8 (0.0)	156 (0.7)
1981	3,508 (12.9)	1,595 (5.9)	14 (0.1)	2 (0.0)	2 (0.0)	586 (2.2)	493 (1.8)	9 (0.0)	171 (0.6)
1982	3,473 (11.8)	1,593 (5.4)	9 (0.0)	6 (0.0)	3 (0.0)	573 (1.9)	483 (1.6)	9 (0.0)	170 (0.6)
1983	3,836 (11.8)	1,771 (5.5)	8 (0.0)	2 (0.0)	2 (0.0)	592 (1.8)	523 (1.6)	10 (0.0)	183 (0.6)
1984	3,979 (11.7)	1,847 (5.5)	10 (0.0)	1 (0.0)	3 (0.0)	639 (1.9)	536 (1.6)	13 (0.0)	202 (0.6)
1985	4,414 (11.8)	2,028 (5.4)	12 (0.0)	1 (0.0)	3 (0.0)	651 (1.7)	576 (1.5)	22 (0.1)	217 (0.6)
1986	5,135 (12.5)	2,412 (5.9)	13 (0.0)	9 (0.0)	8 (0.0)	685 (1.7)	656 (1.6)	24 (0.1)	296 (0.7)
1987	5,508 (12.2)	2,544 (5.6)	40 (0.1)	9 (0.0)	8 (0.0)	785 (1.7)	657 (1.5)	22 (0.0)	285 (0.6)
1988	5,848 (12.0)	2,718 (5.6)	11 (0.0)	0 (0.0)	5 (0.0)	833 (1.7)	675 (1.4)	25 (0.1)	298 (0.6)
1989	6,892 (12.6)	3,270 (6.0)	20 (0.0)	1 (0.0)	5 (0.0)	950 (1.7)	793 (1.5)	38 (0.1)	343 (0.6)
Annual compound rate of growth (Percent)									
1975-89	8.5	9.8	—	—	—	6.4	13.0	—	7.4
1975-81	8.2	10.4	—	—	—	6.7	22.9	—	5.1
1982-88	7.6	7.9	—	—	—	5.2	4.6	—	8.3
1989	17.9	20.3	—	—	—	14.0	17.5	—	15.1
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	0.0	1.2	—	—	—	-1.9	4.1	—	-1.1
1975-81	-1.4	0.6	—	—	—	-2.8	11.9	—	-4.2
1982-88	0.0	0.3	—	—	—	-2.3	-2.8	—	0.6
1989	9.4	11.7	—	—	—	5.8	9.0	—	7.0
Share of total growth (Percent)									
1975-89	11.1	5.7	0.0	0.0	0.0	1.3	1.5	0.1	0.5
1975-81	8.8	4.8	0.0	0.0	-0.1	1.3	2.3	0.0	0.3
1982-88	12.3	5.8	0.0	0.0	0.0	1.3	1.0	0.1	0.7
1989	18.0	9.5	0.2	0.0	0.0	2.0	2.0	0.2	0.8

See footnotes at end of table.

implementing many of these changes were finalized at different points in time and some provisions, within the past year or two.

It is beyond the scope of this article to attempt to definitively attribute the increase in Medicaid payments in 1989 to the effects of such legislation. Indeed, with one time point, we cannot be sure that a true discontinuity has occurred in the series. However, in the least, this jump in

the rate of growth in Medicaid payments represents a substantial shift from the pattern observed from 1982 through 1988. In addition, preliminary HCFA budget estimates indicate continued rapid growth in Medicaid payments in fiscal year 1990 (Health Care Financing Administration, 1990).

Growth in Medicaid payments varies by program component. Certain components of the program are

Table 1—Continued
Medicaid payments, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Payments in millions									
Adults in low-income families									
1975	\$2,062 (16.8)	\$1,009 (8.2)	\$0 (0.0)	\$5 (0.0)	\$4 (0.0)	\$392 (3.2)	\$109 (0.9)	\$6 (0.0)	\$160 (1.3)
1976	2,288 (16.2)	1,153 (8.2)	4 (0.0)	2 (0.0)	6 (0.0)	429 (3.0)	157 (1.1)	9 (0.1)	154 (1.1)
1977	2,606 (16.0)	1,294 (8.0)	4 (0.0)	2 (0.0)	3 (0.0)	473 (2.9)	257 (1.6)	11 (0.1)	171 (1.1)
1978	2,673 (14.9)	1,369 (7.6)	1 (0.0)	1 (0.0)	4 (0.0)	484 (2.7)	244 (1.4)	13 (0.1)	181 (1.0)
1979	3,021 (14.8)	1,591 (7.8)	3 (0.0)	2 (0.0)	3 (0.0)	518 (2.5)	252 (1.2)	21 (0.1)	200 (1.0)
1980	3,231 (13.9)	1,672 (7.2)	8 (0.0)	18 (0.1)	9 (0.0)	587 (2.5)	314 (1.3)	10 (0.0)	208 (0.9)
1981	3,763 (13.8)	1,897 (7.0)	2 (0.0)	2 (0.0)	3 (0.0)	674 (2.5)	418 (1.5)	12 (0.0)	243 (0.9)
1982	4,093 (13.9)	2,117 (7.2)	4 (0.0)	2 (0.0)	3 (0.0)	701 (2.4)	446 (1.5)	13 (0.0)	258 (0.9)
1983	4,487 (13.9)	2,314 (7.1)	11 (0.0)	2 (0.0)	3 (0.0)	730 (2.3)	495 (1.5)	14 (0.0)	286 (0.9)
1984	4,420 (13.0)	2,243 (6.6)	8 (0.0)	3 (0.0)	5 (0.0)	727 (2.1)	496 (1.5)	15 (0.0)	303 (0.9)
1985	4,746 (12.7)	2,330 (6.2)	9 (0.0)	2 (0.0)	5 (0.0)	775 (2.1)	537 (1.4)	22 (0.1)	342 (0.9)
1986	4,880 (11.9)	2,271 (5.5)	2 (0.0)	3 (0.0)	6 (0.0)	877 (2.1)	534 (1.3)	26 (0.1)	374 (0.9)
1987	5,592 (12.4)	2,654 (5.9)	2 (0.0)	20 (0.0)	19 (0.0)	926 (2.1)	635 (1.4)	21 (0.0)	427 (0.9)
1988	5,883 (12.1)	2,771 (5.7)	5 (0.0)	6 (0.0)	17 (0.0)	991 (2.0)	671 (1.4)	21 (0.0)	443 (0.9)
1989	6,897 (12.7)	3,219 (5.9)	3 (0.0)	40 (0.1)	87 (0.2)	1,186 (2.2)	795 (1.5)	26 (0.0)	494 (0.9)
Annual compound rate of growth (Percent)									
1975-89	9.0	8.6	—	—	—	8.2	15.2	—	8.4
1975-81	10.5	11.1	—	—	—	9.5	25.1	—	7.2
1982-88	6.6	5.6	—	—	—	5.7	7.0	—	9.0
1989	17.2	16.2	—	—	—	19.7	18.5	—	11.5
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	0.4	0.1	—	—	—	-0.3	6.2	—	-0.1
1975-81	0.8	1.2	—	—	—	-0.2	14.1	—	-2.3
1982-88	-1.0	-1.9	—	—	—	-1.8	-0.6	—	1.3
1989	8.8	7.8	—	—	—	11.0	10.1	—	3.4
Share of total growth (Percent)									
1975-89	11.4	5.2	0.0	0.1	0.2	1.9	1.6	0.0	0.8
1975-81	11.4	5.9	0.0	0.0	0.0	1.9	2.1	0.0	0.6
1982-88	9.3	3.4	0.0	0.0	0.1	1.5	1.2	0.0	1.0
1989	17.5	7.7	0.0	0.6	1.2	3.4	2.1	0.1	0.9

¹The total column includes payments for all service types included in HCFA Form-2082, not just payments for the eight service types listed.

²The category "all eligibility groups" incorporates data for the four specific eligibility groups listed (low-income aged, low-income disabled, children in low-income families, adults in low-income families), and data for an "other title XIX" eligibility group which is not presented separately.

³Payments were adjusted for inflation by using the medical component of the Consumer Price Index (1982-84 as the base).

NOTES: Numbers in parentheses are the percent of total payments. NA is not applicable. The symbol "—" indicates that numbers were too small to produce a reliable estimate.

SOURCE: Health Care Financing Administration: Statistical Report on Medical Care: Eligibles, Recipients, Payments, and Services, HCFA Form-2082.

Table 2
Medicaid recipients, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Intermediate care facility			Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
		Inpatient hospital	Mentally retarded	Other					
All eligibility groups²									
Recipients in thousands									
1975	22,007 (100.0)	3,432 (15.6)	69 (0.3)	682 (3.1)	630 (2.9)	15,198 (69.1)	7,437 (33.8)	343 (1.6)	14,155 (64.3)
1976	22,815 (100.0)	3,551 (15.6)	89 (0.4)	724 (3.2)	637 (2.8)	15,624 (68.5)	8,482 (37.2)	319 (1.4)	14,883 (65.2)
1977	22,832 (100.0)	3,768 (16.5)	107 (0.5)	754 (3.3)	641 (2.8)	16,074 (70.4)	8,619 (37.7)	371 (1.6)	15,370 (67.3)
1978	21,965 (100.0)	3,782 (17.2)	104 (0.5)	740 (3.4)	639 (2.9)	15,668 (71.3)	8,628 (39.3)	376 (1.7)	15,188 (69.1)
1979	21,520 (100.0)	3,608 (16.8)	114 (0.5)	766 (3.6)	610 (2.8)	15,168 (70.5)	7,710 (35.8)	359 (1.7)	14,283 (66.4)
1980	21,605 (100.0)	3,680 (17.0)	121 (0.6)	789 (3.7)	606 (2.8)	13,765 (63.7)	9,705 (44.9)	392 (1.8)	13,707 (63.4)
1981	21,980 (100.0)	3,703 (16.8)	151 (0.7)	762 (3.5)	610 (2.8)	14,403 (65.5)	10,018 (45.6)	402 (1.8)	14,256 (64.9)
1982	21,603 (100.0)	3,530 (16.3)	149 (0.7)	765 (3.5)	559 (2.6)	13,894 (64.3)	9,853 (45.6)	377 (1.7)	13,547 (62.7)
1983	21,554 (100.0)	3,696 (17.1)	151 (0.7)	793 (3.7)	574 (2.7)	14,056 (65.2)	10,069 (46.7)	422 (2.0)	13,732 (63.7)
1984	21,607 (100.0)	3,467 (16.0)	141 (0.7)	796 (3.7)	559 (2.6)	14,195 (65.7)	10,035 (46.4)	438 (2.0)	13,935 (64.5)
1985	21,814 (100.0)	3,434 (15.7)	147 (0.7)	828 (3.8)	547 (2.5)	14,387 (66.0)	10,072 (46.2)	535 (2.5)	13,921 (63.8)
1986	22,515 (100.0)	3,544 (15.7)	145 (0.6)	828 (3.7)	571 (2.5)	14,894 (66.2)	10,702 (47.5)	593 (2.6)	14,704 (65.3)
1987	23,109 (100.0)	3,767 (16.3)	149 (0.6)	849 (3.7)	572 (2.5)	15,373 (66.5)	10,979 (47.5)	609 (2.6)	15,083 (65.3)
1988	22,907 (100.0)	3,832 (16.7)	145 (0.6)	866 (3.8)	579 (2.5)	15,265 (66.6)	10,533 (46.0)	569 (2.5)	15,323 (66.9)
1989	23,511 (100.0)	4,170 (17.7)	148 (0.6)	888 (3.8)	564 (2.4)	15,686 (66.7)	11,344 (48.3)	609 (2.6)	15,916 (67.7)
Annual compound rate of growth (Percent)									
1975-89	0.5	1.4	5.6	1.9	-0.8	0.2	3.1	4.2	0.8
1975-81	0.0	1.3	13.9	1.9	-0.5	-0.9	5.1	2.7	0.1
1982-88	0.6	0.5	-0.6	1.8	-0.7	0.8	0.7	5.1	1.0
1989	2.6	8.8	2.1	2.5	-2.6	2.8	7.7	7.0	3.9

See footnotes at end of table.

experiencing significant growth, whereas others are stable or are even in decline. We examine these issues by analyzing trends in Medicaid payments by eligibility group and type of service (Table 1). From these data, we can identify those sectors of the program that are experiencing the most change. We also will present trends in Medicaid recipients for the same eligibility groups and types of service (Table 2) and corresponding data for Medicaid payments per recipient for these sectors (Table 3). From these data, we will explore the dynamics of the change observed in overall Medicaid payments. To simplify the presentation of these data, the remainder of this section will be organized around trends in Medicaid payments by eligibility group and type of service.

Medicaid payments by eligibility group

Low-income aged

From 1975 through 1981, payments for the low-income aged rose at an annual rate of 14.7 percent, but from

1982 through 1988, the rate of increase slowed to 8.1 percent per year. The percentage increase in payments for the aged in 1989 was nearly the same as that observed for the 1982-88 period (percentage increase was 8.3 percent). Thus, the sharp increase in the rate of growth in Medicaid payments observed in 1989 was not due to a large percentage increase in payments for the aged.

Even though payments for the aged did not show a large percentage increase in 1989, this group still accounts for a large part of total Medicaid payments (34.1 percent). Note, however, that the aged represent a relatively small part of total recipients (13.3 percent). This discrepancy reflects the service mix of aged recipients. As will be seen later, the aged represent a large part of payments for intermediate care and skilled nursing facility services. Because average payment per recipient is so high in these service categories (\$9,666 for intermediate care facilities and \$11,176 for skilled nursing facilities in 1989), a few recipients account for large total dollar amounts.

Table 2—Continued
Medicaid recipients, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Intermediate care facility			Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
		Inpatient hospital	Mentally retarded	Other					
Recipients in thousands									
1975	3,615 (16.4)	757 (3.4)	3 (0.0)	518 (2.4)	505 (2.3)	2,263 (10.3)	732 (3.3)	115 (0.5)	2,673 (12.1)
1976	3,612 (15.8)	786 (3.4)	2 (0.0)	567 (2.5)	513 (2.3)	2,275 (10.0)	816 (3.6)	113 (0.5)	2,718 (11.9)
1977	3,636 (15.9)	824 (3.6)	2 (0.0)	592 (2.6)	520 (2.3)	2,338 (10.2)	828 (3.6)	134 (0.6)	2,678 (11.7)
1978	3,376 (15.4)	858 (3.9)	3 (0.0)	575 (2.6)	518 (2.4)	2,245 (10.2)	908 (4.1)	106 (0.5)	2,595 (11.8)
1979	3,364 (15.6)	798 (3.7)	3 (0.0)	597 (2.8)	483 (2.2)	2,222 (10.3)	874 (4.1)	56 (0.3)	2,504 (11.6)
1980	3,440 (15.9)	831 (3.8)	12 (0.1)	615 (2.8)	480 (2.2)	2,221 (10.3)	903 (4.2)	108 (0.5)	2,624 (12.1)
1981	3,367 (15.3)	843 (3.8)	9 (0.0)	633 (2.9)	501 (2.3)	2,208 (10.0)	895 (4.1)	102 (0.5)	2,655 (12.1)
1982	3,240 (15.0)	811 (3.8)	8 (0.0)	644 (3.0)	461 (2.1)	2,148 (9.9)	885 (4.1)	105 (0.5)	2,523 (11.7)
1983	3,372 (15.6)	881 (4.1)	8 (0.0)	691 (3.2)	495 (2.3)	2,265 (10.5)	1,088 (5.0)	207 (1.0)	2,526 (11.7)
1984	3,238 (15.0)	785 (3.6)	5 (0.0)	689 (3.2)	475 (2.2)	2,140 (9.9)	1,041 (4.8)	199 (0.9)	2,444 (11.3)
1985	3,061 (14.0)	729 (3.3)	7 (0.0)	713 (3.3)	458 (2.1)	2,166 (9.9)	804 (3.7)	234 (1.1)	2,400 (11.0)
1986	3,140 (13.9)	720 (3.2)	6 (0.0)	712 (3.2)	473 (2.1)	2,216 (9.8)	884 (3.9)	254 (1.1)	2,469 (11.0)
1987	3,224 (14.0)	725 (3.1)	6 (0.0)	730 (3.2)	476 (2.1)	2,239 (9.7)	912 (3.9)	277 (1.2)	2,490 (10.8)
1988	3,159 (13.8)	728 (3.2)	5 (0.0)	741 (3.2)	507 (2.2)	2,066 (9.0)	918 (4.0)	263 (1.1)	2,504 (10.9)
1989	3,132 (13.3)	720 (3.1)	5 (0.0)	763 (3.2)	464 (2.0)	1,989 (8.5)	940 (4.0)	264 (1.1)	2,471 (10.5)
Annual compound rate of growth (Percent)									
1975-89	-1.0	-0.4	3.7	2.8	-0.6	-0.9	1.8	6.1	-0.6
1975-81	-1.2	1.8	20.1	3.4	-0.1	-0.4	3.4	-2.0	-0.1
1982-88	-0.9	-2.1	-8.1	2.3	0.2	-0.9	0.4	14.5	-0.8
1989	-0.9	-1.1	0.0	3.0	-8.5	-3.7	2.4	0.4	-1.3

See footnotes at end of table.

At the same time, average payments for aged recipients for a number of other types of service are lower than for other eligibility groups because a large part of the aged Medicaid population also is enrolled in Medicare, and Medicaid pays only Medicare coinsurance and deductibles for Medicare-covered services for these recipients (for example, see average payments for inpatient hospital, physician, and outpatient services).

Low-income disabled

Payments for the disabled have grown substantially over the years. This group accounted for 42.0 percent of the total growth in Medicaid payments from 1975 through 1989, and it currently accounts for the largest part of Medicaid payments (38.3 percent in 1989). Together, the aged and disabled accounted for 72.4 percent of total Medicaid payments in 1989 but 28.6 percent of total recipients.

Services in ICF/MRs by far account for the largest part of the growth in payments for the disabled.

As was the case for the aged, the disabled also may be eligible for Medicare. Recall that Medicaid only pays Medicare copayments and deductibles for Medicare-covered services for these dual enrollees. However, a lower proportion of disabled Medicaid enrollees are enrolled in Medicare than is the case for the aged (Gornick et al., 1985). This, in part, may account for why average Medicaid payments tended to be higher for the disabled than for the aged for a number of services (see average payments for inpatient hospital, skilled nursing facility, physician, and outpatient services). Of course, differences in morbidity also may account for such differences.

The overall increase in the rate of growth in Medicaid payments observed in 1989 only in part reflected an increase in the rate of growth in payments for the disabled. From 1975 through 1981 payments for this group grew at an annual rate of 20.1 percent, but the rate of growth slowed to 10.1 percent per year from 1982 through 1988. The percentage increase in payments for the disabled in 1989 was somewhat higher than for the

Table 2—Continued
Medicaid recipients, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Low-income disabled									
Recipients in thousands									
1975	2,464 (11.2)	531 (2.4)	57 (0.3)	157 (0.7)	116 (0.5)	1,652 (7.5)	874 (4.0)	99 (0.4)	1,745 (7.9)
1976	2,669 (11.7)	602 (2.6)	78 (0.3)	154 (0.7)	117 (0.5)	1,816 (8.0)	1,064 (4.7)	112 (0.5)	1,912 (8.4)
1977	2,802 (12.3)	677 (3.0)	94 (0.4)	156 (0.7)	115 (0.5)	1,980 (8.7)	1,137 (5.0)	127 (0.6)	2,049 (9.0)
1978	2,718 (12.4)	691 (3.1)	91 (0.4)	160 (0.7)	116 (0.5)	1,956 (8.9)	1,150 (5.2)	97 (0.4)	2,046 (9.3)
1979	2,753 (12.8)	718 (3.3)	102 (0.5)	165 (0.8)	124 (0.6)	1,985 (9.2)	1,120 (5.2)	87 (0.4)	2,081 (9.7)
1980	2,911 (13.5)	749 (3.5)	102 (0.5)	171 (0.8)	124 (0.6)	2,032 (9.4)	1,269 (5.9)	170 (0.8)	2,193 (10.2)
1981	3,079 (14.0)	775 (3.5)	142 (0.6)	152 (0.7)	120 (0.5)	2,076 (9.4)	1,418 (6.5)	169 (0.8)	2,226 (10.1)
1982	2,891 (13.4)	733 (3.4)	143 (0.7)	144 (0.7)	106 (0.5)	2,030 (9.4)	1,284 (5.9)	168 (0.8)	2,156 (10.0)
1983	2,921 (13.6)	748 (3.5)	151 (0.7)	138 (0.6)	93 (0.4)	2,057 (9.5)	1,354 (6.3)	144 (0.7)	2,156 (10.0)
1984	2,913 (13.5)	730 (3.4)	139 (0.6)	134 (0.6)	96 (0.4)	2,056 (9.5)	1,361 (6.3)	161 (0.7)	2,200 (10.2)
1985	3,017 (13.8)	728 (3.3)	141 (0.6)	135 (0.6)	97 (0.4)	2,161 (9.9)	1,413 (6.5)	188 (0.9)	2,287 (10.5)
1986	3,182 (14.1)	751 (3.3)	140 (0.6)	129 (0.6)	103 (0.5)	2,298 (10.2)	1,569 (7.0)	205 (0.9)	2,451 (10.9)
1987	3,381 (14.6)	801 (3.5)	144 (0.6)	132 (0.6)	104 (0.5)	2,458 (10.6)	1,698 (7.3)	221 (1.0)	2,627 (11.4)
1988	3,487 (15.2)	834 (3.6)	140 (0.6)	129 (0.6)	101 (0.4)	2,521 (11.0)	1,772 (7.7)	216 (0.9)	2,738 (12.0)
1989	3,590 (15.3)	885 (3.8)	142 (0.6)	128 (0.5)	96 (0.4)	2,596 (11.0)	1,911 (8.1)	236 (1.0)	2,882 (12.3)
Annual compound rate of growth (Percent)									
1975-89	2.7	3.7	6.7	-1.4	-1.3	3.3	5.7	6.4	3.6
1975-81	3.8	6.5	16.4	-0.5	0.6	3.9	8.4	9.3	4.1
1982-88	1.8	1.1	-0.2	-2.3	-2.4	2.8	3.2	3.6	3.0
1989	3.0	6.1	1.4	-0.8	-5.0	3.0	7.8	9.3	5.3

See footnotes at end of table.

previous period (12.3 percent), but this group's share of the total growth dropped from 42.4 percent for 1982-88 to 39.6 percent for 1988-89, indicating that other eligibility groups were growing at a faster rate.

Children in low-income families

Children in low-income families account for a significant part of the increase in the overall rate of growth in Medicaid payments in 1989. For 1975-81, payments for this group increased at a rate of 8.2 percent per year; and for 1982-88, the annual rate of increase was 7.6 percent. However, payments for these children increased by 17.9 percent in 1989.⁵ Growth in this group

⁵A number of groups formerly reported as "other title XIX" were put into other categories in 1989; most of these groups were assigned to categories related to children. However, if all the drop in payments for the other title XIX category is attributed to the coding change and is deducted from the growth in payments for low income children, the percentage increase in the latter group was still 16.8 percent in 1989. (This result was consistent across service types—the effect of the coding change on payments was small.)

accounted for 12.3 percent of the total growth in Medicaid payments from 1982 through 1988, but it accounted for 18.0 in 1989.

As mentioned earlier, recent legislation expanded Medicaid eligibility to additional low-income children. However, the increase in Medicaid payments for low-income children in 1989 reflects an increase in both the number of recipients in this group and the average payment per recipient. The number of recipients was stable on the average from 1975 through 1981, grew at an annual rate of 0.7 percent from 1982 through 1988, but grew by 2.8⁶ percent in 1989. Average payment per recipient for this group increased by 8.2 percent per year

⁶Some groups formerly reported as "other title XIX" were put in categories related to low-income children in 1989. If all of the reduction in the number of other title XIX recipients is attributed to the coding change and is deducted from the growth in the number of low-income children, the percentage increase in the latter group is 1.1 percent. Similar estimates for specific services indicated that the coding change did not have a pronounced effect on the growth in other sectors that showed substantial growth for low-income children (e.g., inpatient hospital, physician, and outpatient services).

Table 2—Continued
Medicaid recipients, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Recipients in thousands									
Children in low-income families									
1975	9,598 (43.6)	984 (4.5)	4 (0.0)	2 (0.0)	4 (0.0)	6,659 (30.3)	3,619 (16.4)	58 (0.3)	5,552 (25.2)
1976	9,924 (43.5)	1,005 (4.4)	3 (0.0)	1 (0.0)	3 (0.0)	6,908 (30.3)	4,037 (17.7)	55 (0.2)	5,961 (26.1)
1977	9,651 (42.3)	1,019 (4.5)	4 (0.0)	2 (0.0)	2 (0.0)	6,864 (30.1)	4,024 (17.6)	62 (0.3)	6,067 (26.6)
1978	9,376 (42.7)	1,023 (4.7)	3 (0.0)	1 (0.0)	1 (0.0)	6,705 (30.5)	3,992 (18.2)	141 (0.6)	6,016 (27.4)
1979	9,106 (42.3)	944 (4.4)	5 (0.0)	1 (0.0)	1 (0.0)	6,459 (30.0)	3,528 (16.4)	185 (0.9)	5,655 (26.3)
1980	9,333 (43.2)	978 (4.5)	5 (0.0)	6 (0.0)	3 (0.0)	6,085 (28.2)	4,238 (19.6)	72 (0.3)	5,590 (25.9)
1981	9,581 (43.6)	955 (4.3)	1 (0.0)	1 (0.0)	1 (0.0)	6,482 (29.5)	4,282 (19.5)	90 (0.4)	5,810 (26.4)
1982	9,563 (44.3)	866 (4.0)	1 (0.0)	1 (0.0)	1 (0.0)	6,175 (28.6)	4,171 (19.3)	65 (0.3)	5,432 (25.1)
1983	9,535 (44.2)	881 (4.1)	1 (0.0)	0 (0.0)	0 (0.0)	6,111 (28.4)	4,159 (19.3)	39 (0.2)	5,488 (25.5)
1984	9,684 (44.8)	845 (3.9)	1 (0.0)	0 (0.0)	1 (0.0)	6,330 (29.3)	4,178 (19.3)	44 (0.2)	5,667 (26.2)
1985	9,757 (44.7)	864 (4.0)	1 (0.0)	0 (0.0)	1 (0.0)	6,284 (28.8)	4,269 (19.6)	64 (0.3)	5,592 (25.6)
1986	10,029 (44.5)	924 (4.1)	0 (0.0)	1 (0.0)	1 (0.0)	6,496 (28.9)	4,445 (19.7)	69 (0.3)	5,949 (26.4)
1987	10,168 (44.0)	1,005 (4.4)	0 (0.0)	0 (0.0)	0 (0.0)	6,649 (28.8)	4,520 (19.6)	60 (0.3)	6,073 (26.3)
1988	10,037 (43.8)	1,003 (4.4)	0 (0.0)	0 (0.0)	0 (0.0)	6,628 (28.9)	4,321 (18.9)	51 (0.2)	6,125 (26.7)
1989	10,318 (43.9)	1,138 (4.8)	1 (0.0)	0 (0.0)	0 (0.0)	6,908 (29.4)	4,662 (19.8)	59 (0.3)	6,454 (27.5)
Annual compound rate of growth (Percent)									
1975-89	0.5	1.0	—	—	—	0.3	1.8	0.1	1.1
1975-81	0.0	-0.5	—	—	—	-0.4	2.8	7.6	0.8
1982-88	0.7	0.7	—	—	—	0.3	0.1	-7.8	0.8
1989	2.8	13.5	—	—	—	4.2	7.9	15.7	5.4

See footnotes at end of table.

from 1975 through 1981, 6.9 percent from 1982 through 1988, but 14.6 percent in 1989.

Although Medicaid payments for this group grew substantially, and it consistently contains the largest number of Medicaid recipients, it is still not a dominant factor in total Medicaid payments. These children accounted for 43.9 percent of all Medicaid recipients in 1989 but only 12.6 percent of all payments.

The relatively modest impact of this group on total Medicaid payments in part reflects the mix of services used. In 1989, over 70 percent of payments for these children were for inpatient hospital, physician, and outpatient hospital services. They do not use expensive long-term care services.

Adults in low-income families

Adults in low-income families also accounted for a significant part of the increase in the rate of growth in Medicaid payments in 1989. Payments for this group

grew at an annual rate of 10.5 percent from 1975 through 1981, 6.6 percent from 1982 through 1988, but 17.2 percent in 1989. Growth in payments for this group accounted for 9.3 percent of the total program growth from 1982 through 1988, but it accounted for 17.5 percent in 1989.

The recent growth in payments for this group reflects growth in both the number of recipients and payment per recipient. The number of recipients in this group grew at an annual rate of 2.3 percent from 1975 through 1981, 0.8 percent from 1982 through 1988, but 3.9 percent in 1989. Average payment per recipient grew at an average annual rate of 8.1 percent from 1975 through 1981, 5.7 percent from 1982 through 1988, but 12.8 percent in 1989.

In spite of the recent growth in this sector, adults in low-income families still account for a relatively modest part of total Medicaid payments. Although this group represented 24.3 percent of all recipients in 1989, it accounted for only 12.7 percent of all payments (together

Table 2—Continued
Medicaid recipients, by eligibility group and type of service: Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Recipients in thousands									
Adults in low-income families									
1975	4,529 (20.6)	930 (4.2)	0 (0.0)	3 (0.0)	2 (0.0)	3,368 (15.3)	1,896 (8.6)	50 (0.2)	3,168 (14.4)
1976	4,773 (20.9)	959 (4.2)	1 (0.0)	1 (0.0)	2 (0.0)	3,437 (15.1)	2,127 (9.3)	31 (0.1)	3,329 (14.6)
1977	4,785 (21.0)	993 (4.4)	2 (0.0)	1 (0.0)	2 (0.0)	3,571 (15.6)	2,183 (9.6)	36 (0.2)	3,415 (15.0)
1978	4,643 (21.1)	975 (4.4)	2 (0.0)	1 (0.0)	2 (0.0)	3,469 (15.8)	2,161 (9.8)	29 (0.1)	3,460 (15.8)
1979	4,570 (21.2)	970 (4.5)	2 (0.0)	1 (0.0)	1 (0.0)	3,411 (15.8)	1,985 (9.2)	28 (0.1)	3,288 (15.3)
1980	4,877 (22.6)	1,000 (4.6)	3 (0.0)	5 (0.0)	4 (0.0)	3,206 (14.8)	2,485 (11.5)	41 (0.2)	3,173 (14.7)
1981	5,187 (23.6)	1,035 (4.7)	1 (0.0)	1 (0.0)	1 (0.0)	3,498 (15.9)	2,657 (12.1)	39 (0.2)	3,501 (15.9)
1982	5,356 (24.8)	1,035 (4.8)	0 (0.0)	0 (0.0)	1 (0.0)	3,555 (16.5)	2,755 (12.8)	38 (0.2)	3,493 (16.2)
1983	5,592 (25.9)	1,078 (5.0)	1 (0.0)	1 (0.0)	1 (0.0)	3,684 (17.1)	2,916 (13.5)	34 (0.2)	3,639 (16.9)
1984	5,600 (25.9)	1,006 (4.7)	0 (0.0)	1 (0.0)	1 (0.0)	3,696 (17.1)	2,894 (13.4)	38 (0.2)	3,663 (17.0)
1985	5,518 (25.3)	990 (4.5)	0 (0.0)	1 (0.0)	1 (0.0)	3,635 (16.7)	2,933 (13.4)	46 (0.2)	3,562 (16.3)
1986	5,647 (25.1)	1,016 (4.5)	0 (0.0)	1 (0.0)	1 (0.0)	3,699 (16.4)	3,060 (13.6)	59 (0.3)	3,681 (16.3)
1987	5,599 (24.2)	1,067 (4.6)	0 (0.0)	2 (0.0)	2 (0.0)	3,704 (16.0)	3,072 (13.3)	46 (0.2)	3,658 (15.8)
1988	5,503 (24.0)	1,090 (4.8)	0 (0.0)	1 (0.0)	3 (0.0)	3,646 (15.9)	2,894 (12.6)	37 (0.2)	3,617 (15.8)
1989	5,717 (24.3)	1,247 (5.3)	0 (0.0)	4 (0.0)	7 (0.0)	3,888 (16.5)	3,199 (13.6)	42 (0.2)	3,829 (16.3)
Annual compound rate of growth (Percent)									
1975-89	1.7	2.1	—	—	—	1.0	3.8	-1.2	1.4
1975-81	2.3	1.8	—	—	—	0.6	5.8	-4.1	1.7
1982-88	0.8	0.7	—	—	—	0.6	1.2	-0.7	0.5
1989	3.9	14.4	—	—	—	6.6	10.5	13.5	5.9

¹The total column includes recipients of any service included in HCFA Form-2082, not just recipients of the eight service types listed. A person receiving multiple services (e.g., inpatient hospital, physician, and outpatient services) is included once in the recipient count for each service and once in the total.

²The category "all eligibility groups" incorporates data for the four specific eligibility groups listed (low-income aged, low-income disabled, children in low-income families, adults in low-income families), and data for an "other title XIX" eligibility group which is not presented separately.

NOTES: Numbers in parentheses are the percent of total recipients. The symbol "—" indicates that numbers were too small to produce a reliable estimate.

SOURCE: Health Care Financing Administration: Statistical Report on Medical Care: Eligibles, Recipients, Payments, and Services, HCFA Form-2082.

children and adults in low-income families represented 68.2 percent of all recipients but only 25.3 percent of all payments).

As was the case with low-income children, the relatively modest effect of this group on Medicaid payments reflects the mix of services used—over 75 percent of all payments for these adults were for inpatient hospital, physician, and outpatient hospital services in 1989. Indeed, the average payment for an adult or child from a low-income family is much less than that for the aged or disabled. In 1989, Medicaid paid, on the average, \$668 for a low-income child and

\$1,206 for an adult, whereas it paid an average of \$5,926 for the aged and \$5,817 for the disabled.⁷

In summary, payments for children and adults in low-income families contributed significantly to the overall

⁷A comparison between groups that is not specific to a particular service would be made more appropriately by comparing payment per enrollee rather than payment per recipient. There are a number of enrollees who do not receive any services and, therefore, are not included in the overall recipient count. Unfortunately, we do not have enrollee counts for all States. However, data from a sample of States indicates that the aged and disabled are more likely to have used at least one service, so the discrepancy between eligibility groups would likely be even larger if based on average payment per enrollee.

Table 3
Medicaid payment per recipient, by eligibility group and type of service:
Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
All eligibility groups²									
Payment per recipient									
1975	\$556	\$983	\$5,538	\$2,764	\$3,865	\$81	\$50	\$204	\$58
1976	618	1,100	7,135	3,049	3,886	88	65	420	63
1977	711	1,211	8,530	3,499	4,199	94	102	485	66
1978	819	1,320	11,486	4,194	4,893	99	97	558	71
1979	951	1,568	13,022	4,926	5,544	108	110	734	84
1980	1,079	1,742	16,439	5,322	6,079	136	113	846	96
1981	1,238	1,943	19,812	5,913	6,614	146	141	1,065	108
1982	1,361	2,172	23,312	6,511	7,916	150	146	1,313	118
1983	1,503	2,384	27,006	6,783	8,057	155	156	1,416	129
1984	1,569	2,552	30,170	7,314	8,599	156	164	1,768	141
1985	1,719	2,753	32,238	7,868	9,278	163	178	2,092	166
1986	1,821	2,924	35,089	8,182	9,910	171	185	2,278	183
1987	1,949	3,000	37,490	8,571	10,432	181	203	2,777	198
1988	2,126	3,151	41,413	9,153	10,971	193	229	3,542	215
1989	2,318	3,251	44,999	9,994	11,809	217	250	4,225	232
Annual compound rate of growth (Percent)									
1975-89	10.7	8.9	16.1	9.6	8.3	7.3	12.2	24.2	10.4
1975-81	14.3	12.0	23.7	13.5	9.4	10.3	18.9	31.7	10.9
1982-88	8.0	7.2	11.1	6.4	7.5	4.1	7.2	18.7	10.3
1989	9.0	3.2	8.7	9.2	7.6	12.4	9.2	19.3	7.9
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	2.0	0.3	7.0	1.0	-0.2	-1.1	3.3	14.4	1.8
1975-81	4.1	2.1	12.7	3.5	-0.3	0.6	8.2	20.0	1.2
1982-88	0.4	-0.4	3.2	-1.1	-0.1	-3.2	-0.4	10.3	2.5
1989	1.2	-5.5	0.9	1.4	-0.1	4.3	1.8	10.8	0.0
Low-income aged									
Payment per recipient									
1975	\$1,205	\$271	\$6,925	\$2,763	\$3,754	\$59	\$35	\$238	\$111
1976	1,359	310	8,951	2,985	3,702	65	42	493	134
1977	1,512	364	7,482	3,423	3,967	71	53	535	144
1978	1,869	446	9,700	4,048	4,684	78	48	801	158
1979	2,094	569	9,804	4,701	5,309	83	67	1,387	179
1980	2,540	970	16,346	5,334	6,266	101	74	1,873	198
1981	2,948	1,115	19,247	5,703	6,681	118	91	2,624	230
1982	3,315	1,241	11,464	6,204	7,974	115	101	2,944	249
1983	3,545	1,682	20,348	6,344	7,777	114	97	1,829	274
1984	3,957	1,778	23,343	6,909	8,193	119	105	2,263	312
1985	4,605	1,990	26,926	7,491	8,883	122	131	2,731	368
1986	4,808	2,228	32,328	7,829	9,476	119	142	3,015	394
1987	4,975	1,898	39,854	8,208	9,875	111	159	3,551	432
1988	5,425	1,937	45,601	8,896	9,920	116	175	4,344	474
1989	5,926	1,754	51,265	9,666	11,176	137	192	5,452	519
Annual compound rate of growth (Percent)									
1975-89	12.1	14.3	15.4	9.4	8.1	6.2	12.9	25.1	11.6
1975-81	16.1	26.6	18.6	12.8	10.1	12.2	17.3	49.2	12.9
1982-88	9.1	8.2	13.1	6.6	5.8	-0.2	9.8	7.5	10.9
1989	9.2	-9.4	12.4	8.7	12.7	18.1	9.7	25.5	9.5
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	3.2	5.3	6.3	0.8	-0.4	-2.1	4.2	15.3	2.9
1975-81	5.8	15.3	8.1	2.8	0.3	2.3	7.1	36.0	2.9
1982-88	1.4	0.5	5.1	-1.0	-1.7	-7.2	2.0	-0.1	3.0
1989	1.4	-15.9	4.4	0.9	4.6	9.5	2.4	16.5	1.5

See footnotes at end of table.

Table 3—Continued
Medicaid payment per recipient, by eligibility group and type of service:
Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Low-income disabled									
Payment per recipient									
1975	\$1,276	\$1,977	\$5,186	\$2,818	\$4,295	\$147	\$92	\$276	\$115
1976	1,469	2,072	6,940	3,297	4,645	158	114	492	135
1977	1,743	2,214	8,684	3,835	5,188	173	170	600	146
1978	2,068	2,392	11,926	4,717	5,813	183	165	893	157
1979	2,500	2,734	13,719	5,536	6,386	200	186	1,488	179
1980	2,619	2,948	16,653	5,092	5,149	234	217	652	193
1981	3,071	3,254	19,452	5,871	5,602	255	249	828	225
1982	3,600	3,672	23,065	6,709	6,782	252	272	966	246
1983	3,891	3,934	25,501	7,163	8,188	264	273	1,348	278
1984	4,112	4,196	29,353	7,886	9,417	262	315	1,813	312
1985	4,459	4,525	31,726	8,651	10,133	272	343	2,303	374
1986	4,687	4,841	34,462	9,152	11,263	277	361	2,592	418
1987	4,974	5,259	36,753	9,578	11,832	291	400	2,975	447
1988	5,332	5,502	40,910	10,204	12,884	309	453	3,768	488
1989	5,817	5,700	44,466	11,230	14,207	344	503	4,453	534
Annual compound rate of growth (Percent)									
1975-89	11.4	7.9	16.6	10.4	8.9	6.3	12.9	22.0	11.6
1975-81	15.8	8.7	24.6	13.0	4.5	9.6	18.1	20.1	11.8
1982-88	8.2	7.8	11.2	8.2	12.6	2.8	8.9	24.2	11.7
1989	9.1	3.6	8.7	10.1	10.3	11.3	11.0	18.2	9.4
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	2.7	-0.6	7.4	1.7	0.4	-2.1	4.0	12.4	2.8
1975-81	5.5	-1.0	13.6	3.0	-4.7	-0.1	7.5	9.5	1.8
1982-88	0.5	0.2	3.3	0.6	4.7	-4.5	1.2	15.4	3.8
1989	1.3	-3.8	0.9	2.2	2.4	3.1	3.1	9.7	1.7
Children in low-income families									
Payment per recipient									
1975	\$228	\$895	—	—	—	\$60	\$40	\$143	\$23
1976	245	1,007	—	—	—	64	54	231	21
1977	270	1,128	—	—	—	66	86	281	21
1978	293	1,232	—	—	—	70	83	168	22
1979	317	1,413	—	—	—	73	88	180	25
1980	335	1,509	—	—	—	87	90	105	28
1981	366	1,671	—	—	—	90	115	94	29
1982	363	1,838	—	—	—	93	116	131	31
1983	402	2,009	—	—	—	97	126	251	33
1984	411	2,186	—	—	—	101	128	284	36
1985	452	2,347	—	—	—	104	135	339	39
1986	512	2,611	—	—	—	105	148	345	50
1987	542	2,530	—	—	—	118	145	373	47
1988	583	2,711	—	—	—	126	156	501	49
1989	668	2,874	—	—	—	138	170	639	53
Annual compound rate of growth (Percent)									
1975-89	8.0	8.7	—	—	—	6.1	10.9	11.3	6.1
1975-81	8.2	11.0	—	—	—	7.0	19.2	-6.8	3.9
1982-88	6.9	7.2	—	—	—	4.9	4.5	27.0	7.8
1989	14.6	6.0	—	—	—	9.5	9.0	27.5	8.2
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	-0.5	0.2	—	—	—	-2.2	2.3	2.5	-2.0
1975-81	-1.3	1.1	—	—	—	-2.4	9.0	-14.9	-5.1
1982-88	-0.7	-0.4	—	—	—	-2.5	-2.9	17.9	0.0
1989	6.4	-1.6	—	—	—	1.1	0.9	18.6	2.9

See footnotes at end of table.

Table 3—Continued
Medicaid payment per recipient, by eligibility group and type of service:
Fiscal years 1975-89

Eligibility group and year	Total ¹	Inpatient hospital	Intermediate care facility		Skilled nursing facility	Physician	Outpatient hospital	Home health	Prescription drugs
			Mentally retarded	Other					
Adults in low-income families									
Payment per recipient									
1975	\$455	\$1,085	—	—	—	\$116	\$57	\$121	\$51
1976	479	1,202	—	—	—	125	74	284	46
1977	545	1,302	—	—	—	132	118	316	50
1978	576	1,404	—	—	—	140	113	457	52
1979	661	1,640	—	—	—	152	127	765	61
1980	663	1,673	—	—	—	183	126	252	66
1981	725	1,833	—	—	—	193	157	303	69
1982	764	2,046	—	—	—	197	162	352	74
1983	802	2,146	—	—	—	198	170	402	78
1984	789	2,229	—	—	—	197	172	411	83
1985	860	2,354	—	—	—	213	183	483	96
1986	864	2,237	—	—	—	237	175	433	102
1987	999	2,487	—	—	—	250	207	459	117
1988	1,069	2,542	—	—	—	272	232	570	122
1989	1,206	2,582	—	—	—	305	249	622	129
Annual compound rate of growth (Percent)									
1975-89	7.2	6.4	—	—	—	7.1	11.1	12.4	6.9
1975-81	8.1	9.1	—	—	—	8.9	18.4	16.5	5.2
1982-88	5.7	4.8	—	—	—	5.0	5.7	9.4	8.5
1989	12.8	1.6	—	—	—	12.1	7.3	9.1	5.7
Annual compound rate of growth, constant dollars (Percent) ³									
1975-89	-1.2	-2.0	—	—	—	-1.3	2.3	3.6	-1.5
1975-81	-1.5	-0.5	—	—	—	-0.8	7.8	6.2	-3.8
1982-88	-1.8	-2.6	—	—	—	-2.4	-1.8	1.7	0.7
1989	4.8	-5.7	—	—	—	4.1	0.0	1.5	-2.3

¹The total column includes payments and recipients for all service types included in HCFA Form-2082, not just those for the eight service types listed.

²The category "all eligibility groups" incorporates data for the four specific eligibility groups listed (low-income aged, low-income disabled, children in low-income families, adults in low-income families), and data for an "other title XIX" eligibility group which is not presented separately.

³Payments were adjusted for inflation by using the medical component of the Consumer Price Index (1982-84 as the base).

NOTES: The symbol "—" indicates that numbers were not sufficient to produce a reliable estimate.

SOURCE: Health Care Financing Administration: Statistical Report on Medical Care: Eligibles, Recipients, Payments, and Services, HCFA Form-2082.

increase in the rate of growth in Medicaid payments observed in 1989. However, the aged and disabled still, by far, account for the largest part of Medicaid payments, primarily because of their utilization of long-term care services.

Medicaid payments by service type

Inpatient hospital

Payments for inpatient hospital services account for a large part of total Medicaid spending. In 1989, payments in this part of the program represented 24.5 percent of all Medicaid payments. Not surprisingly then this sector accounts for a large part of the total growth in the program from 1975 through 1989 (23.7 percent).

Note, however, that the growth in payments for inpatient services has not been uniform through the years. Payments grew at an annual rate of 13.4 percent from 1975 through 1981, but slowed to 7.7 percent from 1982 through 1988. However, payments increased by 10.8 percent in 1989.

This growth in payments for inpatient hospital services in 1989 differed substantially by eligibility group. Growth

in this sector was especially pronounced for children and adults in low-income families. From 1982 through 1988, payments for inpatient services for low-income children grew at an annual rate of 7.9 percent, but in 1989 these payments grew by 20.3 percent. From 1982 through 1988, payments for adults increased at an average rate of 5.6 percent per year, but in 1989, payments in this sector increased by 16.2 percent.

This recent increase in payment for inpatient hospital services for children and adults in low-income families reflects an increase in the number of recipients of inpatient services in these groups rather than an increase in average payment per recipient. From 1982 through 1988, the number of children in low-income families who received inpatient hospital services increased at an annual rate of 0.7 percent per year, but in 1989, the number increased by 13.5 percent. From 1982 through 1988, the number of adults increased at a rate of 0.7 percent per year, but in 1989, the number increased by 14.4 percent. The rate of growth in average payment per inpatient recipient actually slowed in 1989 for both groups. From 1982 through 1988, the average payment for inpatient hospital services for children increased at an annual rate of 7.2 percent per year, but the rate of growth slowed to 6.0 percent in 1989. From 1982 through 1988, the

average payment for adults grew at an annual rate of 4.8 percent; whereas in 1989, average payments grew only 1.6 percent for this group.

Long-term care facilities

There are differences in the types of facilities included in the general area of long-term care. For the purposes of this article, we will distinguish two broad types: intermediate care facilities for the mentally retarded; and other long-term care facilities, which include skilled nursing facilities and other intermediate care facilities.

Long-term care facilities consistently account for the largest share of total Medicaid payments. In 1989, 40.7 percent of all Medicaid payments were for services provided by long-term care facilities. Not surprisingly, then, this general sector by far accounts for the largest part of the growth in Medicaid payments. From 1975 through 1989, payments for services in long-term care facilities grew from \$4.7 billion to \$22.2 billion, accounting for 41.4 percent of total program growth. Note, however, that growth in the types of long-term care facilities has not been consistent. We discuss each type of long-term care facility in turn.

Intermediate care facilities for the mentally retarded—Payments for services in ICF/MRs represent one of the largest areas of growth in the Medicaid program. From 1975 through 1989 payments in this sector rose from 3.1 percent to 12.2 percent of total program payments. Note, however, that much of the growth in this sector occurred early in the program. For 1975-81, the average annual rate of increase was 41.1 percent, but for 1982-88, the average annual rate of growth had slowed to 10.5 percent, with a comparable increase in 1989 of 10.4 percent.

The growth in these payments reflects an increase in the number of recipients of ICF/MR services and a large increase in the average payment per ICF/MR recipient. The total number of recipients increased from approximately 69,000 in 1975 to 148,000 in 1989, but virtually all of this growth occurred from 1975 through 1981. This earlier growth in the number of ICF/MR recipients in Medicaid was largely due to ICF/MR certification of previously existing State institutional beds (Lakin, Hill, and Bruininks, 1985).

The average payment for an ICF/MR recipient grew from \$5,538 in 1975 to \$44,999 in 1989. Note, however, that the rate of growth in average payment has slowed in recent years. During the period 1975 through 1981, when States were required to significantly upgrade State institutions in order to meet ICF/MR requirements, the average annual growth was 23.7 percent. From 1982 through 1988, the average annual growth had slowed to 11.1 percent and was 8.7 percent in 1989. The slower rate in recent years may also, in part, reflect the increasing trend among States to place ICF/MR recipients in smaller community-based facilities, where many medical services are provided outside the facility. Therefore, payments for these services are included in other payment types such as physician and outpatient hospital services.

Virtually all ICF/MR recipients come from the disabled eligibility group (95 percent in 1989).

Other long-term care facilities—This general service type includes ICF and SNF services. ICF services have become the second largest single contributor to total Medicaid payments (inpatient hospital services are the largest single contributor). In 1989, ICF services accounted for 16.3 percent of all Medicaid payments.

However, as with the other sectors discussed earlier, the rate of growth in this sector has been uneven. The annual rate of growth in payments for ICF services was 15.6 percent from 1975 through 1981 but decreased to 8.4 percent from 1982 through 1988, and it was 12.0 percent in 1989.

Payments for SNF services represent a large share of Medicaid spending, but payments in this sector have declined relative to other parts of the program. In 1975, SNF payments accounted for 19.9 percent of all Medicaid payments, but by 1989, the SNF share had dropped to 12.2 percent.

Program inferences based on trends in payments for ICF and SNF services must be handled with caution. The administrative distinctions between SNFs and ICFs do not, in practice, display clear differences in the residents they serve; and in many cases, the regulatory distinction between SNF and ICF simply reflects differences in nursing staff (Institute of Medicine, 1986). Indeed, effective October 1990, the ICF-SNF distinction will no longer be officially recognized.

If we combine ICF and SNF payments,⁸ a more consistent pattern emerges. For the entire period 1975-89, combined ICF-SNF services grew at an annual rate of 9.6 percent. This includes a period of moderate growth followed by a period of more modest growth. For 1975-81, combined ICF-SNF payments grew at an annual rate of 12.0 percent. For 1982-88, the rate of growth slowed to 7.6 percent, and remained at 8.8 percent in 1989.

The aged by far account for the largest part of payments for these other long-term care services (81 percent of the combined ICF-SNF payments were for the aged), so utilization and payment patterns in this group largely determine overall trends in this sector.

Other services

Inpatient hospital and long-term care facility services account for the large majority of Medicaid payments, and correspondingly account for the largest part of the growth in the program (65 percent of total program growth is accounted for by these sectors). Other service types, though they contribute smaller amounts to the total costs of the program, exhibit interesting patterns of growth and decline. We briefly describe several of these types below.

Physician services—Payments for physician services showed a sharp increase in 1989. From 1975 through 1981, payments for physician services increased at an annual rate of 9.4 percent, and from 1982 through 1988, the rate of increase slowed to 5.0 percent per year. In 1989, however, payments for physician services jumped 15.4 percent.

⁸The number of recipients of ICF and SNF services cannot be pooled for these data to obtain a combined count. Some people receive both ICF and SNF services, and these people would be counted twice if the number of ICF and SNF recipients were simply combined.

This increase in the rate of growth in 1989 especially reflects an increase in the average payment per recipient of physician services. From 1982 through 1988, the average payment per recipient of physician services was not keeping pace with inflation. The nominal rate of increase was 4.1 percent per year, but after adjusting for inflation the rate was -3.2 percent. In 1989, however, the average payment per recipient increased by 12.4 percent (4.3 percent after adjusting for inflation). We cannot ascertain from this data whether the increase in 1989 in average payment per recipient reflects an increase in the number or intensity of physician services provided to recipients or an increase in the reimbursement for physician services.

Outpatient hospital services—Payments for outpatient hospital services also increased considerably in 1989. From 1975 through 1981, payments for these services increased at an average annual rate of 24.8 percent, but the rate of growth slowed to 8.0 percent per year from 1982 through 1988. In 1989, payments for outpatient services increased by 17.6 percent. The increase in 1989 is especially pronounced among children and adults in low-income families.

The increase in outpatient payments in 1989 reflects a modest increase in the average payment per outpatient recipient and a large increase in the number of outpatient recipients. From 1982 through 1988, the average payment per recipient increased at an annual rate of 7.2 percent, and in 1989, it increased by 9.2 percent. The number of outpatient recipients increased by 0.7 percent per year from 1982 through 1988, but it increased by 7.7 percent in 1989 (the increase in the rate was most pronounced for children and adults in low-income families).

Home health services—Although home health services represent a relatively small part of total Medicaid payments (4.7 percent in 1989), this sector has exhibited the fastest overall rate of growth among the sectors examined. From 1975 through 1989, payments for home health services increased at an average annual rate of 29.4 percent. There was a slow down in the rate of growth in home health services in recent years, but the rate of growth is still substantial. From 1975 through 1981, the annual rate of growth was 35.2 percent; from 1982 through 1988, it was 24.8 percent; and in 1989, it was 27.6 percent.

Note, however, that because home health services represent a relatively small part of the program, growth in this sector only accounts for 5.9 percent of the total growth in Medicaid payments.

Prescription drugs—Payments for prescription drugs have grown relative to inflation in recent years. The average annual rate of growth in payments, in constant dollars, for prescriptions drugs was 1.3 percent for 1975-81, but was 3.6 percent for 1982-88, and remained at 4.0 percent for 1989.

The aged and disabled account for a large share of the total payments for prescription drugs (76.5 percent in 1989), so their utilization and payment patterns dominate the overall trend. It is interesting to note in this regard that there are far more recipients of prescription drugs among children and adults in low-income families, but the average payment per recipient is much higher for the

aged and disabled. (The average payment per recipient in 1989 was \$519 for the aged, \$534 for the disabled, \$53 for children, and \$129 for adults.)

Summary and conclusions

We have examined trends in Medicaid payments from 1975 through 1989. We attempted to identify the sectors that account for growth in the costs of the program by examining who are served and what type of services they receive. We also attempted to explore the dynamics of change in Medicaid payments within sectors by examining changes in the number of people receiving services and the average payment per recipient. A number of points from this analysis are worth summarizing.

Medicaid payments grew significantly during the period 1975-89, but the rate of growth was uneven. Total payments grew rapidly from 1975 through 1981, but the rate of growth slowed considerably from 1982 through 1988. It is suggested from recent data that there may be a new discontinuity in the series; payments increased sharply in 1989.

Payments for children and adults in low-income families contributed significantly to the overall increase in the rate of growth in Medicaid payments observed in 1989. However, the aged and disabled still, by far, account for the largest part of Medicaid payments. Beginning in 1987, the disabled represented the largest share of total payments for any eligibility group.

Payments for long-term care services accounted for the largest part of program growth, but the pattern of growth varied somewhat for different types of long-term care facilities. Payments for ICF/MR services increased rapidly from 1975 through 1981, but the rate of increase slowed thereafter. Combined payments for ICF and SNF services also increased during the period of 1975-81, though not at a rate nearly comparable to payments for ICF/MRs. The rate of increase for these combined services also slowed somewhat in recent years.

Inpatient hospital services also accounted for a large part of Medicaid spending. Through the mid-eighties the rate of growth in inpatient payments slowed considerably, but there was an upturn in the rate of growth in 1989, particularly for children and adults in low-income families.

Together, inpatient hospital and long-term care facility services accounted for almost two-thirds of the total growth in Medicaid payments.

Other types of services exhibited interesting patterns of growth and decline, though they contributed smaller amounts to the total costs of the program. Payments for physician and outpatient hospital services increased sharply in 1989. Although home health services represent a relatively small part of total Medicaid payments, this sector has exhibited the fastest overall rate of growth of any sector considered. Payments for prescription drugs grew relative to inflation in recent years.

Limitations of the research presented here should be noted. First, we have focused only on national trends in Medicaid. As noted previously, there is significant State-to-State variation in the structure of the Medicaid

program, so patterns observed on the national level may not hold for individual States. Future research needs to examine and compare trends in Medicaid payments and utilization for individual Medicaid jurisdictions.

Second, at the time of this writing, HCFA Form-2082 data were only available through fiscal 1989. The effects of recent legislation would not have appeared in these data. For example, significant parts of OBRA 1989 went into effect in 1990, so the effects of these provisions would not be reflected in these data. OBRA 1989 expanded mandatory Medicaid eligibility to include pregnant women and children up to 6 years of age in families with incomes up to 133 percent of the Federal poverty level. Such eligibility expansions undoubtedly will have important implications for expenditures in Medicaid. Future research will need to monitor the effects of these expansions.

More subtle effects also warrant further attention. For example, we need to further understand why the average payment for children and adults in low-income families increased so notably in 1989. (Does it reflect a change in the composition of the groups, change in morbidity, change in utilization, etc.?) Why did average payments for physician services increase so sharply? These and other aspects of Medicaid trends require further detailed study.

In conclusion, it is important to note that the health care needs of our citizens continue to grow. Technology has enabled us to intervene heroically in many health care crises (e.g., very low-birth-weight newborns), often at extremely high cost. The aging of our population will increase the demand for both acute and long-term care for the aged. The increase in substance abuse and the spread of the acquired immunodeficiency syndrome epidemic place new strains on public funding for health care. Last, but certainly not least, concern continues to mount about access to high quality care for Medicaid and uninsured populations, especially for pregnant women and infants.

These forces are rapidly reshaping our health care system. In order to understand their impact on patients, providers, and insurers, we must understand basic health care trends in insured populations, utilization patterns, and expenditures. This is a particular challenge for Medicaid because it provides health care coverage to many of our most vulnerable citizens. The challenge we face is to find ways to deliver the best possible care to program enrollees at the lowest cost. We must address the challenge so that we will have the resources to meet both current and future health care needs.

References

- Congressional Research Service: *Medicaid Source Book: Background Data and Analysis*. Washington. U.S. Government Printing Office, Nov. 1988.
- Gornick, M., Greenberg, J. N., Eggers, P. W., and Dobson, A.: Twenty years of Medicare and Medicaid: Covered populations, use of benefits, and program expenditures. *Health Care Financing Review*. 1985 Annual Supplement. HCFA Pub. No. 03217. Office of Research and Demonstrations, Health Care Financing Administration. Washington. U.S. Government Printing Office, Dec. 1985.
- Director of the Office of Medicaid Cost Estimates, Office of the Actuary, Health Care Financing Administration. Personal communication. Baltimore, Md. 1990.
- Health Care Financing Administration, Bureau of Data Management and Strategy: *Federal 2082 Reporting Requirements*, Baltimore, Md. 1989.
- Health Care Financing Administration: *A Decade of Medicaid Experience, Fiscal Years 1973 through 1982. Health Care Financing Grants and Contracts*. HCFA Pub. No. 03216. Office of Research and Demonstrations. Baltimore, Md., Sept. 1985.
- Holahan, J. F., and Cohen, J. W.: *Medicaid: The trade-off between cost containment and access to care*. Washington, D.C., The Urban Institute Press, 1986.
- Howe, C., and Terrell, R.: *Analysis of State Medicaid Program Characteristics, 1986. Health Care Financing Program Statistics*. HCFA Pub. No. 03249. Office of the Actuary, Health Care Financing Administration. Washington. U.S. Government Printing Office, Aug. 1987.
- Institute of Medicine: *Improving the Quality in Nursing Homes*. Washington, D.C., National Academy Press, 1986.
- Lakin, K. C., Hill, B. K., and Bruininks, R. H. (eds.): *An Analysis of Medicaid's Intermediate Care Facility for the Mentally Retarded (ICF/MR) Program*. University of Minnesota, Center for Residential and Community Services. Minneapolis, 1985.
- Muse, D. N.: *National Annual Medicaid Statistics: Fiscal Years 1973 through 1979. Health Care Financing Program Statistics*. HCFA Pub. No. 03133. Health Care Financing Administration, Office of Research and Demonstrations. Baltimore, Md., Aug. 1982.
- Ruther, M., and Reilly, T. W.: *Medicare and Medicaid Data Book, 1988. Health Care Financing Program Statistics*. HCFA Pub. No. 03270. Office of Research and Demonstrations, Health Care Financing Administration. Washington. U.S. Government Printing Office, Apr. 1988.