

March 2003

Cost and Utilization of Outpatient Medicaid Health Care Services by Persons With Severe Disabilities

EXECUTIVE SUMMARY

Although persons with severe disabilities compose about 15 percent of individuals receiving Medicaid services in Washington,¹ they account for about 27 percent of all Medicaid expenditures.² A major component of these expenditures is for outpatient services, such as prescription drugs and physician office visits. This report focuses on cost and utilization trends for outpatient services provided to Medicaid recipients with severe disabilities.

The Washington State Institute for Public Policy (Institute) was directed by the Legislature “to research and evaluate strategies for constraining the growth in state health expenditures.”³ In consultation with legislative fiscal committee staff, the cost and utilization of outpatient services by individuals eligible for Medicaid due to a severe disability was identified as a useful area of research.

Key Findings

In calendar year 2001, \$504 million was spent on outpatient service expenditures in the Medicaid program for low-income persons with disabilities—an increase of nearly \$143 million over 1999 expenditures. The increases were caused by three key factors:

- The substantial *caseload growth* experienced by this program is responsible for 29 to 87 percent of new expenditures across outpatient service categories;
- *Higher average prices* contributed substantially to new expenditures, especially for prescription drugs and outpatient hospital services; and
- With the exception of dental services, where utilization actually declined between 1999 and 2001, *increased service utilization* accounted for between 10 and 31 percent of new expenditures, depending upon category of service.

Document No. 03-03-3401

¹ Based on September 2002 caseload data reported on the Caseload Forecast Council website <<http://www.wa.gov/cfc/>> (Accessed March 4, 2003).

² Based on 2001–03 biennial expenditures, all funds, reported on the DSHS budget website <<http://www1.dshs.wa.gov/budget/080main.shtml>> (Accessed March 4, 2003).

³ ESSB 6153, Section 608(8), Chapter 7, Laws of 2001.