ALABAMA MEDICAID

SEVENTH ANNUAL REPORT

October 1, 1978—September 30, 1979

Medical Services Administration
State of Alabama

State of Alabama
Medical Services Administration

FOB JAMES
Governor

2500 Fairlane Drive
Montgomery, Alabama 36130

W. H. KERNS
Commissioner

The Honorable Fob James
Governor of Alabama
State Capitol
Montgomery, Alabama 36130

Dear Governor James:

This yearbook, our report to you and the people of Alabama on Alabama Medicaid's ninth year, reflects the increases in service and their attendant costs experienced during Fiscal Year 1978-79.

The increased costs of services exceeded appropriations, precipitating an increased deficit in the program at year's end of some $34 million. This deficit was not experienced in one year but accumulated during a five-year period.

Inpatient hospital care costs grew more rapidly than any other service. Although inflation contributed to the growth of these costs, a substantial increase in utilization also played a significant part. Fortunately, the length of stay experienced by medicaid patients decreased, however.

This report contains new information on several services and provides comparisons with the cost of Alabama's program to those programs in effect in other states. Particularly relevant are the chapters on hospitals, nursing homes and home health care agencies.

Information provided in this report should contribute to your goal of containing the increasing costs of medicaid in Alabama and preventing the development of future deficit experience.

Sincerely yours,

W. H. Kerns, Commissioner
Medical Assistance

WHK/gd

ALABAMA MEDICAID

FISCAL YEAR 1979

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MEDICAL SERVICES ADMINISTRATION

MONTGOMERY, ALABAMA

W.H. Kerns, Commissioner
Medical Assistance

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ALABAMA COMPARED TO OTHER STATES

In January, 1979 HCFA's Region IV Office in Atlanta published a Regional Profile describing Medicaid in this region as a whole and in each of the eight states. Later in the year HCFA's national office in Baltimore published a study which covers all 53 Medicaid programs.*

Comparative information of this kind is scarce, and so far no standardized method has been worked out for comparing costs and use in different states. Each study uses a different method and applies it to a different time period. When several different studies are compared to each other, it is not clear where Alabama ranks.

THREE COMPARATIVE STUDIES

The best and most detailed comparative studies of Medicaid are the two 1979 studies mentioned above and an unpublished report prepared in late 1977 by DHEW's Atlanta Office. These three studies use data from 1978 and 1976. Though this data is old, the age of the data is no real drawback. Absolute figures have changed noticeably since 1976, but the ratios and percentages have changed very little. For comparative studies ratios and percentages are most significant.

For the use of legislative and administrative policy makers, these three studies are the best available. Therefore, we are reproducing information from them here, selected and rearranged to tell as much as is currently known about Alabama Medicaid's ranking in Region IV, and how Region IV compares to other regions.

MEASUREMENTS OF USE

Among the comparisons reported in all studies are comparisons of rates-of-use. What percent of the public makes use of Medicaid? How does the rate-of-use in our state compare to the rate in other states?

Published answers to this type of question seem to contradict each other. One study says that nearly 12% of Alabamians use Medicaid. Another reports that our use is less than 9%. One ranking says that Alabama ranks second in Region IV in the percent of users. Another study shows us ranking 5th.

**Forty-nine states, the District of Columbia, and three territories—Guam, Puerto Rico, and the Virgin Islands—have Medicaid Programs. Arizona is the state that does not.*

To measure use-rates completely, 5 different figures are needed from each state. For Alabama these figures are:

Total population	3,739,227
Number of Medicaid eligibles in an average month	338,847
Number of Medicaid eligibles in a whole year	413,805
Number of Medicaid recipients in an average month	151,493
Number of Medicaid recipients in a whole year	331,000

With these figures 4 different rates can be calculated:

Percent of Alabamians eligible this year $\frac{413{,}805}{3{,}739{,}227} = 11.1\%$

Percent of Alabamians eligible at any given time $\frac{338{,}847}{3{,}739{,}227} = 9.1\%$

Percent of Alabamians who used Medicaid this year $\frac{331{,}000}{3{,}739{,}227} = 8.9\%$

Percent of Alabamians who used Medicaid in an average month $\frac{151{,}493}{3{,}739{,}227} = 4.1\%$

Not all states publish all 5 of the required counts. Very few publish counts of eligibles, and of those who do, many omit the monthly average for eligibles. The most generally available count is of recipients per year, which is used to calculate the percent of people who use Medicaid in a year. By this measure, the use rate in Alabama, as shown in Plate 1, is slightly above average. But, though our use rate is above average, there are four other states in our region with an even higher use-rate—Mississippi, Georgia, Kentucky, and South Carolina.

FY '76 PLATE 1

ALABAMA MEDICAID COMPARED

Percent of population on Medicaid
Alabama compared to other states in Region IV

	Population	Medicaid Recipients During Year	Recipients as % of Population
Mississippi	2,341,000	299,939	12.8%
Georgia	4,906,000	591,037	12.0%
Kentucky	3,377,000	404,905	12.0%
South Carolina	2,771,000	293,903	10.6%
ALABAMA	3,608,000	321,589	8.9%
Region IV	35,001,000	3,014,003	8.6%
Tennessee	4,190,000	358,652	8.6%
North Carolina	5,388,000	345,806	6.4%
Florida	8,420,000	398,172	4.7%

Source: Nos. 5, 6, 11

The fact that Alabama is only slightly above average in this ranking suggests that Alabamians do not over-use Medicaid. Actually this ranking measures a relatively uninformative dimension of use. This ranking is uninformative because it gives equal weight to every Medicaid card issued, and pays no attention to how long the card remains valid, or how many times it is used. In this comparison a card that remains valid for only one month and which is used only once is given as much weight as a card that remains valid for 12 months and is used dozens of times. A better indicator of whether our use is high or low would be our ranking in use-rates for an average month. In an average month 3.9% of Alabamians use Medicaid. Is this high or low? Unfortunately, at present we do not know. None of the studies we have seen, including the three better-than-usual ones named above, include counts of the average number of recipients per month.

An equally good, in some ways better, indicator of use is the percent of *eligibles* who use Medicaid each month. This figure for Alabama this year (a typical year) was 44.7%. Only one other state (so far as we can discover) publishes the data needed for comparison. That state is Mississippi, and their corresponding rate last year was 49.8%.

Indirect evidence suggests that both these rates—Alabama's 44.7% and Mississippi's 49.8% may be high. But in spite of these possibly high-ranking rates, Medicaid's costs, as will be seen below, are not high in either of these states.

MEASUREMENTS OF COST

In Alabama we regularly calculate 4 different measures of cost. This year they were:

Costs per eligible-per-month	$ 65
Costs per recipient-per-month	$146
Costs per eligible-per-year	$643
Costs per recipient-per-year	$803

In comparing Alabama's cost to other states, we now must use the largest and least controllable of these figures, $803 per recipient-per-year. We would prefer to compare costs per eligible-per-month. The second measure is preferable because it is relatively easy to predict. Predicting or controlling cost per recipient-per-year is much more difficult.

For maximum information we would need to know how cost per eligible-per-month varies from state to state for each sex, each age group, and particularly for each kind of service. For example, where does Alabama rank in regard to cost per eligible-per-month for nursing home care? for drugs? for physician care?

Comparisons of cost-per-service are often published, and those that are published are accurate, but accuracy is not the primary consideration. More important than accuracy is that the figures be comparable. As seen above, it does little good to know that one of Alabama's use rates is 44.7% if only one other state publishes a comparable figure. A nearly accurate measure of a significant and comparable dimension is more useful than an accurate measure that can't be compared, or which is uncontrollable or insignificant.

Table 2 below shows how Alabama ranks in regard to cost per recipient-per-year. This is not the best basis for comparison, but it is the only one available. The table shows the ranking in FY '76 when Medicaid's cost-per-recipient was $488 a year. By FY '79 our cost had risen to $803. The chances are that our ranking has changed little, if at all. We probably are still in or near 38th place.

FY '76 PLATE 2

ALABAMA MEDICAID COMPARED

Cost per recipient-per-year
Alabama compared to all other states

Number	State	Dollars
1	Minnesota	$1,888
2	Alaska	1,090
3	New York	1,062
4	North Dakota	947
5	Connecticut	914
6	Nevada	851
7	Nebraska	825
8	Texas	815
9	Indiana	811
10	Iowa	780
11	Rhode Island	776
12	Oklahoma	762
13	Montana	745
14	Idaho	737
15	Wisconsin	736
16	Michigan	720
17	Washington D.C.	690
18	Kansas	688
19	New Hampshire	661
20	Washington	650
21	Vermont	642
22	Massachusetts	627
23	South Dakota	618
24	New Jersey	614
25	Colorado	594
26	Utah	583
	United States	582
27	Maine	564
28	Virginia	560
29	Ohio	553
30	Maryland	546
31	Arkansas	527
32	California	513
33	Wyoming	513
34	Illinois	529
35	Oregon	495
36	NORTH CAROLINA	492
37	TENNESSEE	491
38	ALABAMA	488
39	Hawaii	467
40	Louisiana	448
41	FLORIDA	443
42	New Mexico	440
43	GEORGIA	414
44	MISSISSIPPI	371
45	KENTUCKY	358
46	SOUTH CAROLINA	351
47	Delaware	343
48	West Virginia	311
49	Missouri	309
50	Pennsylvania	306
51	Virgin Islands	162
52	Puerto Rico	60

Source: Nos. 5, 6, 11

FY '73 — '79 PLATE 3

ALABAMA MEDICAID COMPARED

The growth of the cost of Alabama Medicaid compared to the growth of the cost of all Medicaid programs in the United States combined.

Year	Index Numbers for Total Expenditures, Federal and State, for Medicaid in all 53 States and Other Areas	Index Numbers for Total Expenditures, Federal and State, for Medicaid in Alabama
1973	100	100
1974	112	120
1975	139	170
1976	160	191
1977	188	212
1978	206	219
1979	226	278

Source: Nos. 5, 18

Index Numbers: Comparisons can be made not only by rankings, but also through index numbers. Plate 3 displays index numbers constructed to show how fast Medicaid expenditures have increased in the past 6 years. The lefthand column shows that for the whole United States the cost of Medicaid more than doubled. Specifically, it moved from an index number of 100 to 226, an increase of 126%.

In the same time Medicaid expenditures in Alabama rose from 100 to an index number of 278.

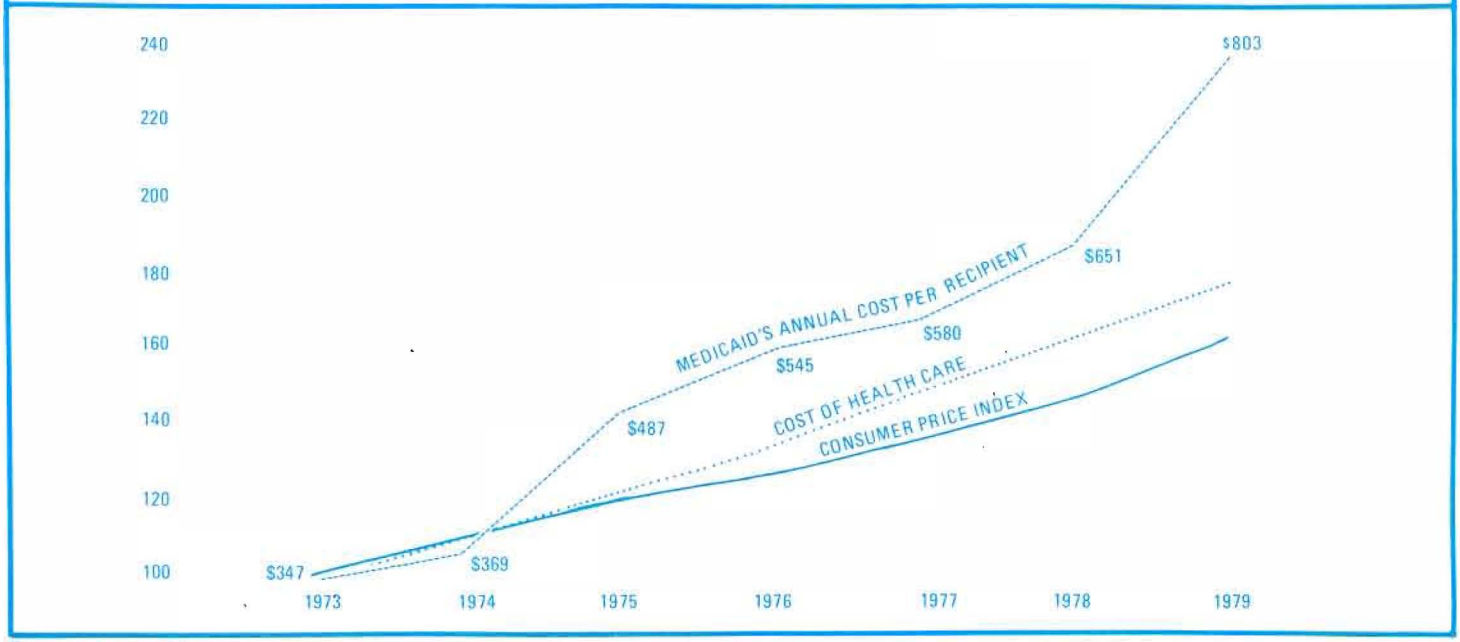
Medicaid and the Consumer Price Index: The best known index is the Consumer Price Index, with its various components, including an index of the cost of health care. Plate 4 shows how Alabama Medicaid's costs compared to the Consumer Price Index in the same 6 years considered in Plate 3. During this time when the whole Consumer Price Index moved from 100 to 165 and the health care components moved to 173, the expenditures of Alabama Medicaid rose to 232.

A major revision of Medicaid statistical reports, incorporating a new set of measures called the Medicaid Minimum Data Set, is scheduled to begin late in FY '80. When it is in full use, all states will be required to make the measures Alabama is already making and to send them to Washington where they will be assembled and published by HCFA. When all these new rankings and comparisons are available, Medicaid policy makers in every state will have, for the first time, a way to discover which parts of their programs are most and least cost effective.

FY '73 — '79 PLATE 4

ALABAMA MEDICAID COMPARED

Alabama Medicaid's cost per recipient-per-year converted to index numbers and compared to the Consumer Price Index and to the CPI index of the cost of health care.



Source: Nos. 4,18

MEDICAID'S IMPACT

Medicaid not only influences the health of Alabama's citizens, it also produces economic benefits—both direct and indirect.

The direct economic benefits include the jobs and payrolls in health care industries. Indirect benefits include jobs and payrolls in other fields. Increasing the number of health care workers means increased demand for food, clothing, shelter, and all other goods and services.

A widely used study of the multiplier effect in Alabama* provides formulas for estimating the economic impact of both private and public enterprises. The effect of a service industry such as Medicaid, is such that our $285 million expenditure in FY '79 would be expected to create about 45,000 jobs—28,000 in the health field and 17,000 in other fields. The total payroll for these workers would be approximately $350 million a year which is 23% more than the total spent by Medicaid for all purposes.

The two economic benefits cited above
- increases in employment
- increases in payrolls

in turn, stimulate several other economic benefits
- increases in construction work
- increases in retail and wholesale sales
- increases in taxes collected.

A study now in progress at the University of Alabama in the Center for Business and Economic Research will, when completed, enable us to measure all of these indirect economic benefits in greater detail than can be measured by the study cited in the footnote below.

The economic effects of Medicaid are felt in all 67 counties, though it is not spread evenly. Plate 5 shows how much was spent per eligible in each county this year. The median county is Calhoun where Medicaid payments averaged $598 per eligible. In past years most urban counties have been above this median. This is still true, but a shift is taking place. This year Calhoun County moved down to the median position, and three other urban counties—Mobile, Madison and Houston—are below the median.

**The Structure of the Alabama Economy: An Input-Output Analysis*, by Wayne C. Curtis; First Printing February, 1972; published by the Agricultural Experiment Station at Auburn University.

FY '79 PLATE 5

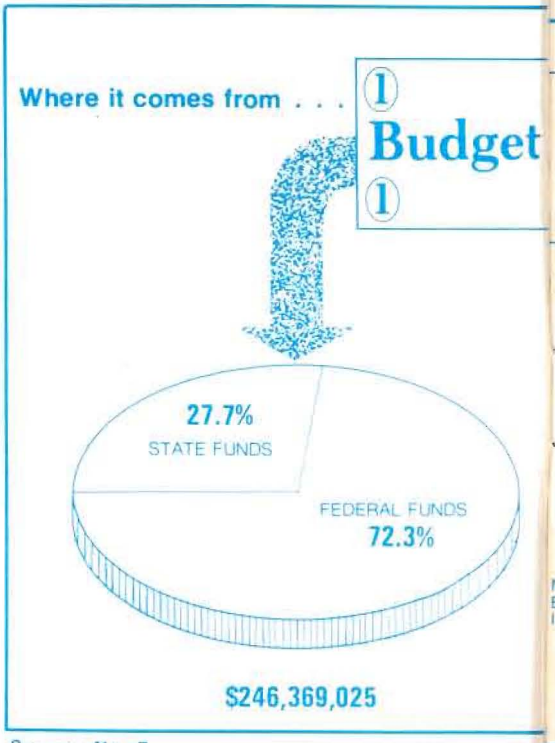
COUNTY IMPACT

Year's expenditure per eligible

County	Benefit Payments	Eligibles	Dollars per Eligible
Autauga	$1,743,669	3259	$535
Baldwin	3,457,149	5063	683
Barbour	2,453,771	4393	559
Bibb	1,116,273	1567	712
Blount	1,733,268	2509	691
Bullock	870,947	2638	330
Butler	2,178,255	3735	583
CALHOUN (median)	6,494,426	10,853	598
Chambers	2,904,593	4794	606
Cherokee	898,854	1415	635
Chilton	1,640,921	2747	597
Choctaw	1,282,953	3514	365
Clarke	2,140,707	4677	458
Clay	1,384,686	1415	979
Cleburne	745,112	1045	713
Coffee	2,110,517	3582	589
Colbert	3,076,347	4275	720
Conecuh	1,578,004	3082	512
Coosa	735,725	1353	544
Covington	3,508,903	4472	785
Crenshaw	1,847,686	2610	708
Cullman	4,293,085	4740	906
Dale	2,499,944	3064	816
Dallas	4,897,141	11,287	434
DeKalb	3,919,894	4986	786
Elmore	3,119,222	4298	726
Escambia	2,656,984	4479	593
Etowah	6,499,500	9011	721
Fayette	1,183,503	1694	699
Franklin	2,847,765	3289	866
Geneva	1,453,438	3271	444
Greene	997,035	3522	283
Hale	1,859,609	3623	513
Henry	844,562	2631	321
Houston	3,771,988	7742	487
Jackson	2,180,792	4260	512
Jefferson	41,642,317	63,678	654
Lamar	1,626,207	1969	826
Lauderdale	4,041,923	5766	701
Lawrence	2,599,648	3835	678
Lee	2,606,751	5582	467
Limestone	2,493,348	4232	589
Lowndes	1,300,458	4234	307
Macon	2,989,836	5772	518
Madison	6,392,693	13,281	481
Marengo	2,629,838	5275	499
Marion	2,673,220	2634	1015
Marshall	3,837,950	5851	656
Mobile	20,981,114	38,803	541
Monroe	1,648,025	3366	490
Montgomery	12,563,907	20,219	621
Morgan	6,494,172	7343	884
Perry	1,782,485	3748	476
Pickens	2,588,739	4777	542
Pike	2,638,210	4587	575
Randolph	1,940,032	2382	814
Russell	3,017,743	4903	615
St. Clair	2,646,328	3074	861
Shelby	2,678,294	3862	693
Sumter	2,040,243	4414	462
Talladega	5,813,246	10,517	553
Tallapoosa	4,645,218	4810	966
Tuscaloosa	9,953,097	14,093	706
Walker	5,744,747	6951	826
Washington	1,040,925	2052	507
Wilcox	1,544,009	5058	305
Winston	2,176,479	1842	1182

Source: Nos. 16, 19

REVENUE, EXPENDITURES AND PRICES



Source: No. 7

SOURCES OF MEDICAID REVENUE

PLATE 7

Federal Funds	178,017,556
State Funds	68,351,469
Total Revenue	246,369,025

FY '79

COMPONENTS OF FEDERAL FUNDS

PLATE 8

	Dollars	Matching Rate
Professional staff costs	$4,111,802.50	75.00%
Family planning administration	249,744.55	90.00%
Other staff costs	1,447,158.02	50.00%
Family planning services	953,606.61	90.00%
Other provider services	171,255,244.29	72.58%
Buy-in fees for "no-money" eligibles	0	0%
	$178,017,555.97	72.28%

FY '79

COMPONENTS OF STATE FUNDS

PLATE 9

	DOLLARS
Encumbered balance forward	$ (52,603)
Basic appropriations	57,500,000
Supplemental appropriations	8,500,000
Reimbursement from Pensions & Security and Mental Health	2,394,072
Reimbursement from Attorney General	10,000
	$68,351,469
Encumbered	73,815
	$68,277,654

FY '79

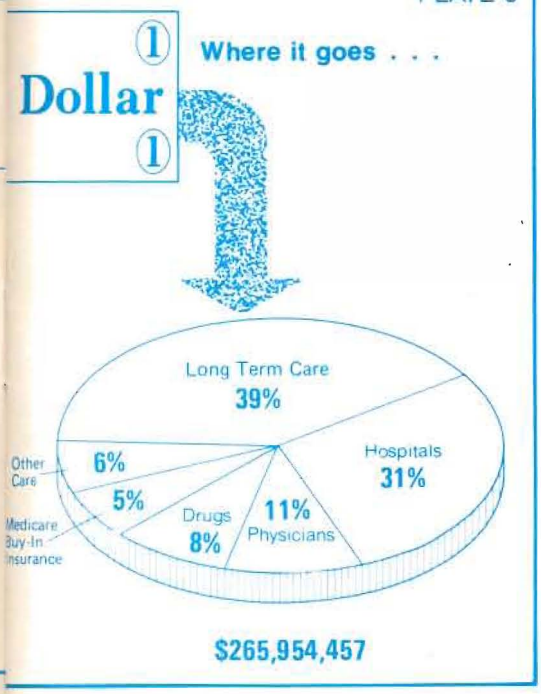
MEDICAID'S PORTION OF TOTAL STATE FUNDS

PLATE 10

	State Funds	Federal Funds	Total Current Funds
All Expenditures of Alabama's State Government	$3,977,294,488	$843,047,641	$4,820,342,129
Medicaid Program	68,351,469	178,017,556	246,369,025
All Other Programs	3,908,943,019	665,030,085	4,573,973,104

Source: Nos. 7, 8

PLATE 6



In FY '79 Medicaid's expenditures exceeded its revenues.

Expenditures for the year totalled $275 million (see Plate 11), but appropriations from both state and federal sources came to only $246.4 million (see Plates 7 through 10).

If Medicaid could have used all of the $246.4 million to pay this year's bills the deficit would have been $28.6 million. But nearly $6 million had to be used to pay unpaid bills left over from FY '78. This left $240.5 million for paying this year's bills. Therefore, the deficit for FY '79 was $34.5 million.

FY '79

PLATE 11

EXPENDITURES

By type of service

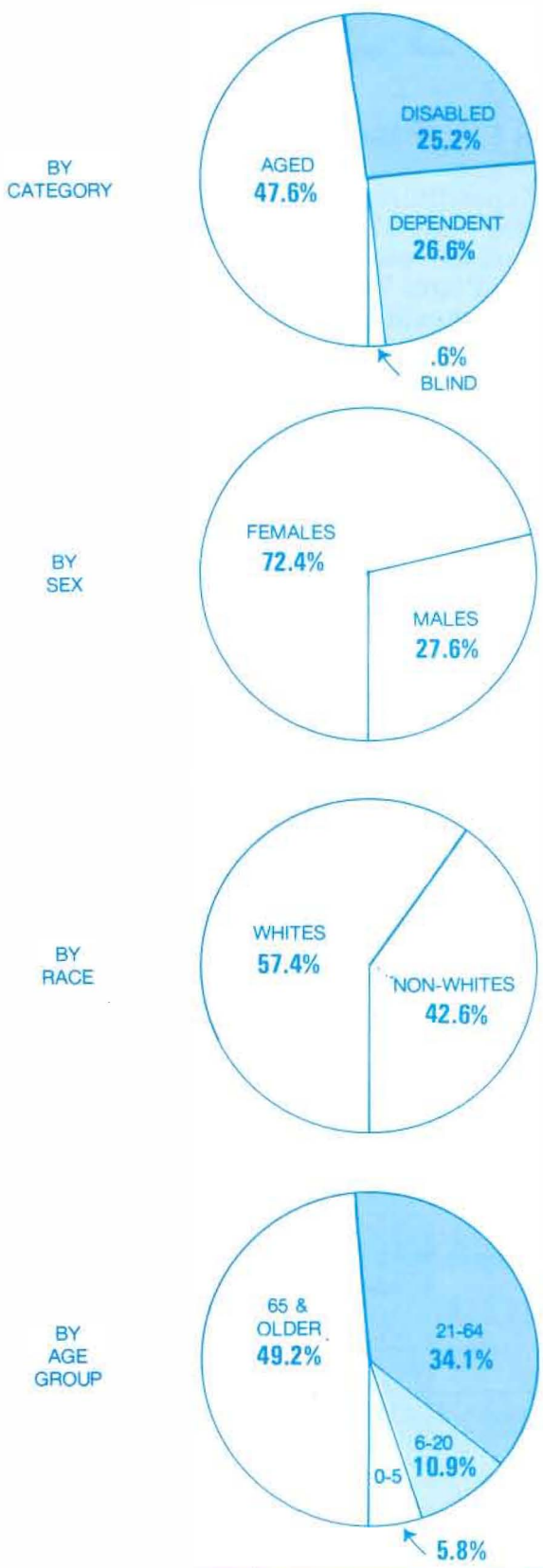
SERVICE	PAYMENTS	Percent Of Payments By Service FY '79		Percent Of Payments By Service FY '78		Percent Of Payments By Service FY '77	
Skilled Nursing Care	$ 46,236,350	17.39%	39.48%	22.66%	44.56%	27.70%	43.4%
Intermediate Nursing Care	58,759,382	22.09%		21.90%		15.70%	
Hospital Inpatients	73,353,242	27.58%	30.62%	23.84%	26.55%	22.90	25.7%
Hospital Outpatients	8,084,542	3.04%		2.71%		2.80%	
Physicians' Services	30,305,147	11.39%		9.46%		10.09%	
Medicare Buy-In Insurance	12,051,958	4.53%		4.24%		5.54%	
Drugs	22,277,146	8.38%		8.90%		9.15%	
Dental Services	4,218,754	1.59%		1.72%		1.81%	
Lab & X-Ray	3,860,323	1.45%		2.33%		1.77%	
Family Planning Care	1,309,299	.49%		0.38%		.54%	
Eye Care	2,040,684	.77%		0.63%		.61%	
Screening	1,156,931	.44%		0.51%		.57%	
Home Health	1,978,724	.74%		0.62%		.58%	
Transportation	184,357	.07%		0.08%		.06%	
Hearing Care	78,368	.03%		0.03%		.05%	
Other Care	59,250	.02%				.13%	
Total For Medical Care	$265,954,457	100.0%		100.0%		100.0%	
Administrative Costs	9,057,698						
Net Payments	$275,012,155						

Source: Nos. 1, 7

FY '79 PLATE 12

PAYMENTS

By category, sex, race, age group



Source: No. 18

The percentage of the money spent on each category, sex, race, and age group never changes much in one year. But, over a period of years, certain trends have become visible. Specifically, the groups that cost the most money—the females, the whites, and the aged—each year have had their relative shares reduced by small amounts. This year, with one exception, the trends continued. The aged and the white continued to use a smaller percentage, but the portion used by females stopped shrinking and began to expand. The reason is that increases in the number of black females more than made up for decreases in the number of white females.

The relative amount of money Medicaid spends in each county also changes little from year to year. (See Plate 13).

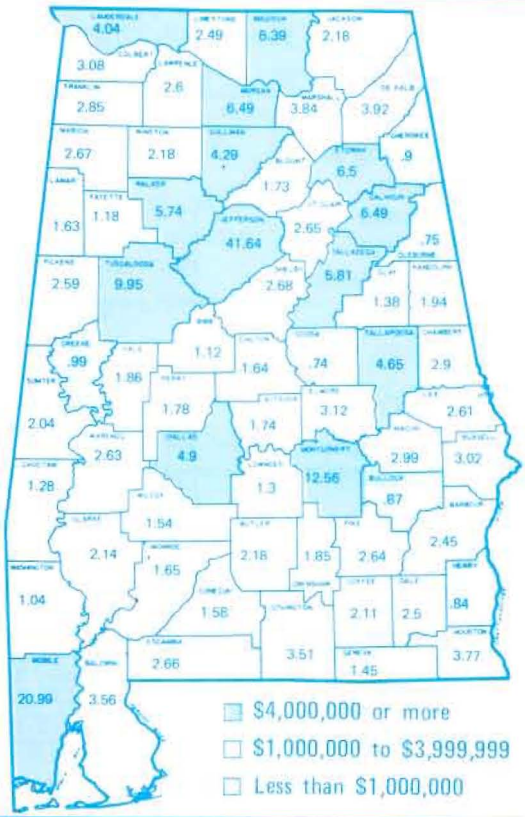
The ten counties where the most money was spent last year are still the top ten this year. The five counties where the least was spent in FY '78 are still the least expensive five this year.

Inspection of the map in Plate 13 shows that with a few exceptions, counties with the biggest cities get the most money. One glaring exception, is Madison County. Madison ranks fourth in population, but ranks eighth in terms of Medicaid funds.

FY '79 PLATE 13

PAYMENTS

By county



Source: No. 19

Prices

One of the many different factors which contribute to rising medical care costs is the price of each unit of medical service. Plate 14 shows the average unit price per quarter of each of the six major health care services paid for by Medicaid. Also depicted are the money and percent changes from the first quarter to the fourth quarter.

As usual, prices climbed each quarter, though this year they climbed more steeply than usual. For example, last year the price per day for ICF care rose 4.2%, which was less than a third as much as this year's rise of 14.8%

Note that as the year ended, the average cost per day for ICF care was higher than the cost per day for skilled care. This sounds impossible, particularly since Medicaid now follows a policy of paying the same rate for both skilled care and ICF care. This "same rate policy" means that in any one nursing home Medicaid pays the same price per day for skilled care that it pays for ICF care. But the rate is not identical from one home to another. Some homes charge more than others. When homes whose rates are above average have more ICF beds than skilled beds, then the statewide average for ICF care is higher than that for skilled care.

FY '79 PLATE 14

PRICES

Unit price per service, by quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Change From 1st Qtr.	
					Dollars	Percent
Nursing Home Days						
Skilled	$18.61	$19.88	$20.34	$20.16	+$ 1.55	+ 8.3%
ICF	17.85	19.16	19.45	20.49	+$ 2.64	+14.8%
Inpatient Days	130.89	137.73	144.66	144.95	+$14.06	+10.7%
Physicians' Visits	13.86	14.30	14.87	14.90	+$ 1.04	+ 7.5%
Prescriptions	6.00	6.10	6.33	6.51	+$ .51	+ 8.5%
Outpatient Visits	16.87	18.39	18.34	17.79	+$ .92	+ 5.4%

Source: No. 20

POPULATION AND ELIGIBLES

Population

The population of Alabama grew from 3,444,165 in 1970, to an estimated 3,739,227 in 1979, or an increase of about 8.6%.

Changes in population and economic conditions affect Medicaid. The majority of the Medicaid eligibles come from the dependent portion of the population (those under 21 and over 64 years of age.) In 1970 this group represented 41.3% of the total. In 1979 this portion had risen to over 47%. The 65-and-over age group contributed most to the growth in that the elderly population increased by 26%.

Economic conditions also affect the Medicaid program. During slow economic periods more people are likely to go on welfare, and thus qualify for Medicaid benefits.

Another factor affecting the number of eligibles is Federal policy. In recent years, a more liberal definition of disability has added an increasingly large number of people from the non-dependent portion of the population (those aged 21-64.)

FY '71 — '79 PLATE 15

POPULATION

Eligibles as percent of Alabama population, by year, 1971 to 1979

Year	Population	Monthly Average Eligibles	Percent
1971	3,477,373 est.	299,679	8.61
1972	3,510,581 est.	291,437	8.30
1973	3,543,789 est.	303,344	8.55
1974	3,577,000**	303,310	8.47
1975	3,615,000**	323,887	8.96
1976	3,653,000**	324,920	8.89
1977	3,690,000**	331,891	8.99
1978	3,742,000**	332,999	8.90
1979	3,739,227 est.	338,847	9.06

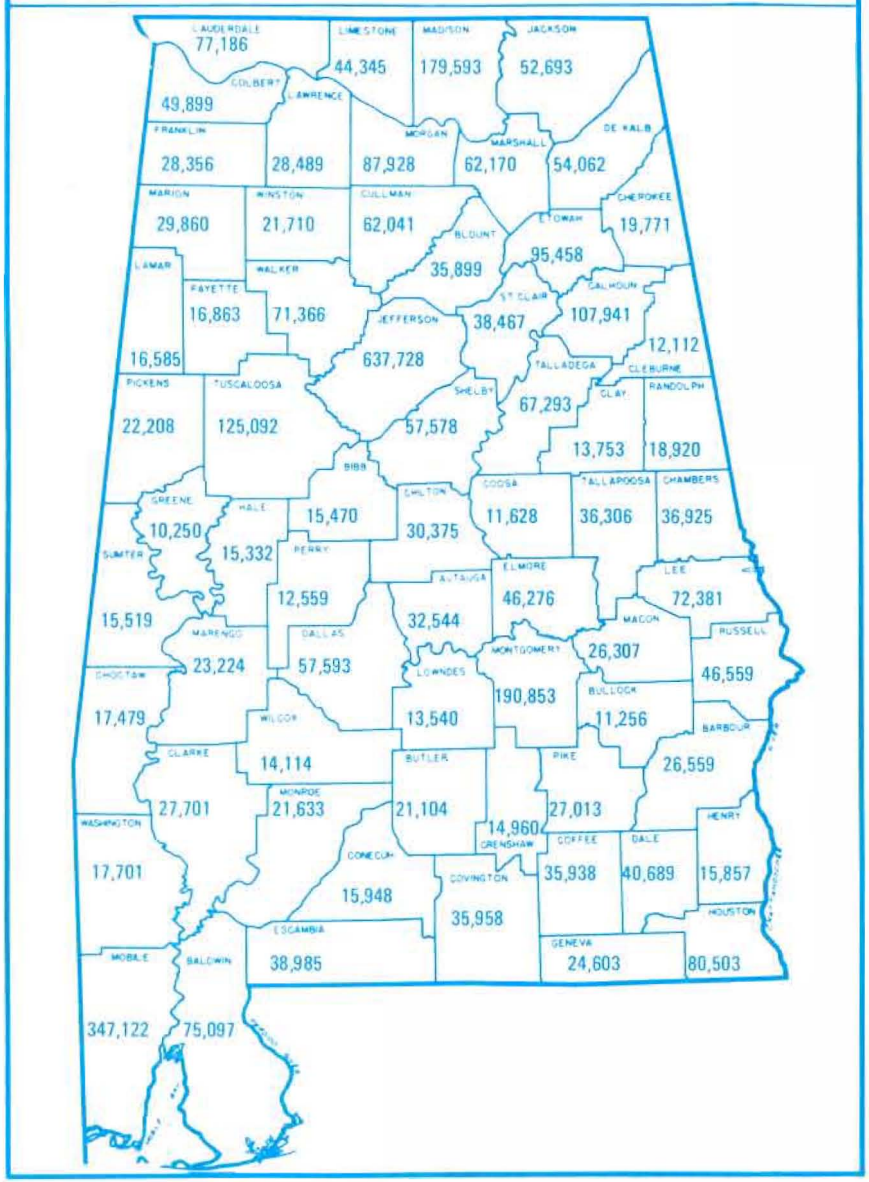
**U.S. Bureau of Census official estimate.

Source: Nos. 2, 12, 16

CY '79 PLATE 16

POPULATION

1979 population estimates, by county



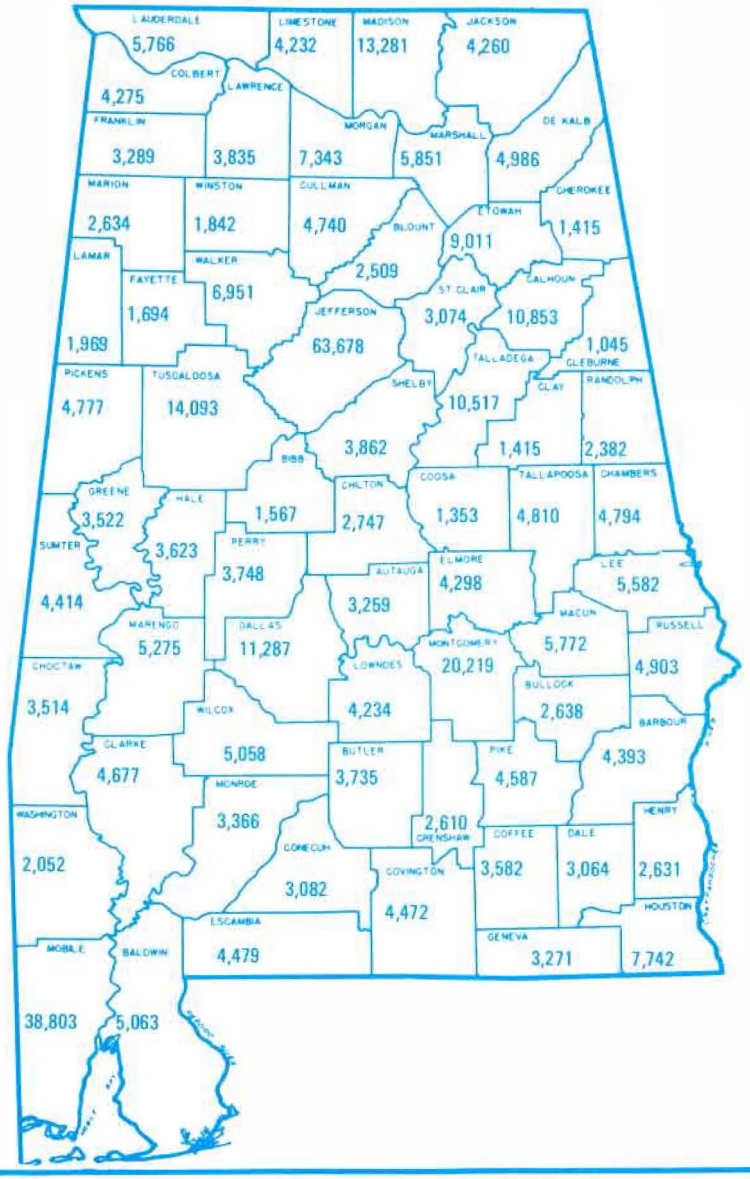
Source: No. 12

PLATE 17

FY '79

ELIGIBLES

Number of Medicaid eligibles by county



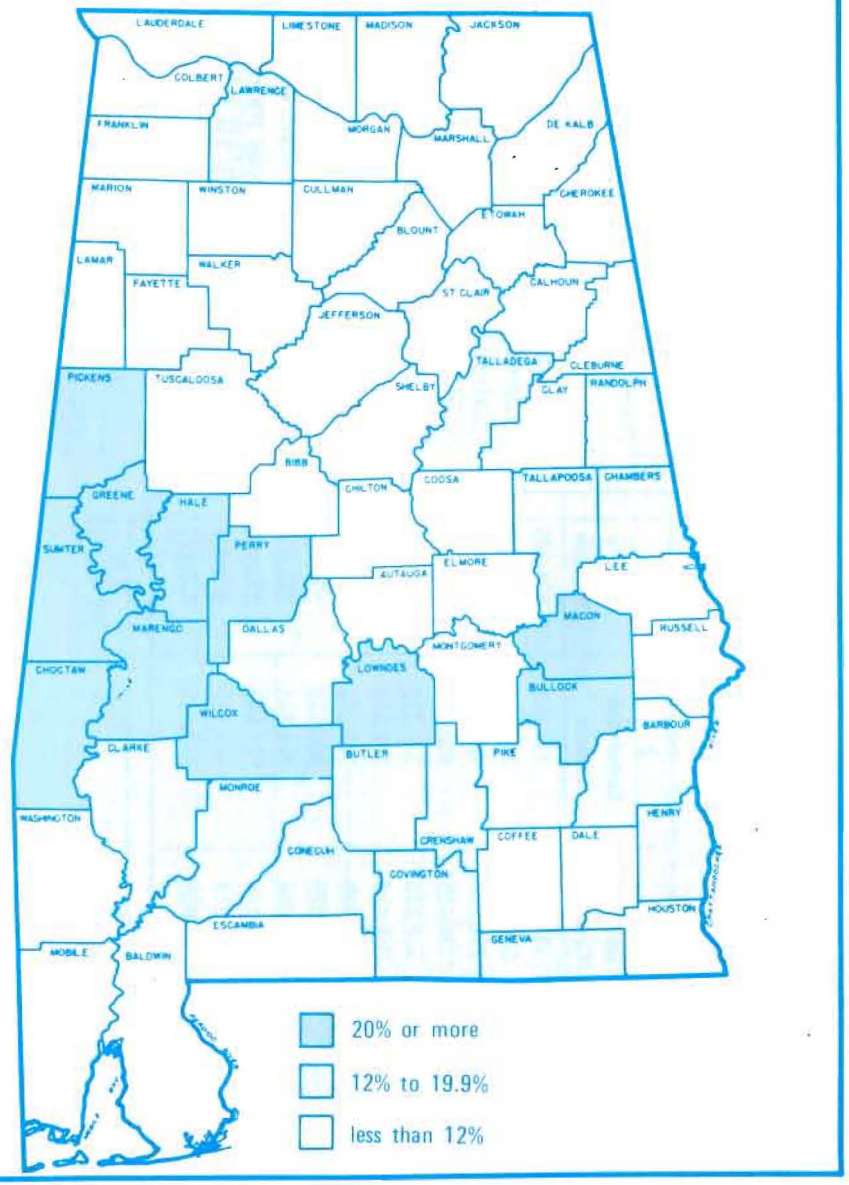
Source: No. 16

PLATE 18

FY '79

ELIGIBLES

Percent of population eligible for Medicaid by county



Source Nos. 12, 16

FY '79

ELIGIBLES

All Categories

Three ways to count the number of eligibles

PLATE 19

	-1- Current Counts	-2- Cumulative Counts	-3- Monthly Averages
Oct. '78	334,929	334,929	334,929
Nov.	338,669	347,461	336,799
Dec.	336,650	359,993	336,749
Jan. '79	336,469	366,655	336,679
Feb.	338,819	373,316	337,107
Mar.	345,629	379,978	338,528
Apr.	344,499	385,276	339,381
May	337,322	390,573	339,123
June	338,066	395,871	339,006
July	338,126	401,849	338,918
Aug.	339,017	407,827	338,927
Sept.	337,965	413,805	338,847

Source: No. 16

Eligibles

For a complete picture of eligibility one needs to make three kinds of counts:

current counts,
cumulative counts,
average counts.

Each type of count has a different use with the most useful and informative being the monthly average for the whole year. This is the number that should be used for making comparisons between eligibles in different states or different years. The monthly average for 1979 was about 339,000, an increase of nearly 6,000 over last year's average of 333,000.

The cumulative count shows that during the year, 413,805 persons were eligible for at least one month. The highest monthly count was 345,629 in March. (See Plate 19.)

FY '79

ELIGIBLES

By category, sex, race, age

Total number for year

Average number per month

PLATE 20

	First Month	Number Added During Year	Total Number For Year	Number Dropped During Year	Final Month	Average Number Per Month	Annual Turnover Rate
ALL CATEGORIES	334,929	78,876	413,805	75,840	337,965	338,847	22.1%
AGED, Category 1	99,858	8,676	108,534	12,750	95,784	98,284	10.4%
BLIND, Category 2	1,982	233	2,215	231	1,984	1,998	10.9%
DISABLED, Category 4	55,355	11,905	67,260	8,751	58,509	57,467	17.0%
DEPENDENT, Categories 3 & 7	177,734	58,062	235,796	54,108	181,688	181,098	30.2%
MALES	120,723	28,815	149,538	29,572	119,966	121,585	23.0%
FEMALES	214,206	50,061	264,267	46,268	217,999	217,262	21.6%
WHITES	116,638	29,546	146,184	28,126	118,058	117,622	24.3%
NONWHITES	218,291	49,330	267,621	47,714	219,907	221,225	21.0%
AGE 0 - 5	43,457	19,193	62,650	13,645	49,005	46,825	33.8%
AGE 6 - 20	99,755	25,996	125,751	26,589	99,162	100,501	25.1%
AGE 21 - 64	81,710	22,461	104,171	21,698	82,473	82,363	26.5%
AGE 65 & Over	100,007	11,226	121,233	13,908	107,325	109,158	11.1%

Source: No. 16

Plate 20 shows how this year's eligibles were divided in regard to category, sex, race, and age. The average and cumulative counts allow three measures to be calculated for each group:

number of new eligibles in the year,
number of old eligibles dropped in the year,
the turnover rate.

Annual Turnover Rate: There is a constant turnover among Medicaid eligibles which, in Alabama, has averaged about 23% per year. The annual turnover measures the rate at which "old" eligibles are replaced by "new" eligibles. Each category, sex, race, and age group has a different turnover rate, as shown in Plate 20.

Annual Changes in the Number of Eligibles: The total number of Alabama citizens eligible for Medicaid increased by 10,475 in FY '79. Plate 22 shows that the number of eligibles changed each year during the past 5 years, and between FY '75 and FY '79, the monthly averages rose more rapidly than the yearly totals. Specifically, from FY '75 to FY '79 the monthly average for all categories rose from 323,887 to 338,847, an increase of 4.6%; however, during the same time the yearly totals rose from 405,458 to 413,805 for a 2.1% increase.

FY '79 PLATE 21

ELIGIBLES

Year's total
Distribution by category, sex, race, and age

	NUMBER	PERCENT
All Categories	413,805	100%
Aged, Category 1	108,534	26.2%
Blind, Category 2	2,215	0.5%
Disabled, Category 4	67,260	16.3%
Dependent, Categories 3 & 7	235,796	57.0%
Males	149,538	36.1%
Females	264,267	63.9%
White	146,184	35.3%
Nonwhites	267,621	64.7%
Age 0 - 5	62,650	15.1%
Age 6 - 20	125,751	30.4%
Age 21 - 64	104,171	25.2%
Age 65 & Over	121,233	29.3%

Source No. 16

The number of aged individuals is decreasing as shown by both monthly averages and yearly totals, even though their numbers are rising in the general population. The dependent and disabled categories continued to increase in size.

FY '75 — '79 PLATE 22

ELIGIBLES

By category
Monthly average
Annual number

		FY' 75	FY' 76	FY' 77	FY' 78	FY' 79
MONTHLY AVERAGES	AGED, Category 1	115,942	109,108	109,856	100,994	98,284
	BLIND, Category 2	2,150	2,047	1,991	1,988	1,998
	DISABLED, Category 4	39,604	45,846	49,153	54,374	57,467
	DEPENDENT, Categories 3 & 7	166,191	167,919	170,891	175,643	181,098
	ALL CATEGORIES	323,887	324,920	331,891	332,999	338,847
YEARLY TOTALS	AGED, Category 1	132,785	125,648	119,271	111,832	108,534
	BLIND, Category 2	2,461	2,352	2,228	2,180	2,215
	DISABLED, Category 4	52,219	60,111	63,417	62,654	67,260
	DEPENDENT, Categories 3 & 7	218,043	218,386	228,218	226,664	235,796
	ALL CATEGORIES	405,458	406,497	413,134	403,330	413,805

Source: Nos. 1, 16

FY '79 PLATE 23

ELIGIBLES

By category, sex, race, age
Total MME used by each group
Average MME used by each person

	Total MME Used In Year	Average MME Per Person
ALL ELIGIBLES	4,066,160	9.8
AGED, Category 1	1,179,411	10.9
BLIND, Category 2	23,980	10.8
DISABLED, Category 4	689,597	10.3
DEPENDENT, Categories 3 & 7	2,173,172	9.2
MALES	1,459,019	9.8
FEMALES	2,607,141	9.9
WHITES	1,411,463	9.7
NONWHITES	2,654,697	9.9
AGE 0 - 5	561,900	9.0
AGE 6 - 20	1,206,011	9.6
AGE 21 - 64	988,355	9.5
AGE 65 & Over	1,309,894	10.8

Source: No. 16

Man-Months and Expected Duration of Eligibility: Although 413,805 people were eligible for Medicaid in FY '79, only about three-fourths were eligible all year. The others ranged from one month of eligibility to eleven months.

To find the total amount of time all these people were eligible in FY '79, one should add the total number of eligibles in each of the twelve months. Thus, the total number of man-months of eligibility (MME) used by the entire group all year was 4,066,160, producing an average of 9.8 MME per person.

Plate 23 shows the total number of MME used by each category, sex, race, and age group, and gives the average number of MME used by each group.

The number of months a group takes for 100% turnover also discloses the number of months the average member of that group will remain eligible. Plate 24 shows that the expected duration of eligibility varies from one group to another.

FY '77 — '79 PLATE 24

ELIGIBLES

Annual changes in expected duration of eligibility

	EXPECTED DURATION OF ELIGIBILITY			
	Based On Turnover In FY '77	Based On Turnover In FY '78	Based On Turnover In FY '79	Percent Change FY '78 FY '79
ALL ELIGIBLES	49 mo.	57 mo.	54 mo.	−5.3%
AGED, Category 1	140 mo.	112 mo.	115 mo.	+2.7%
BLIND, Category 2	101 mo.	124 mo.	110 mo.	−11.3%
DISABLED, Category 4	41 mo.	79 mo.	71 mo.	−10.1%
DEPENDENT, Categories 3 & 7	36 mo.	41 mo.	40 mo.	−2.4%
MALES	50 mo.	54 mo.	52 mo.	−3.7%
FEMALES	49 mo.	59 mo.	56 mo.	−5.1%
WHITES	45 mo.	52 mo.	49 mo.	−5.8%
NONWHITES	52 mo.	60 mo.	57 mo.	−5.0%
AGE 0 - 5	91 mo.	43 mo.	36 mo.	+5.9%
AGE 6 - 20	46 mo.	49 mo.	48 mo.	−2.0%
AGE 21 - 64	23 mo.	49 mo.	45 mo.	−8.2%
AGE 65 & Over	103 mo.	115 mo.	108 mo.	−6.1%

Source: Nos. 1, 16

RECIPIENTS

Of the 413,805 people deemed eligible for Medicaid in FY '79, only 80% actually received Medicaid benefits. These 331,000 people are called "recipients." The other 82,805, though eligible for benefits, incurred no medical bills paid for by Medicaid.

Plate 25 shows monthly counts in Column 1 and cumulative counts in Column 2, and this reveals how much the cumulative total increased each month. Column 3 includes the running monthly averages, with the September figure being the monthly average for FY '79. By comparing this figure of 151,493 to the corresponding figure for FY '78 (146,691), it becomes apparent that there was a 3.3% increase in the number of persons receiving Medicaid services each month.

FY '79 PLATE 25

RECIPIENTS

All categories

Three ways to count the number of recipients

	- 1 -	- 2 -	- 3 -
	Current Counts	Cummulative Counts	Monthly Averages
Oct. '78	147,326	147,326	147,326
Nov.	146,489	N/A	146,908
Dec.	147,862	N/A	147,226
Jan. '79	139,322	N/A	145,250
Feb.	155,406	N/A	147,281
Mar.	181,666	N/A	153,012
Apr.	141,275	N/A	151,335
May	155,450	239,797	151,850
June	158,030	302,341	152,536
July	149,980	311,386	152,281
Aug.	155,399	320,991	152,564
Sept.	139,709	331,000 est.	151,493

Source: No. 17

FY '79 PLATE 26

RECIPIENTS

By category, sex, race, age

Number of recipients and nonrecipients during year

	Total Recipients In Year	Non-Recipients	Recipients As A Percent Of Eligibles
AGED, Category 1	98,837	9,697	91.1%
BLIND, Category 2	1,784	431	80.5%
DISABLED, Category 4	55,907	11,353	83.1%
DEPENDENT, Categories 3 & 7	174,472	61,324	74.0%
MALES	110,829	38,709	74.1%
FEMALES	220,171	44,096	83.3%
WHITES	122,882	23,302	84.1%
NONWHITES	208,118	59,503	77.8%
AGE 0 - 20	134,537	53,864	71.4%
AGE 21 - 64	93,464	10,707	89.7%
AGE 65 & Over	102,999	18,234	85.0%
ALL CATEGORIES	331,000	82,805	80.0%

Source: Nos. 16, 18

FY '79 PLATE 27

RECIPIENTS

By category, sex, race, age
Monthly counts
Year's total
MMS per category, and per recipient

	Recipients First Month	Recipients Final Month	Recipients Average Month	Total Man-Months Of Medical Service	Total Recipients During Year	MMS Per Recipient
AGED, Category 1	61,558	60,040	63,117	757,410	98,837	7.66
BLIND, Category 2	979	945	1,009	12,109	1,784	6.79
DISABLED, Category 4	30,778	31,198	32,535	390,426	55,907	6.98
DEPENDENT, Categories 3 & 7	54,011	47,526	54,832	657,980	174,472	3.77
MALES	N/A	N/A	N/A	N/A	110,829	N/A
FEMALES	N/A	N/A	N/A	N/A	220,171	N/A
WHITES	N/A	N/A	N/A	N/A	122,882	N/A
NONWHITES	N/A	N/A	N/A	N/A	208,118	N/A
AGE 0 - 20	N/A	N/A	N/A	N/A	134,537	N/A
AGE 21 - 64	N/A	N/A	N/A	N/A	93,464	N/A
AGE 65 & Over	N/A	N/A	N/A	N/A	102,999	N/A
ALL CATEGORIES	147,326	139,709	151,493	1,817,925	331,000	5.49

Source: Nos. 17, 18

The increase in the total number of recipients from last year was larger than that of the monthly average. This indicates that those persons receiving Medicaid services in FY '79 were doing so less often than in the previous year.

To determine more precisely the frequency with which recipients availed themselves of Medicaid services, a unit of measure called man-months of medical service (MMS) is used. The total number of MMS that Medicaid pays for in a month is equal to the number of recipients that month, regardless of the dollar amount spent on each recipient. The total MMS Medicaid paid for all year is found by adding the MMS paid for in each of the twelve months.

The total MMS used by the 331,000 recipients in FY '79 was 1,817,925. (See Plate 27.) This represents an average of 5.49 MMS per recipient, down 3.5% from the 5.69 MMS per recipient in FY '78.

USE AND COST

FY '79
PLATE 28

USE
Utilization rate by category

	FY '77	FY '78	FY '79
AGED, Category 1	97.4%	90.9%	91.1%
BLIND, Category 2	84.3%	78.7%	80.5%
DISABLED, Category 4	84.1%	83.5%	83.1%
DEPENDENT, Categories 3 & 7	72.4%	67.9%	74.0%
ALL CATEGORIES	81.5%	76.7%	80.0%

Source: Nos. 1, 16, 18

FY '79
PLATE 29

USE
Frequency-of-service rate (MMS per recipient)

	FY '77	FY '78	FY '79
AGED, Category 1	6.87MMS	7.57MMS	7.66MMS
BLIND, Category 2	6.48MMS	6.85MMS	6.79MMS
DISABLED, Category 4	6.57MMS	6.72MMS	6.98MMS
DEPENDENT, Categories 3 & 7	3.78MMS	4.08MMS	3.81MMS
ALL CATEGORIES	5.30MMS	5.69MMS	5.49MMS

Source: Nos. 1, 17, 18

FY '79
PLATE 30

USE
MMS per eligible
Ratio of actual use to potential use

AGED, Category 1	6.98MMS
BLIND, Category 2	5.47MMS
DISABLED, Category 4	5.81MMS
DEPENDENT, Categories 3 & 7	2.79MMS
ALL CATEGORIES	4.39MMS

Source: Nos. 16, 17

Use

Three measures of use are significant:
utilization rate,
frequency of service rate,
ratio of actual use to potential use.

Utilization Rate: This rate is calculated by dividing the number of recipients by the number of eligibles. The result is the percent of the eligibles who received medical care during the year. This year, as usual, the rate was approximately four persons out of five, with 80% being the exact figure. (See Plate 28.)

Frequency-of-Service Rate: Adding the number of recipients from each of the months in the fiscal year gives the number of man-months of Medicaid service. Then, dividing the total MMS by the year's unduplicated count of recipients gives the frequency-of-service rate.

MMS figures measure the number of months in which service was used rather than the number of services used. Therefore, the rate this year of 5.49 means that the average recipient received medical care during 5.49 months. (See Plate 29.)

Ratio of Actual Use to Potential Use: The maximum demand for medical care would exist if every eligible person asked for medical care every month. However, only about 80% of Medicaid's eligibles become recipients of medical services. These recipients ask for medical care on an average of only 5.49 months each. Subsequently, the actual demand for care is about 37% of the potential demand. A more precise measure of the ratio of actual use to potential use is provided by calculating the MMS per eligible. (See Plate 30.)

Cost

Cost per person can be measured in two ways, cost per eligible or cost per recipient. Cost per recipient is measured in all states and is the cost figure needed to compare Alabama costs to similar costs elsewhere.

Cost per eligible is not measured in other states and thus cannot be used for comparison. It is useful, however, for budgeting purposes. Data on costs per eligible help predict how much more money will be needed as the number of eligibles increases each year.

Cost Per Eligible: Plate 31 shows the variation in cost per eligible from one group to another. An aged person, for example, costs Medicaid nearly five times as much per year as a young eligible. The variations in cost per eligible can be attributed to the fact that different groups use different kinds of services in different amounts.

In an aged eligible's period of eligibility, he costs about ten times as much as the younger eligible. In addition to using services more often and using more expensive services, the aged person remains eligible longer than the child.

Plate 31 shows the yearly cost per eligible for the past three years. The group with the largest increase was the age 21-64 group, followed closely by the dependent category and then the age 6-20 group. In spite of a significantly larger number of eligibles, the average cost for each was $643, which is an increase of 28.6% over the previous year. Plate 32 shows cost per period of eligibility.

FY '77 — '79 PLATE 31

COST

Annual changes in cost per eligible

	FY' 77	FY' 78	FY' 79	Change From FY' 78
AGED, Category 1	$866	$955	$1,167	+22.2%
AGE 65 & Over	824	923	1,080	+17.0%
WHITES	770	807	1,044	+29.4%
DISABLED, Category 4	725	761	995	+30.7%
AGE 21 - 64	537	576	869	+50.9%
BLIND, Category 2	535	568	768	+35.2%
FEMALES	538	558	729	+30.6%
ALL ELIGIBLES	470	500	643	+28.6%
MALES	359	397	490	+23.4%
NONWHITES	291	321	423	+31.8%
DEPENDENTS, Categories 3 & 7	207	202	300	+48.5%
AGE 0 - 5	201	194	247	+27.3%
AGE 6 - 20	162	162	231	+42.6%

Source: Nos. 1, 7, 16, 18

FY '79

PLATE 32

COST

Cost per eligible

	Cost Per MME	Cost Per Year	Cost Per Period of Eligibility
AGED, Category 1	$ 107	$1,167 for 10.9 MME	$12,353 for 115 MME
AGE 65 & Over	100	1,080 for 10.8 MME	10,797 for 108 MME
BLIND, Category 2	71	768 for 10.8 MME	7,807 for 110 MME
DISABLED, Category 4	97	995 for 10.3 MME	6,888 for 71 MME
WHITES	108	1,044 for 9.7 MME	5,299 for 49 MME
FEMALES	74	729 for 9.9 MME	4,138 for 56 MME
AGE 21 - 64	92	869 for 9.5 MME	4,122 for 45 MME
ALL ELIGIBLES	65	643 for 9.8 MME	3,532 for 54 MME
MALES	50	490 for 9.8 MME	2,612 for 52 MME
NONWHITES	43	423 for 9.9 MME	2,433 for 57 MME
DEPENDENT, Categories 3 & 7	33	300 for 9.2 MME	1,300 for 40 MME
AGE 6 - 20	24	231 for 9.6 MME	1,154 for 48 MME
AGE 0 - 5	28	247 for 9.0 MME	990 for 36 MME

Source: Nos. 7, 16, 18

Cost Per Recipient: Section 3 of Plate 33 discloses that Medicaid averaged paying $1,673 for each disabled person who became a hospital patient, but only $371 per aged inpatient. The average that Medicaid paid for aged was low because Medicare paid the major part of the bill.

Over 90% of the aged people on Medicaid were also eligible for Medicare. Smaller percentages of Medicaid's blind and disabled qualified for Medicare.

For hospital care, Medicare paid more than half of each bill. For five other services listed in Plate 33 Medicare also paid significant, but smaller, fractions of each bill, thus saving Medicaid millions of dollars. For this coverage Medicaid paid to Medicare a monthly "buy-in" fee or premium for each Medicaid eligible who was also on Medicare. The fee was $8.20 per month until July 1, when it rose to $8.70. Medicaid's total payment to Medicare for these buy-in premiums in FY '79 was $12,051,958. Medicare spent considerably more than $12 million in partial payment of medical bills incurred by Alabama citizens on Medicaid.

FY '79

USE AND COST

Year's cost per service by category
Year's total number of recipients by service and category
Year's cost per recipient by service and category
Utilization rates by service and category

		SERVICES WHOSE COSTS ARE SHARED WITH MEDICARE							
		PHYSICIANS' SERVICES	LAB & X-RAY	HOSPITAL+ INPATIENTS	HOSPITAL OUTPATIENTS	HOME HEALTH	TRANSPORTATION	DRUGS	NURSING HOMES SKILLED++
SECTION 1 YEAR'S COST	ALL CATEGORIES	$30,305,147	$3,860,323	$73,353,242	$8,084,542	$1,978,724	$184,357	$22,277,146	$46,236,350
	Category 1 Aged	3,935,729	1,418,630	9,588,736	957,937	1,183,316	6,028	12,805,795	39,033,188
	Category 2 Blind	290,626	32,465	715,928	56,349	27,465	2,065	192,029	162,290
	Category 4 Disabled	9,184,278	1,148,639	27,039,471	2,900,815	726,291	91,773	6,570,421	7,038,560
	Categories 3 & 7 Dependent Children	7,128,377	506,127	14,716,861	2,302,559	16,522	34,235	1,066,630	2,312
	Category 3 Dependent Adults	9,766,137	754,462	21,292,246	1,866,882	25,130	50,256	1,642,271	N/A*
SECTION 2 YEAR'S TOTAL NUMBER OF RECIPIENTS	ALL CATEGORIES	237,503	181,469	74,428	105,507	3,924	2,745	239,654	12,364
	Category 1 Aged	67,071	55,158	25,835	24,407	2,328	388	85,554	10,733
	Category 2 Blind	1,439	1,025	467	624	53	28	1,503	34
	Category 4 Disabled	42,648	32,813	16,167	19,247	1,354	1,135	46,670	1,588
	Categories 3 & 7 Dependent Children	80,898	56,858	12,576	38,217	109	535	65,428	4
	Category 3 Dependent Adults	45,447	35,615	19,383	23,012	80	659	40,499	5
SECTION 3 YEAR'S COST PER RECIPIENT	ALL CATEGORIES	$ 128	$ 21	$ 986	$ 77	$ 504	$ 67	$ 93	$ 3,740
	Category 1 Aged	59	26	371	39	508	16	150	3,637
	Category 2 Blind	202	32	1,533	90	518	74	128	4,773
	Category 4 Disabled	215	35	1,673	151	536	81	141	4,432
	Categories 3 & 7 Dependent Children	88	9	1,170	60	152	64	16	578
	Category 3 Dependent Adults	215	21	1,099	81	314	76	41	N/A*
SECTION 4 UTILIZATION RATES PERCENT OF ELIGIBLES	ALL CATEGORIES	57.4%	43.9%	18.0%	25.5%	.95%	.60%	57.9%	2.99%
	Category 1 Aged	61.8%	50.8%	23.8%	22.5%	2.14%	.36%	78.83%	9.89%
	Category 2 Blind	65.0%	43.3%	21.1%	28.2%	2.39%	1.26%	67.86%	1.53%
	Category 4 Disabled	63.4%	48.8%	24.0%	28.6%	2.01%	1.69%	69.39%	2.34%
	Categories 3 & 7 Dependents	53.6%	39.2%	13.6%	26.0%	.08%	.51%	44.92%	**

Source: Nos. 7, 16, 17, 18

\+ Includes patients in mental hospitals

++ A small part of the cost of skilled care is paid by Medicare, but the amount is insignificant.

* Not Available

** Less Than 0.01 Percent

. PLATE 33

SERVICES WHOSE COSTS ARE NOT SHARED WITH MEDICARE							ALL SERVICES		
NURSING HOMES, ICF	DENTAL CARE	FAMILY PLANNING	OTHER PRACTITIONERS	OTHER CARE	SCREENING	MEDICARE BUY-IN	TOTAL OF UNSHARED COSTS	MEDICAID'S TOTAL PART OF SHARED COSTS	MEDICAID'S TOTALS
$58,759,382	$4,218,754	$1,309,299	$2,119,052	$59,250	$1,156,931	$12,051,958	$148,188,122	$117,766,335	$265,954,457
47,070,379	1,097	380	776,675	29,896	0	9,882,606	109,600,016	17,090,376	126,690,392
206,245	1,603	2,867	11,739	147	0	0	576,920	1,124,898	1,701,818
11,482,758	166,936	45,799	485,030	22,926	0	2,169,352	25,812,430	41,091,267	66,903,697
N/A*	3,491,863	125,562	400,374	3,223	1,156,931	0	8,416,247	24,704,681	33,120,928
N/A*	557,255	1,134,691	445,234	3,058	0	0	3,782,509	33,755,113	37,537,622
12,260	38,118	21,497	38,971	12,388	43,378	N/A*	N/A*	N/A*	331,000
10,229	22	24	14,123	5,504	0	N/A*	N/A*	N/A*	98,837
38	25	42	221	73	0	0	N/A*	N/A*	1,784
1,993	1,484	916	8,813	3,291	0	N/A*	N/A*	N/A*	55,907
N/A*	33,101	2,922	8,132	1,291	43,378	0	N/A*	N/A*	116,850
N/A*	3,486	17,593	7,682	2,229	0	0	N/A*	N/A*	57,622
$ 4,793	$ 111	$ 61	$ 54	$ 5	$ 27	N/A*	N/A*	N/A*	$ 803
4,602	50	16	55	5	0	N/A*	N/A*	N/A*	1,282
5,428	64	68	53	2	0	0	N/A*	N/A*	954
5,762	112	50	55	7	0	N/A*	N/A*	N/A*	1,197
N/A*	106	43	49	2	27	0	N/A*	N/A*	283
N/A*	160	64	58	1	0	0	N/A*	N/A*	651
2.96%	9.21%	5.19%	9.42%	2.99%	10.48%	N/A*	N/A*	N/A*	79.99%
9.42%	.02%	.02%	13.01%	5.07%	0%	N/A*	N/A*	N/A*	91.07%
1.72%	1.13%	1.90%	9.98%	3.30%	0%	0	N/A*	N/A*	80.54%
2.95%	2.21%	1.36%	13.10%	4.89%	0%	N/A*	N/A*	N/A*	83.12%
N/A*	15.52%	8.70%	6.71%	1.49%	18.40%	0	N/A*	N/A*	74.00%

LONG-TERM CARE

In terms of people served, the nursing home program is small. This year 1 eligible in 20 used nursing home care.

In terms of expenditure, it is the largest program. This year 39% of Medicaid funds went for nursing home care.

The Cost of the Nursing Home Program: In the past five years, Medicaid's annual expense for nursing home care has risen from $66.8 million to $105 million—an increase of 57%. Plate 34 shows the annual steps by which this increase took place. Plate 34 also shows the factors that caused the increase:

more patients (up 23%)
more months of service (up 30%)
higher prices per month (up 21%)

In terms of dollars, 1979 cost $38.1 million more than 1975. Of this amount, $22.5 million (59%) is attributable to increased use. The other $15.6 million (41%) is attributable to rising prices.

FY '75 — '79 PLATE 34

LONG-TERM CARE PROGRAM
Patients, months, and cost

	Number Of Nursing Home Patients (Year's Unduplicated Total)	Average Length Of Stay During Year	Total Months Paid For By Medicaid	Average Cost Per Month To Medicaid	Total Cost To Medicaid
1975	20,042	6.80 months	136,320	$490	$ 66,849,071
1976	21,094	7.16 months	150,948	$514	$ 77,576,985
1977	24,351	6.43 months	156,516	$541	$ 84,748,904
1978	24,267	6.55 months	159,117	$564	$ 89,785,904
1979	24,624	7.29 months	177,887	$591	$104,995,732
% Change Since 1975	+23%	+7%	+30%	+21%	+57%

Source: Nos. 1, 7, 18

FY '74 — '79

PLATE 35

LONG-TERM CARE PROGRAM

The number and percent of beds used by Medicaid

	Nursing Home Beds In Existence At End Of Year	Medicaid Patients		Percent Of Beds Used By Medicaid	Number Of Beds Not Used By Medicaid In Average Month
		Monthly Average	Yearly Unduplicated Total		
1974	15,636	10,717	16,858	69%	4,919
1975	18,089	11,360	20,042	63%	6,729
1976	18,752	12,579	21,094	67%	6,173
1977	18,997	13,043	24,351	69%	5,954
1978	19,459	14,225	24,267	75%	5,234
1979	20,498	14,386	24,624	70%	6,112

Source: Nos. 1, 9, 17, 18

Growth of the Nursing Home Industry in Alabama: The nursing home industry has grown rapidly since Medicaid came into existence, and Medicaid has become its principal customer. In Alabama, more than two-thirds of its business comes from Medicaid. Plate 35 shows the growth rate during the past five years, during which time 4,862 beds were added—an average of 81 per month. Plate 35 also shows how many beds Medicaid used each year.

A 1977 survey made by the Alabama Department of Public Health, concluded that the then existing number of 18,997 beds was inadequate and should be increased by 2,610 more beds.

Such surveys are made each year and in recent years it began to look as if no matter how fast beds were built, the gap between supply and demand could not be closed, or even reduced. In late 1971, the need was found to be for 1,602 new beds. By 1977, though 7,648 beds had been built, the shortage had not diminished but had worsened to 2,610.

In 1979, the State Health Planning and Development Agency changed the method it had been using to determine whether to issue certificates of need to nursing homes that applied for permission to expand. The new method includes a new formula for calculating when and where a shortage of nursing home beds exists. It is anticipated that the new formula will show a smaller need for beds than did the old formula. One result should be that henceforth the number of nursing home beds in Alabama will grow less rapidly than it did in the past decade.

FY '79 PLATE 36

LONG-TERM CARE PROGRAM

Recipients, by sex, by race, by age

	SKILLED	ICF	TOTAL	PERCENT
All Recipients	12,364	12,260	24,624	100.0%
By Sex				
Female	9,308	8,824	18,132	73.6%
Male	3,056	3,436	6,492	26.4%
By Race				
White	9,791	9,578	19,369	78.7%
Nonwhite	2,573	2,682	5,255	21.3%
By Age				
65 & Over	10,425	10,024	20,449	83.0%
21 - 64	1,750	2,113	3,863	15.7%
6 - 20	148	115	263	1.1%
0 - 5	41	8	49	0.2%

Source: No. 18

FY '79 PLATE 37

LONG-TERM CARE PROGRAM

Length of stay, by type of care

	SKILLED	ICF	BOTH
Length of Stay			
1 - 6 Days	1,069	181	1,250
	(8.7%)	(1.5%)	(5.1%)
7 - 30 Days	1,080	576	1,656
	(8.7%)	(4.7%)	(6.7%)
31 - 60 Days	1,200	663	1,863
	(9.7%)	(5.4%)	(7.6%)
61 - 120 Days	1,872	1,312	3,184
(2 to 4 months)	(15.1%)	(10.7%)	(12.9%)
121 - 180 Days	1,070	1,334	2,404
(4 to 6 months)	(8.7%)	(10.9%)	(9.8%)
181 - 270 Days	1,174	1,482	2,656
(6 to 9 months)	(9.5%)	(12.1%)	(10.8%)
271 - 365 Days	4,899	6,712	11,611
(9 to 12 months)	(39.6%)	(54.7%)	(47.1%)
	12,364	12,260	24,624
	(100.0%)	(100.0%)	(100.0%)

Source: No. 18

FY '79 PLATE 38

LONG-TERM CARE PROGRAM

Payments, by sex, by race, by age

	SKILLED	ICF	TOTAL	PERCENT
All Recipients	$46,236,350	$58,759,382	$104,995,732	100.0%
By Sex				
Female	36,201,470	42,449,888	78,651,358	74.9%
Male	10,034,880	16,309,494	26,344,374	25.1%
By Race				
White	36,915,754	45,233,037	82,148,791	78.2%
Nonwhite	9,320,596	13,526,345	22,846,941	21.8%
By Age				
65 & Over	38,112,753	46,733,709	84,846,462	80.8%
21 - 64	6,835,341	11,203,151	18,038,492	17.2%
6 - 20	1,043,982	795,839	1,839,821	1.7%
0 - 5	244,274	26,683	270,957	0.3%

Source: Nos. 7, 18

FY '79

PLATE 39

LONG-TERM CARE PROGRAM

Beds in existence, by month
Beds used by Medicaid, by month

	SKILLED CARE		ICF CARE		BOTH KINDS OF CARE	
	Number of Beds	Number of Medicaid Recipients	Number of Beds	Number of Medicaid Recipients	Number of Beds	Number of Medicaid Recipients
Oct. '78	13,786	6,643	5,852	7,158	19,638	13,801
Nov.	13,786	6,916	5,852	7,422	19,638	14,338
Dec.	13,786	6,553	5,901	7,353	19,687	13,906
Jan. '79	13,733	6,490	5,855	7,649	19,588	14,139
Feb.	13,846	6,583	5,863	7,663	19,709	14,246
March	13,886	6,934	5,928	8,003	19,814	14,937
April	13,882	6,654	5,993	7,998	19,875	14,652
May	13,916	6,303	5,998	8,181	19,914	14,484
June	13,938	6,453	6,474	8,327	20,412	14,780
July	13,938	6,206	6,474	8,422	20,412	14,628
Aug.	13,958	6,157	6,594	8,602	20,552	14,759
Sept.	13,958	5,673	6,540	8,478	20,498	14,151
Average	13,868	6,464	6,110	7,938	19,978	14,402

Source: Nos. 9, 17

Patient Characteristics and Length of Stay: Plates 36 and 38 show who the recipients were this year—in terms of sex, race, and age—and show how much was spent on each group.

Plate 37 gives an indication of the number of days recipients spent in nursing homes this year.

Plate 39 shows monthly changes in the number of beds and the number of Medicaid patients. The fact that the monthly average (14,402) is only about one-half the yearly total (24,624) suggests that the turnover rate is relatively high. It also suggests that the average length-of-stay will be close to half a year. Plate 40 shows what these two measures (average length-of-stay and annual turnover rate)turned out to be when calculated. The same plate shows how these two measures have changed in recent years. It should be remembered, however, that these measures are averages. Though it is true that the average patient currently stays only 7 months, there are still large numbers who live permanently in nursing homes, staying five or ten years, or longer. Information is needed on whether the number of permanent residents is declining or increasing. The answer will have a large impact on Medicaid's expenditures in coming years.

FY '77 — '79

PLATE 40

LONG-TERM CARE PROGRAM

Number of recipients

	SKILLED			ICF			TOTAL		
	FY '77	FY '78	FY '79	FY '77	FY '78	FY '79	FY '77	FY '78	FY '79
Monthly average	8,042	7,235	6,464	5,001	6,988	7,938	13,043	14,225	14,402
Yearly total	15,261	13,997	12,364	9,090	10,270	12,260	24,351	24,267	24,624
Annual turnover rate	90%	93%	91%	81.8%	47%	54.4%	86.7%	70.6%	71.0%
Average length of stay this year	6.3 mo.	6.2 mo.	6.3 mo.	6.6 mo.	8.2 mo.	7.8 mo.	6.4 mo.	7 mo.	7 mo.
Average expected duration of stay	12.3 mo.	11.8 mo.	12 mo.	13.4 mo.	23 mo.	20 mo.	12.7 mo.	15.6 mo.	15.5 mo.

Source: Nos. 1, 17, 18

HOSPITAL PROGRAM

One eligible in six became a hospital inpatient this year. One in four became an outpatient.

For six years in a row outpatients have outnumbered inpatients.

Inpatient Care: Last year inpatient hospital care became the most costly single service provided by Medicaid. This year it retained that distinction and acquired a new one; it also became the service whose costs are rising most rapidly. Specifically, inpatient costs this year rose by 52.7%. In actual dollars, this increase was from $48 million to 73.4 million—a one-year rise of more than $25 million. This increase alone is more than the entire cost of the drug program, which cost $22 million this year.

The cost of hospital care for all patients—private patients as well as Medicaid patients—both in and out of Alabama, has been climbing steeply for years. In the eight years between 1967 and 1975, it doubled. Then in the four years between 1975 and 1979, it doubled again. In these same four years, the cost to Alabama Medicaid more than doubled. It grew 2.77 times.

The specific figures on cost increases for Alabama Medicaid are shown in Plate 41. During the four years since 1975:

Medicaid eligibles rose	2%
The number of patients rose	20%
The number of hospital admissions rose	22%
Costs rose	177%

Note that the number of Medicaid cards issued each year hardly changed. The rising costs were due almost entirely to two things: (1) a larger percent of card holders is now sent to the hospital. This probably means that some illnesses which formerly were treated outside the hospital are now treated inside, and (2) the cost per day for hospital care has increased.

FY '75 — '79 PLATE 41

HOSPITAL PROGRAM

Increases in use and costs since 1975

Year	Eligibles	Inpatients	Admissions	Admissions per 1000 Eligibles	Days	Length of Stay	Total Cost	Cost Per Day	Cost Per Stay
1975	405,458	61,833	82,825	204	523,562	6.32	$26,479,182	$ 51	$320
1976	406,497	67,187	88,438	217	520,502	5.88	$32,215,062	$ 62	$364
1977	413,334	67,842	83,059	201	614,289	7.40	$44,721,460	$ 73	$538
1978	403,330	66,939	88,356	219	545,554	6.17	$48,037,903	$ 88	$544
1979	413,805	74,428	101,259	245	536,466	5.30	$73,353,242	$137	$724

Source: Nos. 16, 18

FY '79 PLATE 42

HOSPITAL PROGRAM

Cost for Medicaid patients compared to costs for other hospital patients

	Cost per Day	Days per Stay	Cost per Stay	Cost per Patient
All U.S. Hospital Patients	$194	7.6	$1,474	N/A
All Alabama Hospital Patients	N/A	N/A	N/A	N/A
Alabama Medicaid Patients	N/A	5.30	N/A	N/A
paid by Medicaid	$137		$724	$986
paid by Medicare	N/A		N/A	N/A

Source: Nos. 3, 18

Medicaid Patients Compared to Private Patients: Plate 42 shows that for the nation as a whole, the cost per day for hospital care is now up to $194 and that the cost per stay is $1,474. The cost to Alabama Medicaid, even though it has nearly tripled in the last four years, is still lower than the figure for all U.S. patients. This year Medicaid's cost per day was $137. It must be remembered, however, that the $137 a day Medicaid paid for hospital care represents only part of the cost for Medicaid patients. A third of Medicaid's hospital patients are covered by both Medicare and Medicaid. For these patients, Medicare pays most of the hospital bills. We do not have figures that will tell us the total hospital cost paid by both Medicaid and Medicare for these patients. But incomplete evidence suggests that the combined payments of Medicaid and Medicare now equal a cost-per-day larger than the $194 paid by private patients.

Figures for cost-per-day in Alabama this year are not available. We do, however, have figures on use by Alabama's hospital population. As shown in Plate 43, the hospital admission rate for the whole population was, as usual, lower than the rate for Medicaid eligibles. Medicaid's admission rate of 245 per thousand is 20% higher than the rate for Alabama as a whole. Last year Medicaid's admission rate was only 17% higher. Medicaid's high admission rate was, as usual, partially offset by the fact that Medicaid's length-of-stay is below average for the state.

FY '79 PLATE 43

HOSPITAL PROGRAM

Medicaid eligibles compared to all Alabama residents in regard to use of hospital beds

	Total Number	Hospital Admissions	Patient Days	Admissions per 1000 People	Average Days per Stay
Medicaid Eligibles	413,805	101,259	536,466	245	5.3
All Alabama Patients	3,786,400	728,465	4,902,517	192	6.7

Source: Nos. 14, 16, 18

FY '75 — '79

PLATE 44

HOSPITAL PROGRAM

Outpatients

	FY '75	FY '76	FY '77	FY '78	FY '79
Number of outpatients	86,206	93,335	86,910	93,229	105,507
Percent of eligibles using outpatient servcie	21.3%	23%	21%	23%	25%
Annual cost of outpatient care	$3,741,689	$4,846,291	$5,464,123	$5,451,111	$8,084,542
Cost per patient	$43	$53	$63	$58	$77

Source: Nos. 1, 7, 18

Outpatient Care: The Outpatient Program was created to enable people to use hospital facilities without staying overnight. When it is used for this purpose, it reduces the cost of medical care. Some people, however, use outpatient care when all they need or want is a visit to a doctor's office.

An outpatient visit costs more than twice as much as a visit to a doctor. Nevertheless, some Medicaid patients frequently use this expensive service rather than the less expensive one, and hospitals rarely refuse to cooperate in this abuse. Plate 44 shows how use and cost of the outpatient program have grown in four years. The number of patients has increased 22%. The price per visit has increased 79%. The combined effect of increases in both use and cost has caused the annual cost of the program to more than double in this short time.

Alabama's Supply of Hospital Beds: In recent months, several things have happened which should have a noticeable effect on the number of hospital beds in Alabama and an indirect effect on the cost of hospital care.

The key steps were taken by the State Health Planning and Development Agency (SHPDA) and the Statewide Health Coordinating Council (SHCC) which adopted a revised bed need methodology which would be implemented by both the State Agency and the Health Systems Agencies. The new methodology will (1) indicate a much larger number of surplus or excess hospital beds in the State, and (2) count all licensed beds (including psychiatric) in a facility as actually existing general hospital beds, when in the past a facility could have excluded beds which were not indicated as general hospital beds in their total bed count.

FY '71 — '78

PLATE 45

HOSPITAL PROGRAM

Hospital use and need for all Alabama

	Alabama's Population	Hospital Admissions	Patient Days In Hospitals	Existing Hospital Beds	Needed Beds
1971	3,448,000	567,455	4,101,868	16,977	18,807
1972	3,486,000	584,698	4,175,318	17,705	18,287
1973	3,514,000	618,439	4,317,649	18,214	19,270
1974	3,784,000	611,817	4,325,570	18,002	16,170
1975	3,590,000	609,381	4,190,450	18,278	16,989
1976	3,640,000	642,452	4,445,930	18,189	17,316
1977	3,690,000	689,558	4,673,207	17,652	N/A
1978	3,742,000	728,465	4,902,517	20,114	17,339

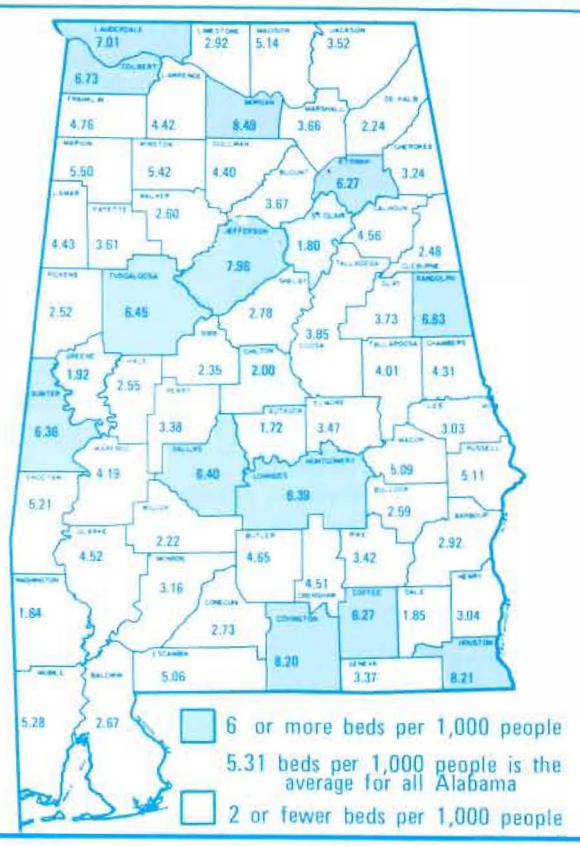
Source: Nos. 12, 14

FY '78

HOSPITAL PROGRAM

PLATE 46

Beds per 1,000 people

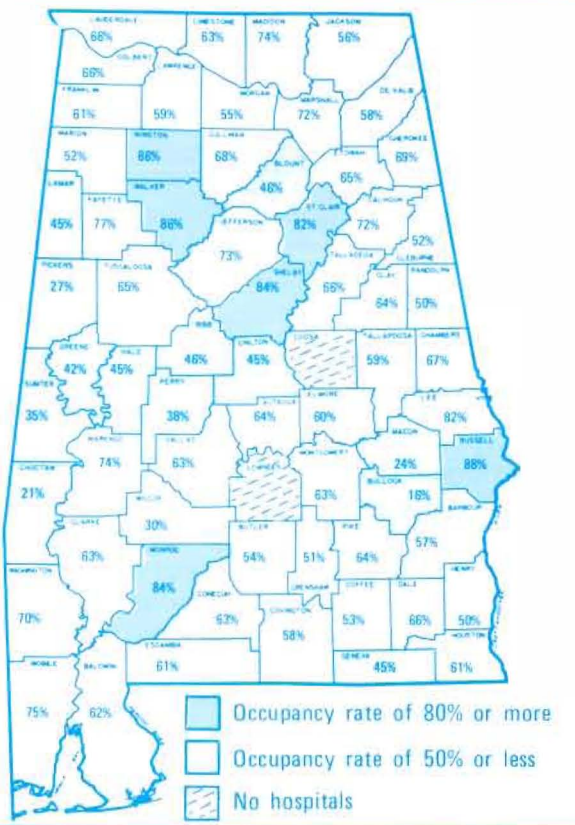


FY '78

HOSPITAL PROGRAM

PLATE 47

Hospital occupancy rates



Source: No. 14

The second change caused the number of hospital beds (or the number of licensed beds) to rise sharply. According to a bed count made in 1976 by the old method, Alabama hospitals had a survey capacity of 18,189 beds. A later count made by the new method showed a total of 20,114 licensed beds. It is doubtful that the actual number of beds increased by nearly 2,000. Much of this difference is probably only the result of the new method of counting.

By the new method of determining bed need, the total needed at present is 17,339, which means we now have a surplus of 2,793 beds. Because of the surplus, Alabama hospitals presumably will not be issued Certificates of Need to expand until our need for beds catches up with our supply (except in very rare circumstances). But even if no new CONs are issued for awhile, the construction of new beds is expected to continue. The reason is that many hospitals still hold unused "assurances of need" which were issued to them before the old formula was replaced by the new one. These assurances are equivalent to permissions to expand. They can not be revoked, and therefore can still be used. A survey made by SHPDA just before this book went to press, indicates that when all presently authorized expansions are completed, the excess number of beds in the state will have risen from 2,793 to 3,883.

Plate 46 shows how existing beds are distributed among the counties. Plate 47 shows occupancy rates in each county. A comparison of Plates 46 and 47 in this yearbook to the same plates in last year's book, reveals that the number of beds per thousand people has risen and that occupancy rates have declined. Last year 4.73 beds per thousand people were reported. As is shown in Plate 46, the latest count shows 5.31 beds per thousand people.

Excess beds unavoidably raise the cost of hospital care. The current effort to slow expansion cannot lower hospital costs, but it should slow their acceleration.

PHYSICIANS' PROGRAM

Among Medicaid eligibles, 57 persons in 100 saw a physician this year.

Medicaid paid physicians an average of $128 for each patient.

PLATE 48

FY '79

PHYSICIANS' PROGRAM

Number of physicians providing direct patient care, by county

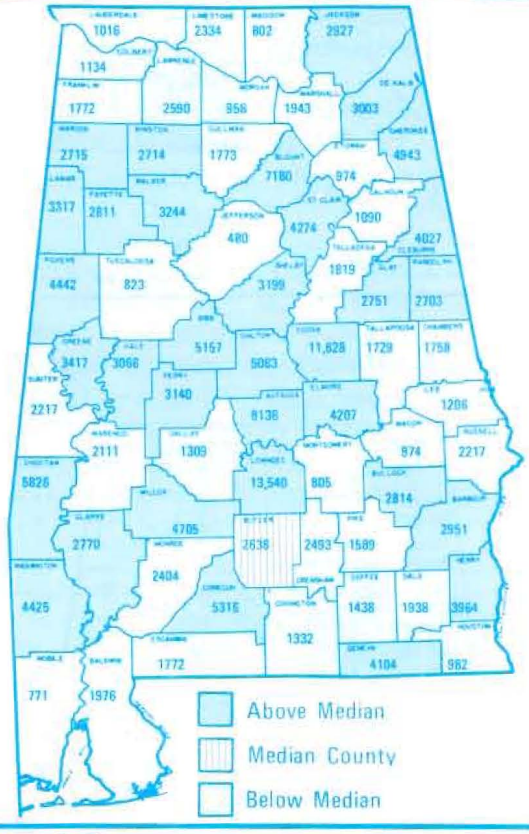
Source: No. 13

PLATE 49

FY '79

PHYSICIANS' PROGRAM

Number of people per physician, by county



Source Nos. 12, 13

In Alabama doctors of medicine or osteopathy initiate most medical care. They either provide it directly or prescribe or arrange for additional health benefits. These benefits may include drugs, nursing care, laboratory tests or devices. Physicians may also admit patients to medical institutions and direct the medical care therein. According to the Alabama Health Data System there were 3,646 doctors offering direct patient care in Alabama as of June, 1979. This figure does not include physicians in teaching, research, public health, administration, etc.

Physicians in Alabama may participate in the Medicaid program as general practitioners or specialists. In the EPSDT Program, because of cost limitations, physicians must sign agreements with the Medical Services Administration before they can provide child screening services; however, in the other programs, physicians are not required to sign agreements. They may provide medically necessary care to any eligible person. During FY '79 more than two-thirds of the Medicaid recipients in Alabama received physicians' services.

FY '75 — '79

PLATE 50

PHYSICIANS' PROGRAM

Use and cost

COST PER RECIPIENT PER YEAR, FOR PHYSICIANS' SERVICES

	FY '75	FY '76	FY '77	FY '78	FY '79
Aged	$ 56	$ 50	$ 51	$ 44	$ 59
Blind	$138	$130	$135	$133	$202
Disabled	$148	$132	$143	$138	$215
Dependent Children	$ 55	$ 49	$ 66	$ 63	$ 88
Dependent Adults	$139	$123	$140	$153	$215
ALL CATEGORIES	$ 82	$ 75	$ 85	$ 87	$128

NUMBER OF MEDICAID RECIPIENTS TREATED BY PHYSICIANS

	FY '75	FY '76	FY '77	FY '78	FY '79
Aged	89,620	84,428	76,287	69,678	67,071
Blind	1,643	1,505	1,416	1,382	1,439
Disabled	30,507	36,425	38,203	39,200	42,648
Dependent Children	76,152	74,226	82,648	69,497	80,898
Dependent Adults	39,785	39,649	33,651	39,063	45,447
ALL CATEGORIES	237,707	236,233	232,205	218,820	237,503

PERCENT OF ELIGIBLES WHO BECAME RECIPIENTS OF PHYSICIANS' CARE

	FY '75	FY '76	FY '77	FY '78	FY '79
Aged	67.5%	67.2%	64.0%	62.3%	61.8%
Blind	66.8%	64.0%	63.6%	63.4%	65.0%
Disabled	58.4%	60.0%	60.2%	62.6%	63.4%
Dependents	53.2%	52.1%	51.0%	47.9%	53.6%
ALL CATEGORIES	58.6%	58.1%	56.2%	54.3%	57.4%

Source: Nos. 1, 7, 16, 18

For Medicaid, physicians' care costs less per person for the aged than it costs for other categories. (See Plate 50.) This surprising situation is explained by the fact that most of Medicaid's aged also have Medicare coverage. Medicare pays the larger part of their bills for physicians' care.

The total number of recipients of physicians' care increased by about 19,000 from the previous year. The aged category, however, showed a decrease.

PHARMACEUTICAL PROGRAM

More recipients had a larger number of prescriptions for higher-priced drugs than last year. This resulted in a significant rise in the amount that Medicaid paid to pharmacies.

FY '77 — '79 PLATE 51

PHARMACEUTICAL PROGRAM

Types of provider by number

TYPE OF PROVIDER	NUMBER		
	FY '77	FY '78	FY '79
In-State Retail Pharmacies	983	1,009	1,130
Institutional Pharmacies	33	37	37
Dispensing Physicians	6	6	3
Out-of-State Pharmacies	44	44	42
Health Centers and Clinics	2	3	4
TOTAL	1,068	1,099	1,216

Source: No. 10

Modern medical treatment relies heavily on the use of drugs. Drugs are used against pain, infection, allergies, chemical imbalances, dietary deficiencies, muscle tension, high blood pressure, vascular diseases, and many other health problems. Illnesses which cannot be treated by drugs usually require hospitalization or surgery. Drugs have advantages over these alternative treatments, and modern medicine has been very successful in finding medications which make the more expensive alternatives unnecessary.

FY '77 — '79 PLATE 52

PHARMACEUTICAL PROGRAM

Eligibles, expenditures, and claims compared

	All Categories	Category 1 Aged	Category 2 Blind	Categories 3 & 7 A F D C	Category 4 Disabled
ELIGIBLES (Per Year)					
FY '77	413,134	119,271	2,228	228,218	63,417
FY '78	403,330	111,832	2,180	226,664	62,654
FY '79	413,805	108,534	2,215	235,796	67,260
EXPENDITURES (Per Year)					
FY '77	$17,859,247	$10,531,202	161,215	2,423,959	4,742,871
FY '78	17,938,531	10,655,423	158,113	2,158,908	4,966,087
FY '79	22,277,146	12,805,938	192,040	2,708,850	6,570,318
# of RX (Per Year)					
FY '77	3,237,535	1,900,369	27,966	513,042	796,158
FY '78	3,021,575	1,740,427	25,683	467,136	788,329
FY '79	3,464,102	1,929,156	28,855	557,694	948,397
RX PER ELIGIBLE (Per Year)					
FY '77	7.8	15.9	12.6	2.2	12.6
FY '78	7.5	15.6	11.8	2.1	12.6
FY '79	8.4	17.8	13.0	2.4	14.1
COST PER ELIGIBLE (Per Year)					
FY '77	$43	$ 88	$72	$11	$75
FY '78	44	95	73	10	79
FY '79	54	118	87	11	98

Source: Nos. 1, 7, 16, 18 20

FY '79

PLATE 53

PHARMACEUTICAL PROGRAM

Use and cost

Month	Number of Drug Recipients	Recipients as a % of Eligibles	Number of Rx	Rx per Recipient	Price Per Rx	Cost per Recipient	Total Cost to Medicaid
October '78	94,392	28%	250,798	2.66	$6.27	$16.65	$ 1,571,250
November	95,903	28%	260,413	2.72	6.25	16.97	1,627,953
December	100,921	30%	294,415	2.92	6.05	17.65	1,781,120
January '79	86,730	26%	233,993	2.70	6.28	16.94	1,468,957
February	99,766	29%	282,374	2.83	6.20	17.54	1,749,580
March	118,940	34%	387,504	3.26	6.37	20.75	2,468,499
April	94,328	27%	254,867	2.70	6.64	17.93	1,691,751
May	102,721	30%	307,331	2.99	6.73	20.13	2,067,432
June	106,546	32%	344,018	3.23	6.27	20.25	2,157,484
July	99,569	29%	289,739	2.91	6.71	19.53	1,944,855
August	98,070	29%	284,279	2.90	6.89	19.99	1,960,100
September	92,221	27%	274,371	2.98	6.52	19.39	1,788,165
ALL YEAR	239,654	57%	3,464,102	14.45	$6.43	$92.96	$22,277,146

Source: Nos. 16, 18, 20, 21

This year, as in all previous years, approximately 60% of Alabama's Medicaid eligibles had at least one prescription filled. The only other medical service used by as many eligibles was physicians' care.

Physicians writing prescriptions for Medicaid patients have a choice of approximately 6000 drug code numbers in more than 50 therapeutic categories. These drugs are listed in the Alabama Drug Code Index (ADCI). Additions are made to the ADCI periodically to keep the drug list correct and effective.

Southeastern states spend more per year per recipient on drugs than do states in other parts of the country. The reason is not known, but opinion among qualified people is that drugs are more often used as an alternative to institutional care in the Southeast.

The total number of prescriptions used by Medicaid patients rose this year—for the first time in four years. This increase in the total has had two causes. The number of drug users has risen slightly (5%), and the number of prescriptions per recipient per year has inclined substantially (9%).

The average price per prescription rose 8%—from $5.94 to $6.43. (See Plate 53.)

The combined effect of higher use and higher prices was that the average monthly cost per recipient rose 19%—from $15.71 to $18.64 per month.

FAMILY PLANNING

Recipients of family planning services this year numbered 13% more than last year. However, the total costs for these services rose by more than 72%.

FY '79 PLATE 54

FAMILY PLANNING PROGRAM

Recipients by age, sex, and race

	RECIPIENTS
Total	21,269
Male	465
Female	20,804
White	2,540
Nonwhite	18,729
Age 0 - 5	0
Age 6 - 20	9,056
Age 21 - 64	12,213
Age 65 & Over	0

Source: No. 18

Alabama Medicaid purchases family planning services provided by the Statewide Family Planning Project, Bureau of Maternal and Child Health, State Health Department, in clinics under its supervision. These services include physical examination, Pap smears, pregnancy and V.D. testing, counseling, oral contraceptives, other drugs, supplies and devices, and referral for other needed services. The Medicaid Family Planning Program cooperates with the Statewide Family Planning Project and the Bureau of Nursing in training programs designed to upgrade quality and quantity of services available through the clinics. Medicaid also pays for family planning services provided by physicians, pharmacists, hospitals and other private providers.

In March 1973, federal law made family planning services a required part of all Medicaid programs. To insure that the new family planning programs be given priority, the federal government agreed to pay 90% of the cost. Before this time Alabama Medicaid had offered some family planning services as incidental parts of its pharmaceutical and physicians' programs, but until then there was no separate program. Using the additional funds, Alabama launched its full scale family planning program, including clinic services, counseling, patient education, supplies and devices, sterilization, and abortion.

In April 1974, federal regulations prohibited Medicaid's paying for sterilization of persons under 21 years of age and those mentally incompetent to give informed consent, and required that persons eligible for sterilization procedures wait a minimum of 72 hours after the giving of informed consent before the surgery was performed. Medically necessary surgical procedures having a secondary effect of sterilization are not subject to age and mental capacity restrictions which pertain to nontherapeutic sterilization for family planning purposes.

In August 1977, DHEW issued a policy statement regarding payment for abortions for Medicaid recipients. Basically, this policy states that payment can be made: (1) for abortions where the attending physician has certified that it is necessary because the life of the mother would be endangered if the fetus were carried to term; (2) when severe and long-lasting physical health damage to the mother would result if the pregnancy were carried to term; and (3) for treatment of rape and incest victims if reported to a law enforcement agency within sixty days of the incident.

As FY '79 ended, no significant policy changes had been made. However, in October, 1979, Medicaid funds were prohibited from being used to pay for abortions meeting the second condition above. Further changes were instituted later in FY '80 which will be discussed in next year's annual report.

EPSDT PROGRAM

More than half the children screened in Alabama need treatment.

EPSDT offers persons, from birth through age 20, preventive care with periodic examinations and referral and treatment when needed.

EPSDT (Early and Periodic Screening, Diagnosis and Treatment) is a program of preventive medicine. It is designed to provide preventive health services and early detection and treatment of diseases so that young people can receive medical care before health problems become chronic and disabling. It offers these services to all Medicaid eligibles under age 21.

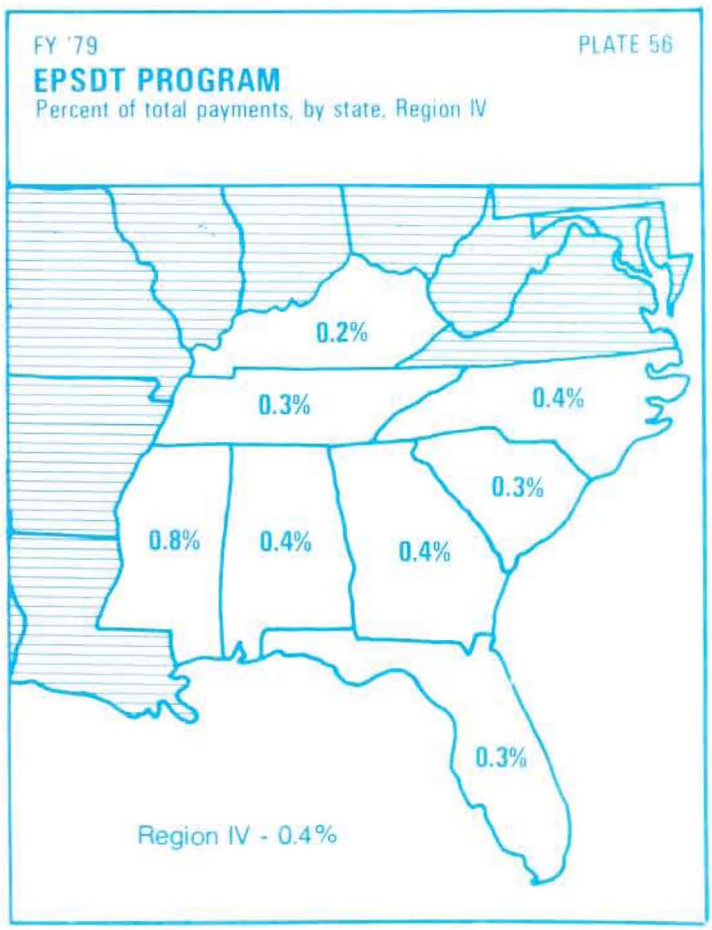
Each year since FY '72, there have been approximately 175,000 eligibles in this age group. Medicaid's goal is to screen each one at periodic intervals from birth until he reaches age 21 if he remains eligible during all these years. These checkups are scheduled to occur at ages 2, 4, 6, 9, 13, and 17 years.

Approximately a fourth of those screened were in age group 0-5 and the remainder were in age group 6-20. Hypertension, rheumatic fever, other abnormal heart conditions, diabetes, neurological disorders, venereal disease, skin problems, anemia, urinary tract infections, visual and hearing problems, and child abuse are among the health problems discovered and treated.

County health departments do most of the screening examinations that Alabama Medicaid pays for. However, several physicians, community health centers, Head Start centers, and child development centers have entered the program and have made significant contributions to the screening program in several counties.

The state and local offices of the Department of Pensions and Security made a tremendous contribution to the EPSDT program during the year through their outreach efforts, person-to-person contacts, provision of social services, and help with follow-up of referrals to assure that children and young people in need of medical or dental services were able to receive them on a timely basis.

The cost of screening is relatively small, accounting for only .4% of the money Alabama Medicaid spends. (See Plate 55.) This was a higher percentage than that for four of the eight southeastern states that comprise Medicaid's Region IV.



Source: No. 15

During FY '79 43,378 screenings were made—down 6% from last year. Of those screened, about 80% had referrable conditions uncovered or suspected. We are rapidly approaching the goal set by Congress of seven screenings for each child before his 21st birthday.

HOME HEALTH PROGRAM

Of every 8 Medicaid patients who need regular and continuous care, 7 live in nursing homes. The other 1 stays home and receives home health care.

An Alternative to Nursing Home Care: Medicaid offers two kinds of care for the aged who have chronic health problems and need regular continuous care. One kind is institutional and requires the patient to live in a nursing home. The other kind is non-institutional and permits the patient to remain at home. Institutional care costs 10 times as much as home health care. Medicaid's problem of a continuing money shortage could be largely solved if a way were found to shift large numbers of the chronically ill from institutions to home health care so their families could pay for food, shelter and other non-medical expenses.

In 1973 there were 16,532 Medicaid patients with chronic illnesses sufficient to warrant continuous regular care. Approximately 93% were put into nursing homes and 7% were treated at home. By 1979 the number of chronically ill had increased to 28,548 and the portion living at home had increased to 13%. They got the medical help they needed from visiting nurses. In absolute terms there were 2,801 more home health patients in 1979 than in 1973. Each patient treated at home this year saved Medicaid $3,706. Total savings on the 2,801 new home health patients was more than $10 million this year.

The possibility of reducing the cost of Medicaid by making more use of home health care has been substantiated by many studies, including one issued by a congressional group headed by Representative Claude Pepper. His report entitled "Home Health — The Need for a National Policy to Better Provide for the Elderly," said "Until older people become greatly or extremely impaired, the cost of nursing home care exceeds the cost of home care, including the value of the general support services provided by family and friends."

Growth of the Program: Plate 56 shows how the number of chronically ill has increased each year since 1973 and the division each year of these patients into two groups—one group at home and one group in nursing homes.

The Home Health Program, which began in Alabama in 1970, is a mandatory, not an optional, program. Its purpose is stated in Title XIX of the Social Security Act which says that the Home Health Care Program is to provide quality medical care for people who are confined to their homes with an illness, disability or injury.

Through utilization of part-time nursing services and home health aide service, people who otherwise could not manage to remain in their homes are able to do so. Some people who enter nursing homes and hospitals go home sooner by being referred to Home Health Care through discharge planning.

Current Medicaid home health care includes restorative, custodial, and supportive services.

In FY '79, there were 73 participating home health agencies serving Medicaid patients in Alabama.

Payment, Service, and Cost: Payment of a provisional rate is renegotiated annually. The maximum payment this year was $25.00 per visit.

Effective July 1, 1978, certain supplies and equipment became available to all Medicaid eligibles as a program benefit under Home Health.

The items are ordered by the attending physician for therapeutic purposes for in-home use, helping to minimize the necessity for hospitalization, nursing home placement, or other institutional care.

These items are obtained through participating Home Health Agencies and contracted suppliers. Durable medical equipment must be authorized by MSA before it is purchased.

The program this year cost $1.98 million to care for nearly 4,000 patients.

FY '73 — '79 PLATE 56

HOME HEALTH CARE

Number of aged patients using home health care compared to the number using nursing home care.

Year	Home Health Care	Nursing Home Patients
1973	1,123	15,409
1974	1,138	16,858
1975	1,844	20,042
1976	1,979	21,094
1977	2,234	24,351
1978	2,846	24,267
1979	3,924	24,624

Source: Nos. 1, 18

Appendix A

TERMINOLOGY

MEDICAID and MEDICARE

Medicaid and Medicare are two governmental programs which exist to pay for health care for two different, but overlapping, groups of Americans.

Medicaid buys medical care for several low-income groups, including people of all ages.

Medicare buys medical care for most aged people, including some people from all income groups.

Many aged people who have low incomes are eligible for both Medicaid and Medicare, and those who are eligible for both can get both a Medicaid card and a Medicare card. For these people Medicare pays most of their medical bills, and Medicaid pays the balance, or most of it.

Medicaid is administered by the state governments, and thus there is not one Medicaid program, but 53 (Puerto Rico, Guam, the Virgin Islands, and Washington, DC, run the total to 53). All 53 programs are different. Arizona goes not have a Medicaid Program.

Medicare is administered by the federal government, and the coverage provided is uniform throughout the nation.

ELIGIBLES and RECIPIENTS

Eligibles, in this report, are people who have Medicaid cards and thus are eligible for health care services paid for by Medicaid.

Recipients, in this report, are people who used their Medicaid eligibility this year, and actually received one or more medical services for which Medicaid paid all or part of the bill.

PROVIDERS

All physicians, dentists, hospitals, nursing homes, and other individuals or businesses that provide medical care are called providers.

CATEGORY

In normal usage the word "category" is used interchangeably with "kind" or "type." In Medicaid's usage, "Category" has a special meaning. In Medicaid there are four major bases for eligibility, and the eligibles in each of the resulting groups form a "Category," with a capital C. In this book when eligibles are grouped by age, race, or sex, the divisions that result are spoken of as different groups of eligibles or different kinds of eligibles but never as different categories.

The four major categories are:
Category 1—aged people with low incomes.
Category 2—blind people with low incomes.
Category 4—disabled people with low incomes.
Category 3—low-income families with dependent children.

PAYMENTS, CHARGES, EXPENDITURES, PRICES, and COST

A **charge** is the amount of money the provider asks for a service when he submits his bill to Medicaid.

A **payment** is the amount Medicaid pays for a service. Medicaid rules limit payments, so sometimes a provider cannot be paid as much as he asks.

Price, in this report, means "average unit price" or the average price Medicaid paid this year for a unit of care, such as:

1 day in a hospital	$139.56
1 day in a skilled nursing home	19.24
1 visit to a physician	14.48
1 prescription	6.43

Cost, in this report, means "average cost per person." Examples of different contexts in which this term is used include:
average cost per eligible for hospital care per month,
average cost per recipient for hospital care per month,
average cost per eligible for prescriptions per year.

Expenditures, in this report, is a more inclusive term than payments. Payments, as stated above, means the amount paid for medical care. The term expenditure also includes money spent for administration.

HEALTH CARE SERVICES

Medicaid pays for the following health care services:

Nursing home care,
physicians' services,
eye care, including glasses,
drugs,
family planning services,
home health care,
hospital care,
dental services,
hearing care, including hearing aids,
laboratory work and X-rays,
screening and referral services (EPSDT),
transportation required for medical purposes.

BUY-IN INSURANCE

Many Medicaid eligibles are also eligible for Medicare. As Medicare eligibles they get Medicare hospital insurance without payment. Medicare insurance to cover physicians' bills, however, must be paid for. It costs $8.70 a month. Medicaid buys this insurance for all Medicaid eligibles whose applications are approved by Social Security. Medicaid calls this insurance "buy-in insurance."

Appendix B

SOURCES OF DATA USED IN THIS PUBLICATION

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3. A.H.A. *Hospital Statistics, 1979 Edition*. Chicago, Illinois.
4. Facts on File, Inc. *Facts on File*. New York, New York. 1979.
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9. MSA, Long-term Care Branch. Expiration Date Report.
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12. University of Alabama. Center for Business and Economic Research. Census Estimates: 1975-1985. February, 1979.
13. Department of Public Health. Data Management Division. Report CHD128.
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16. Monthly, quarterly, and annual counts of eligibles.
17. SRS-NCSS-120 Statistical Report on Numbers of Recipients and Amounts of Assistance Under Public Assistance Programs (monthly).
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19. Recap of Welfare Medical Assistance (monthly).
20. Expenditure Analysis (monthly).
21. Provider Participation Analysis (monthly).