

MURPHY

ALABAMA MEDICAID



SIXTH ANNUAL REPORT

October 1, 1977-September 30, 1978

Medical Services Administration
State of Alabama



State of Alabama Medical Services Administration

JACK E. WORTHINGTON
Commissioner

PATRICIA A. NORRELL
Confidential Assistant

2500 Fairlane Drive
Montgomery, Alabama 36130

CLAYTON H. SCHMIDT, M.D.
Chief of Medical Services

JACK W. GWIN
Medical Services Administrator

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

Dear Governor James:

This yearbook, Medicaid's first annual report to you, also covers my first full year as Medicaid's Commissioner. During this year, we have initiated five new programs designed to cut costs, detect fraud, reduce misuse and improve services. As the year ended, all five programs were beginning to work. They offer, I believe, a way for Alabama to provide maximum Medicaid care at minimum cost. A brief description of the five programs is on pages six through eight of this yearbook.

The rest of the report provides a measure of the health services that were purchased in FY '78, as well as a measure of their costs. In several tables, the services and costs of this year are compared with those of previous years. These measures and comparisons will, I hope, introduce you to the goals and policies we have been following.

Medicaid is anxiously looking forward to serving under your outstanding leadership. We await with interest any questions, comments or suggestions.

Regards,

Jack E. Worthington
Jack E. Worthington, Commissioner
Medical Assistance

JEW:eh



Fob James, Governor
State of Alabama



Jack E. Worthington, Commissioner
Medical Assistance



Henry C. Vaughn, Jr., Internal Administrator



Clayton H. Schmidt, M.D., Chief of Medical Services



Patricia A. Norrell, Confidential Assistant

ALABAMA MEDICAID

FISCAL YEAR 1978

James F. Adams, Associate Director
Management and Administrative Reporting Branch

Michael C. Murphy
Statistician

MEDICAL SERVICES ADMINISTRATION

MONTGOMERY, ALABAMA

Jack E. Worthington, Commissioner
Medical Assistance

TABLE OF CONTENTS

	PAGE
OVERVIEW	
1. MAJOR EVENTS FOR MEDICAID IN FY '78.....	6
2. MEDICAID'S IMPACT ON ALABAMA IN FY '78.....	9
STATISTICAL TOPICS –measures of activity	
3. REVENUE, EXPENDITURES AND PRICES.....	12
4. POPULATION AND ELIGIBLES.....	16
5. RECIPIENTS.....	21
6. USE AND COST.....	23
HEALTH CARE TOPICS –details about 6 of Medicaid's health care programs	
7. LONG-TERM CARE PROGRAM.....	28
8. HOSPITAL PROGRAM.....	32
9. PHYSICIANS' PROGRAM.....	36
10. PHARMACEUTICAL PROGRAM.....	38
11. FAMILY PLANNING PROGRAM.....	40
12. EPSDT PROGRAM.....	41
APPENDIX	
A. TERMINOLOGY.....	42
B. SOURCES OF DATA.....	43
C. TABLE OF ORGANIZATION.....	44

LIST OF ILLUSTRATIONS

Source numbers below each plate refer to the sources of data as listed in the bibliography which appears at the end of this publication.

	PAGE
MAJOR EVENTS FOR MEDICAID IN FY '78	
Plate 1— States with MMIS	6
Plate 2— Medicaid Investigations. Investigations of fraud.....	7
✓ Plate 3— Medicaid Investigations. Investigations of abuse.....	8
✓ MEDICAID'S IMPACT ON ALABAMA IN FY '78	
✓ Plate 4— Year's Expenditure Per Eligible	9
Plate 5— County Impact. Payments, eligibles, recipients, providers	10
✓ REVENUE, EXPENDITURES AND PRICES	
✓ Plate 6— The Medicaid Budget Dollar: Where it Comes From, Where it Goes	12
✓ Plate 7— Sources of Medicaid Revenue.....	12
✓ Plate 8— Components of Federal Funds	12
✓ Plate 9— Components of State Funds	12
✓ Plate 10— Medicaid's Portion of Total State Expenditures.....	12
✓ Plate 11— Expenditures. By type of service	13
✓ Plate 12— Payments. By category, sex, race, age group	14
Plate 13— Payments. By county.....	14
Plate 14— Unit price per service, by quarter	15
✓ POPULATION AND ELIGIBLES	
✓ Plate 15— Eligibles as percent of Alabama population, by year, 1970 to 1978.....	16
✓ Plate 16— 1978 population estimates, by county	16
✓ Plate 17— Number of Medicaid eligibles by county	17
✓ Plate 18— Percent of population eligible for Medicaid, by county	17
Plate 19— Three ways to count the number of eligibles	18
Plate 20— Eligibles. By category, sex, race, age; total number for year; average number per month.....	18
Plate 21— Eligibles. Year's total; distribution by category, sex, race, and age	19
✓ Plate 22— Eligibles. By category; monthly average; annual number	19
✓ Plate 23— Eligibles. By category, sex, race, age; total MME used by each group; average MME used by each person	20
✓ Plate 24— Annual changes in expected duration of eligibility.....	20
✓ RECIPIENTS	
✓ Plate 25— All categories; three ways to count the number of recipients	21
✓ Plate 26— By category, sex, race, age; number of recipients and nonrecipients during year	21
✓ Plate 27— By category, sex, race, age; monthly counts; year's total; MMS per category, and per recipient.	22
✓ USE AND COST	
✓ Plate 28— Utilization rate by category	23
✓ Plate 29— Frequency-of-service rate (MMS per recipient).....	23
✓ Plate 30— MMS per eligible; ratio of actual use to potential use	23
✓ Plate 31— Annual changes in cost per eligible	24
✓ Plate 32— Cost per eligible	25
Plate 33— 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	26

✓ **LONG-TERM CARE PROGRAM** ✓

✓ Plate 34— Patients, months, and cost 28
✓ Plate 35— The number and percent of beds used by Medicaid 29
✓ Plate 36— Recipients, by sex, by race, by age 30
✓ Plate 37— Length of stay, by type of care 30
✓ Plate 38— Payments, by sex, by race, by age 30
✓ Plate 39— Beds in existence, by month; beds used by Medicaid, by month 31
✓ Plate 40— Number of recipients 31

✓ **HOSPITAL PROGRAM** ✓

Plate 41— Medicaid eligibles compared to all Alabama residents in regard to use of hospital beds... 32
Plate 42— Cost for Medicaid patients compared to costs for other hospital patients 33
✓ Plate 43— Use and cost trends for the past five years 33
✓ Plate 44— Outpatients 34
Plate 45— Hospital use and need for all Alabama 34
Plate 46— Beds per 1000 people 35
Plate 47— Hospital occupancy rate 35

✓ **PHYSICIANS' PROGRAM** ✓

✓ Plate 48— Number of physicians providing direct patient care, by county 36
✓ Plate 49— Number of people per physician, by county 36
✓ Plate 50— Use and cost 37

✓ **PHARMACEUTICAL PROGRAM** ✓

✓ Plate 51— Types of providers, by number 38
✓ Plate 52— Use and cost 38
✓ Plate 53— Eligibles, expenditures, and claims 39

✓ **FAMILY PLANNING PROGRAM** ✓

✓ Plate 54— Recipients by age, sex, and race 40

✓ **EPSDT PROGRAM** ✓

✓ Plate 55— Percent of total payments, by state, Region IV 41

MAJOR EVENTS FOR MEDICAID IN FY '78

The outstanding event for Medicaid this year was the *inauguration and certification of MMIS*—a new system of computer software with several advantages which are discussed below.

Other major events of the year were:

A quality control program—called QC—to see that only eligible people get Medicaid cards,

A quality control program—called REOMB—to check the accuracy of payments made by Medicaid,

A quality control program—called PSRO—to see that institutional care is provided only when needed,

Reorganization of the offices responsible for detecting fraud and abuse committed by Medicaid providers or recipients.

ALABAMA'S NEW COMPUTER SYSTEM FOR MEDICAID

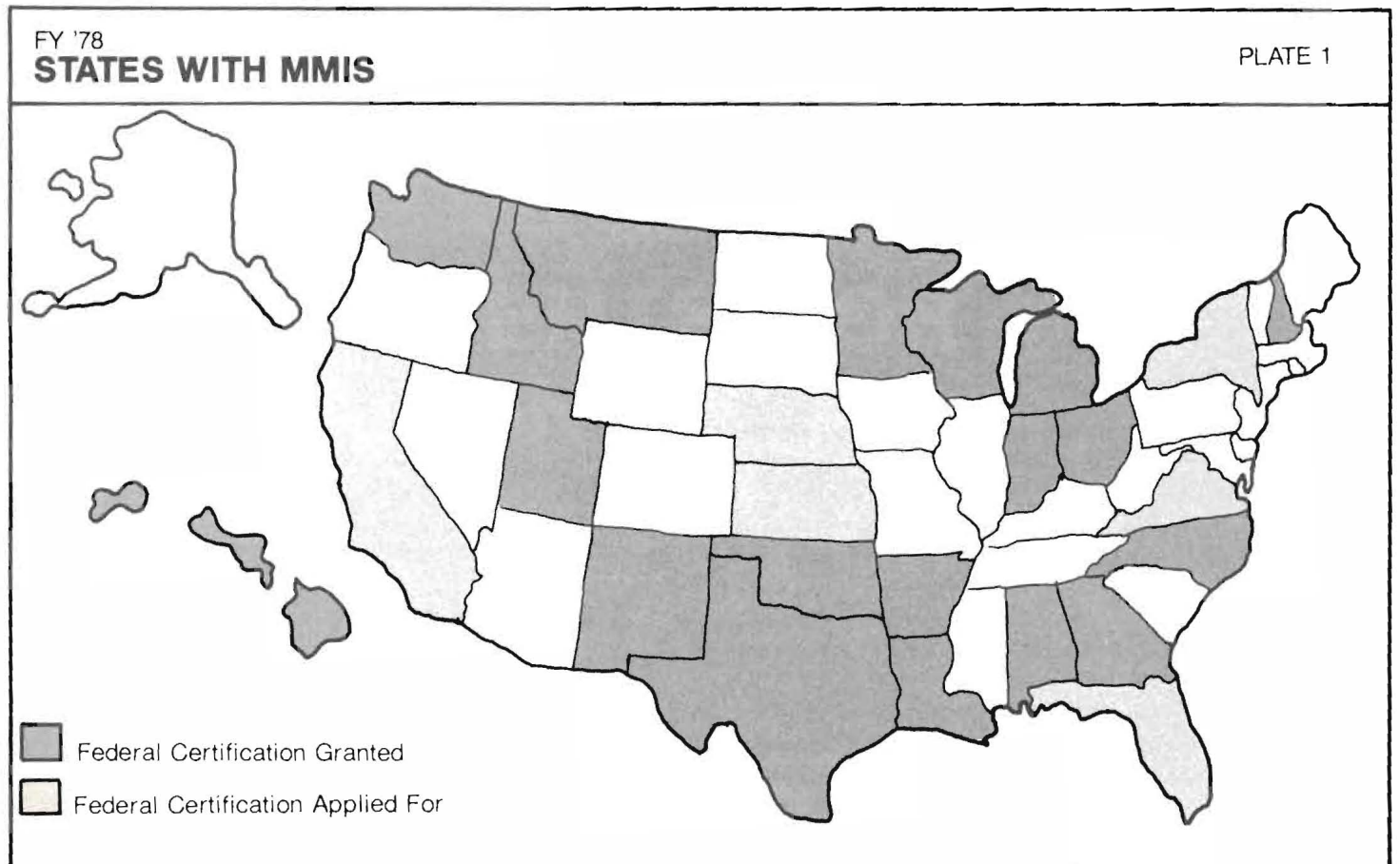
Efficiency and economy in Medicaid varies from state to state. What causes this variation? Alabama

believes that the most important variable is the computer software which is a necessary part of each Medicaid program. The quality of a state's computer software determines the quality of its entire Medicaid program.

Alabama Medicaid receives and pays more than 20,000 medical bills every working day. Most of the bills it receives are legitimate and free from error. Some, however, are unjustified or erroneous. The computer must decide which bills to pay and which to deny, and even a small error rate can cost the taxpayers millions of dollars a year.

The computer must detect not only error, but also evidence of fraud. A third duty of the computer as it pays the bills, is to keep a record of every action it takes. These records are then printed by the computer as reports for Medicaid's managers, to furnish information they need when making policy or budget decisions.

In recognition of the primary importance of computer software, the Federal government, in the early 70's, designed a model software system. The model was based on experience in Ohio, but it was general



FY '78

PLATE 2

MEDICAID INVESTIGATIONS

Investigations of fraud

Category of Provider Investigated	Number	Results of Investigation
Nursing Home Operators	3	1 convicted — fined \$2500.00 2 convicted — each sentenced to one year imprisonment
Pharmacists	2	1 acquitted 1 convicted — sentenced to one year imprisonment

Source: No. 18

enough to be adapted for use in any other state. No state can use the model, but each one can design a system for itself which is based on the principles of the model system.

The model is called the MMIS (Medicaid Management Information System). Any adaptation of this model by one of the states is also called a MMIS. As 1979 began, there were 19 states which had created MMIS's which met Federal standards and were in use. (See Plate 1).

Alabama's decision that it needed a MMIS was made in 1977. To acquire one, Medicaid made a contract with its fiscal intermediary. The contract became effective in October, 1977, and the intermediary was given six months in which to design and begin operation of a certifiable system. To meet this deadline, Alabama Blue Cross acquired rights to Indiana's MMIS system and modified it to meet conditions in Alabama.

In June, two months after Alabama began to use its new computer system, a team of Federal inspectors visited Montgomery and Birmingham to observe the system's operation. They found it met Federal standards, and it was formally certified in August. Alabama was the first state in Region IV (8 southeastern states) to be certified. In September, as FY '78 ended, Alabama's new computer system, called ALMMIS, had been in operation for six months.

ALABAMA MMIS SAVES MONEY IN TWO WAYS

Medicaid's expenditures are of two kinds—money spent for *health care*, and money spent for *administration*. ALMMIS can bring savings in both these areas.

Alabama's outlay for administration of Medicaid has already been cut by approximately \$41,000 a month, which is a savings of about 9% of administrative costs.

Reductions in health care costs will save a much larger amount each month. A 5% savings in this area would amount to nearly \$1 million a month. The savings will occur as the new computer software

reduces the number of mistakes the computer makes in paying bills.

Experience indicates that computer software systems make mistakes in paying bills. Some errors cause overpayments, and some cause underpayments. The net result is believed to be over-payments running into millions, or even billions of Medicaid dollars annually for the U.S. as a whole. The percentage of overpayments is not known, but informed estimates indicate that it is at least 5% in the U.S. Alabama's error rate is probably not greatly different.

QUALITY CONTROL

Alabama's present Medicaid Quality Control Office was organized in October, 1977, as part of the eligibility office. It was made a separate office in July of 1978. The existence of such an office is required by Federal law and all work done in the office is guided by Federal regulations.

Each month the computer draws two random samples from the list of people who applied for Medicaid eligibility in the previous month. One list is of people whose applications were approved; the other is a list of applicants who were denied.

Field workers investigate each approval and denial to see if it was correct. Incorrect decisions are examined to discover the causes of error.

Work has also been started to measure two other kinds of error rates; errors in which we paid the wrong amount, and errors in which we paid portions of bills which should have been paid by private insurance companies.

RECIPIENT EXPLANATION OF MEDICAL BENEFITS

MMIS requires that Medicaid make regular spot checks to see if recipients are receiving all the services we pay for. To make this spot check, we mail a form called a "Recipient Explanation of Medical Benefits" (REOMB) to 4,000 recipients each month. The form each person receives lists the medical bills we paid for him or her in the previous month. The recipient is asked to mark the form to show whether or not he received the services, and to return the form to Medicaid.

Experimental mailings were made several times in the last half of FY '78. The first full and official mailing was made in January, 1979. Results of this mailing were not complete when this book went to press.

PROFESSIONAL STANDARDS REVIEW ORGANIZATION

Work to organize Alabama's PSRO (Professional Standards Review Organization) was begun in 1977, but full operation did not start until April, 1978. PSRO is independent of Medicaid and of Alabama state government, but works in cooperation with both. Its purpose is to see that hospital stays are medically indicated and no longer than necessary.

PSRO has a central office in Birmingham and a small staff located in each hospital in the state. Its services to Medicaid are valuable in that it prevents unnecessary expenditures and does so at no cost to us. All its money is provided by Federal grants.

Effective February, 1979, PSRO extended its monitoring activities to nursing homes. PSRO will gradually assume the responsibility of determination

of medical necessity for nursing home patients over the next several months.

DETECTION OF FRAUD AND ABUSE

In conjunction with the beginning of MMIS, Alabama also made new arrangements for detecting and investigating fraud and abuse in the Medicaid program.

Section 17 of the Medicare-Medicaid Anti-fraud and abuse Amendments Act of 1977, signed by the President on October 25, 1977, authorizes Federal payment of 90 percent of the costs of operating Medicaid Fraud Control Units. The congressional intent in enacting this provision was to encourage the creation of independent investigating units, not controlled by the Medicaid agency itself.

Alabama's Medicaid Fraud Control Unit is a part of the Attorney General's Office. It was developed and implemented in close coordination with Alabama Medicaid, and a contractual agreement exists between Medical Services Administration and the Fraud Control Unit. In April, 1978, DHEW certified the unit (the first such unit certified in the entire United States) in response to an application, which included the contractual agreement and a statement of Medicaid's participation in the program.

Subsequent to certification of the Unit, a nucleus of personnel transferred to the Attorney General's Office from Medicaid's Investigation Section. These five individuals, one Attorney, three Investigators, and one Secretary, developed the organization of the Unit and attended to such matters as obtaining office space, purchasing equipment and furniture, and establishing lines of communication with Medicaid and other State and Federal agencies. Before FY '78 ended, the Fraud Control Unit launched several investigations, five of which resulted in indictments before the year ended. Plate 2 shows the results of the five indictments.

To detect and investigate cases of abuse (which are legally different from fraud), Medicaid also created last year a new office called the Surveillance and Utilization Review Branch (S/UR). This office uses computer printouts produced by the S/UR subsystem of ALMMIS to discover exceptional patterns of behavior among providers or recipients. Exceptional patterns which indicate possible abuse of Medicaid's program are then investigated.

In the last half of FY '78, the S/UR Office found 129 cases in which the evidence of abuse seemed to warrant investigation. Plate 3 shows results of these investigations. S/UR found that some of these abuse cases seemed to involve fraud. These cases were turned over to the Attorney General for further investigation and possible indictment. Most abuses discovered, however, were such that correction by recoupment of money or other administrative action was deemed sufficient. Plate 3 shows that these recoupments in the last few months of FY '78 totalled more than \$68,000.

FY '78		PLATE 3
MEDICAID INVESTIGATIONS		
Investigations of abuse		
Investigations of suspected abuse		129
Results of investigations		
Suspicious of abuse substantiated.....	28	
Suspicious of abuse not substantiated	70	
Still Pending.....	31	
Kinds of Abusers		
Nursing homes	2	
Hospitals	2	
Physicians	2	
Ambulance companies.....	4	
Dentists.....	7	
Opticians	1	
Pharmacists.....	2	
Recipients	6	
Other.....	2	
		28
Refunds Required from Abusers		
Nursing homes	\$ 1,007.50	
Hospitals	27,889.80	
Physicians	245.00	
Ambulance companies.....	1,235.00	
Dentists.....	2,464.50	
Opticians	859.00	
Pharmacists.....	1,505.32	
Recipients	33,370.64	
		\$68,576.76

Source No. 19

MEDICAID'S IMPACT

Medicaid not only influences the health of Alabama's citizens, it 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* concludes that the effects of new expenditures by service industries are such that Medicaid's expenditure of \$208 million in FY '78 was sufficient to have created about 35,600 jobs—22,000 in the health field, and 13,600 in other fields. The total payroll for these workers would run to \$260 million for the year, which is 25% more than the total amount 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 4 shows how much was spent per eligible in each county this year. The median county is Escambia where Medicaid payments averaged \$501 per eligible. Most of the urban counties fall above this median, but there are two notable exceptions—Mobile and Madison.

Plate 5 tells the dollar amount spent in each county, and gives selected details about eligibles, providers, recipients, and services received.

*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 '78
COUNTY IMPACT
 Year's expenditure per eligible

PLATE 4

County	Dollars Per Eligible
Winston	\$ 991
Marion	798
Tallapoosa	797
Clay	781
St. Clair	760
Cullman	717
Franklin	710
Lamar	685
DeKalb	680
Randolph	677
Dale	675
Covington	659
Walker	649
Morgan	645
Elmore	639
Colbert	620
Lauderdale	618
Tuscaloosa	600
Crenshaw	599
Baldwin	573
Marshall	565
Chambers	563
Shelby	562
Blount	559
Cleburne	553
Fayette	543
Jefferson	536
Lawrence	536
Etowah	529
Montgomery	520
Calhoun	512
Chilton	509
Bibb	506
Escambia	501
Coffee	488
Barbour	474
Limestone	470
Butler	470
Cherokee	467
Coosa	457
Pike	455
Russell	454
Talladega	434
Clarke	433
Hale	428
Madison	423
Autauga	422
Houston	421
Pickens	416
Washington	416
Mobile	412
Macon	405
Jackson	398
Conecuh	392
Sumter	378
Lee	370
Perry	367
Marengo	364
Monroe	350
Geneva	344
Choctaw	337
Dallas	283
Bullock	277
Wilcox	259
Lowndes	239
Henry	228
Greene	228

Source: Nos. 21, 22, 25

FY '78

COUNTY IMPACT

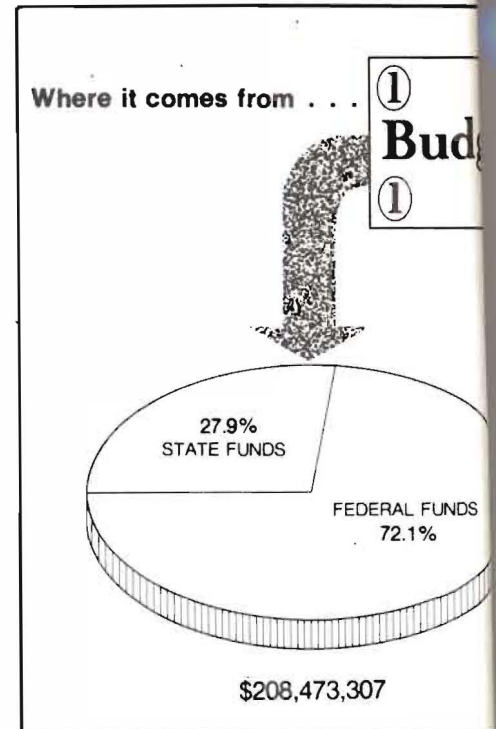
Payment, eligibles, recipients, providers

County	Total Payments	Eligibles	Nursing Home Care		
			Providers	Recipients	Payments
Autauga	\$ 1,419,273	3,362	2	175	\$ 470,363
Baldwin	2,762,978	4,823	4	498	1,739,914
Barbour	2,073,200	4,374	2	289	926,299
Bibb	782,103	1,546	1	88	306,600
Blount	1,436,972	2,572	1	184	363,443
Bullock	732,858	2,646	1	37	204,157
Butler	1,766,457	3,759	2	241	795,372
Calhoun	5,357,028	10,469	5	749	2,353,387
Chambers	2,514,847	4,463	4	196	1,092,720
Cherokee	663,469	1,420	1	67	225,002
Chilton	1,337,463	2,628	2	175	683,952
Choctaw	1,207,976	3,581	1	54	228,648
Clarke	1,877,039	4,339	2	203	782,854
Clay	1,175,476	1,505	2	205	787,016
Cleburne	562,267	1,016	1	69	241,178
Coffee	1,735,801	3,559	2	194	623,336
Colbert	2,650,257	4,274	3	375	1,187,637
Conecuh	1,232,623	3,142	1	104	416,629
Coosa	619,158	1,356	1	63	216,118
Covington	3,016,134	4,578	4	427	1,317,194
Crenshaw	1,556,738	2,600	1	261	791,326
Cullman	3,378,066	4,713	3	530	1,523,111
Dale	2,042,495	3,028	2	330	1,089,938
Dallas	3,158,452	11,167	4	360	1,114,723
DeKalb	3,209,388	4,720	3	588	2,202,785
Elmore	2,595,410	4,062	3	370	1,352,097
Escambia	2,261,723	4,510	2	289	1,180,344
Etowah	4,826,779	9,117	5	830	2,580,032
Fayette	936,941	1,726	1	136	468,045
Franklin	2,278,343	3,211	4	323	1,130,214
Geneva	1,112,258	3,237	1	67	243,676
Greene	810,184	3,560	1	50	153,310
Hale	1,515,502	3,542	2	226	669,430
Henry	589,240	2,582	0	9	18,105
Houston	3,060,953	7,269	2	287	922,316
Jackson	1,672,988	4,205	2	162	546,924
Jefferson	33,324,295	62,184	33	4,299	13,901,882
Lamar	1,366,312	1,996	2	224	805,742
Lauderdale	3,567,703	5,775	5	618	1,893,350
Lawrence	2,132,242	3,980	1	202	734,061
Lee	1,918,274	5,185	1	211	722,153
Limestone	2,026,115	4,310	2	334	1,013,187
Lowndes	1,004,450	4,194	0	2	7,271
Macon	2,333,722	5,763	2	235	947,482
Madison	5,347,880	12,641	4	679	1,909,927
Marengo	1,877,798	5,156	2	190	656,764
Marion	2,179,201	2,731	3	342	1,205,426
Marshall	3,130,436	5,543	3	452	1,550,595
Mobile	15,303,147	37,164	13	1,962	7,133,021
Monroe	1,185,329	3,384	2	172	568,347
Montgomery	9,790,629	18,832	9	1,296	4,273,799
Morgan	4,521,140	7,008	5	735	2,302,730
Perry	1,340,505	3,657	2	161	530,663
Pickens	1,949,117	4,684	2	217	743,293
Pike	2,119,209	4,655	1	312	716,263
Randolph	1,590,732	2,348	2	273	827,704
Russell	2,081,873	4,584	2	248	795,446
St. Clair	2,084,518	3,706	2	429	1,296,318
Shelby	2,203,561	2,899	4	273	869,130
Sumter	1,604,198	4,245	1	121	435,725
Talladega	4,386,217	10,105	3	492	1,515,587
Tallapoosa	3,818,834	4,793	6	749	2,579,527
Tuscaloosa	8,121,490	13,544	5	1,073	4,852,106
Walker	4,437,359	6,837	5	612	2,352,617
Washington	811,178	1,950	1	77	313,143
Wilcox	1,295,028	5,002	1	134	446,884
Winston	1,797,375	1,814	2	299	937,566

Source: Nos. 21, 22, 24, 25

Hospital Care			Physicians' Care			Pharmaceuticals		
Providers	Recipients	Payments	Providers	Recipients	Payments	Providers	Recipients	Payments
1	810	\$ 408,270	5	1,386	\$ 173,134	6	2,139	\$ 191,009
3	1,254	438,627	29	2,043	152,086	24	2,377	186,144
1	1,412	471,255	11	2,538	204,840	8	3,046	269,431
1	585	222,887	2	885	82,910	4	965	68,554
1	990	470,410	5	1,858	149,139	6	2,191	186,269
1	512	137,218	3	1,399	105,007	3	1,510	97,051
2	1,170	338,526	7	2,873	208,061	7	2,244	147,304
4	3,455	1,383,028	80	6,599	605,451	36	5,686	470,181
2	2,628	728,020	18	3,026	254,866	21	2,895	226,253
1	906	188,515	3	455	33,008	8	1,166	109,130
1	872	282,871	6	1,236	108,948	6	2,101	198,801
1	1,316	467,141	5	2,476	144,314	6	2,338	155,914
3	1,536	601,158	11	2,799	178,500	10	3,024	262,806
1	388	115,591	6	715	46,270	6	1,303	110,287
1	371	109,794	1	361	44,186	4	900	69,786
3	1,238	395,690	22	2,326	167,130	6	2,656	237,252
2	1,806	611,178	34	2,827	188,541	11	3,482	317,246
1	1,671	287,336	3	2,079	131,545	4	1,994	160,891
0	410	147,778	1	1,012	58,182	4	801	71,483
4	2,093	561,284	47	3,628	205,579	20	3,857	308,573
1	799	271,053	3	1,663	119,613	4	1,910	158,931
2	2,115	831,589	16	2,359	245,030	22	4,534	379,961
1	1,080	492,766	31	1,272	115,527	7	2,174	194,702
3	2,245	1,050,233	47	6,199	467,491	14	5,531	455,838
1	1,958	364,273	12	2,063	148,453	18	4,606	369,247
2	1,209	440,434	13	2,609	236,449	15	2,949	223,199
3	1,384	445,012	2	1,978	181,461	8	2,288	182,222
3	2,020	944,622	86	4,103	333,636	32	5,546	451,175
1	799	173,762	4	1,561	85,858	6	1,470	116,382
2	1,558	648,896	12	2,775	192,393	10	2,828	215,720
1	911	278,177	5	2,245	136,891	9	2,723	254,900
1	917	273,087	4	3,104	183,045	2	1,979	121,976
1	782	280,044	4	2,840	131,737	7	2,606	163,318
1	832	245,877	4	1,295	94,055	11	1,435	109,469
2	3,432	984,123	63	4,334	377,137	27	4,901	413,504
2	1,429	536,191	17	2,577	158,583	15	3,265	238,936
17	34,102	11,536,578	891	34,663	3,424,690	181	21,302	1,565,590
1	1,041	200,218	4	1,454	67,489	6	2,131	188,948
2	2,031	735,854	65	3,615	277,915	19	3,673	261,851
2	1,474	618,113	8	2,619	221,933	4	2,897	269,242
1	607	784,217	48	2,170	194,970	20	2,415	185,289
2	1,176	556,986	12	1,396	124,204	13	2,205	132,082
0	602	264,629	4	2,766	214,270	3	1,890	153,928
2	1,581	457,395	19	3,768	282,383	6	2,683	208,292
3	4,164	1,590,043	175	6,264	696,812	36	2,619	388,955
1	1,142	568,370	7	3,647	272,816	10	2,790	225,990
3	1,215	446,605	8	1,998	129,914	14	2,775	246,478
3	2,037	767,408	25	2,707	233,413	40	4,742	396,234
5	21,108	5,415,323	321	18,747	1,414,111	88	14,610	1,020,367
1	973	333,322	7	1,526	89,230	8	1,962	146,688
4	4,181	2,342,013	202	8,473	1,033,430	37	9,505	606,725
5	2,166	959,473	76	3,498	320,458	27	4,670	413,894
1	574	242,570	3	2,824	141,093	4	2,676	183,806
2	1,035	359,519	4	2,984	189,706	9	3,144	230,112
1	1,744	459,910	12	2,173	185,457	8	3,086	225,299
2	1,740	354,299	6	1,539	97,605	8	2,039	162,312
1	1,699	828,541	32	1,988	186,362	14	2,783	228,303
1	528	329,603	7	1,542	272,734	11	2,111	191,825
1	1,299	487,569	5	2,587	136,541	12	1,644	139,070
2	1,648	640,415	8	3,247	178,562	2	3,108	256,798
2	3,410	1,440,215	30	6,143	505,824	28	6,451	536,611
2	1,823	689,502	24	3,029	199,459	17	3,531	299,057
3	5,199	1,888,984	107	9,433	803,903	34	6,083	435,953
2	2,718	694,966	27	4,581	368,981	28	4,001	327,339
1	855	248,437	3	1,298	78,592	2	1,204	99,463
1	956	245,328	4	2,671	191,317	6	2,102	152,847
1	635	375,893	5	1,347	81,869	10	1,701	165,316

REVENUE, EXPENDITURES AND PRICES



Source: Nos. 12, 24

SOURCES OF MEDICAID REVENUE

PLATE 7

Federal Funds	\$150,355,542
State Funds	58,065,162
Total Revenue	\$208,420,704

FY '78 COMPONENTS OF FEDERAL FUNDS

PLATE 8

	Dollars	Matching Rate
Professional staff costs	\$ 2,248,739	75.00% ✓
Licensure and certification costs	275,131	100.00% ✓
Family planning administration	46,948	90.00% ✓
Other staff costs	1,821,823	50.00% ✓
Family planning services	683,401	90.00% ✓
Other provider services	145,279,500	72.58% ✓
Buy-in fees for "no-money" eligibles	0	0% ✓
	<u>\$150,355,542</u>	<u>72.12%</u>

FY '78 COMPONENTS OF STATE FUNDS

PLATE 9

	DOLLARS
Encumbered balance forward	\$ 240,923
Basic appropriations	50,562,000
Supplemental appropriations	2,400,000
Transferred from Mental Health	87,785
Reimbursement from Pensions & Security	674,454
Transferred from Title II	4,100,000
	<u>\$58,065,162</u>
Encumbered	(52,603)
	<u>\$58,117,765</u>

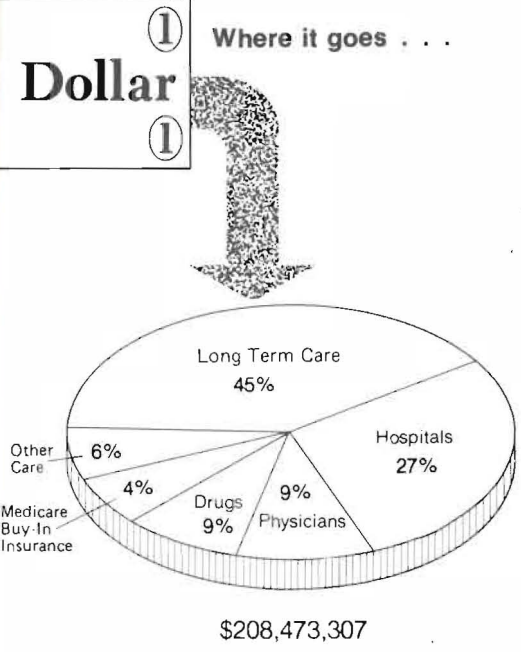
FY '78 MEDICAID'S PORTION OF TOTAL STATE EXPENDITURES

PLATE 10

	State Funds	Federal Funds	Total Current Expenditures
All Expenditures of Alabama's State Government	\$3,449,394,323	\$737,065,031	\$4,186,459,354
Medicaid Program	58,117,765	150,355,542	208,473,307
All Other Programs	3,391,276,558	586,709,489	3,977,986,047

Source: Nos. 12, 13

PLATE 6



In FY '78, Medicaid paid \$201,485,390 for health care services for Medicaid recipients. This net cost would have been \$1,854,939 more had it not been for refunds and recoveries from third parties.

FY '78
EXPENDITURES
By type of service

PLATE 11

SERVICE	PAYMENTS	Percent Of Payments By Service FY '78	Percent Of Payments By Service FY '77	Percent Of Payments By Service FY '76
Skilled Nursing Care	\$ 45,658,753	22.66%	27.70%	29.49%
Intermediate Nursing Care	44,127,151	21.90%	15.70%	15.00%
Hospital Inpatients	48,037,903	23.84%	22.90%	21.40%
Hospital Outpatients	5,451,111	2.71%	2.80%	3.00%
Physicians' Services	19,065,099	9.46%	10.09%	10.10%
Medicare Buy-In Insurance	8,534,405	4.24%	5.54%	6.00%
Drugs	17,938,531	8.90%	9.15%	8.79%
Dental Services	3,468,052	1.72%	1.81%	1.70%
Lab & X-Ray	4,697,956	2.33%	1.77%	2.00%
Family Planning Care	759,335	0.38%	.54%	.60%
Eye Care	1,262,824	0.63%	.61%	.80%
Screening	1,029,332	0.51%	.57%	.50%
Home Health	1,240,569	0.62%	.58%	.35%
Transportation	161,322	0.08%	.06%	.05%
Hearing Care	53,047	0.03%	.05%	.02%
Other Care			.13%	.20%
Total For Medical Care	\$ 201,485,390	100.00%	100.00%	100.00%
Administrative Costs	6,987,917			
Net Payments	\$208,473,307			

Source: Nos. 4, 5, 12, 24

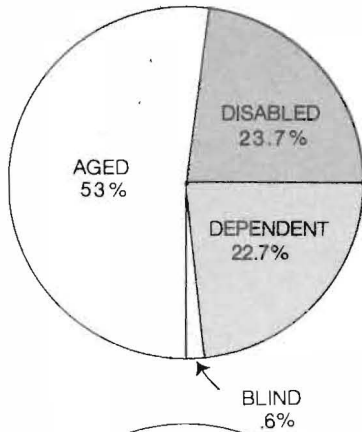
FY '78

PLATE 12

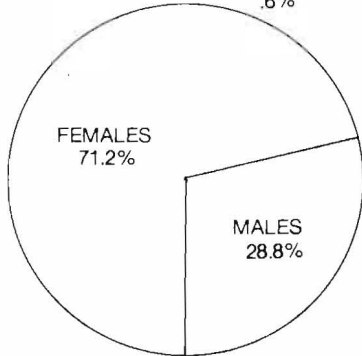
PAYMENTS

By category, sex, race, age group

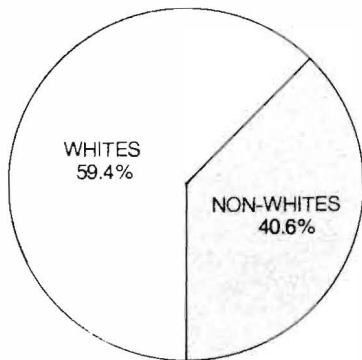
BY CATEGORY



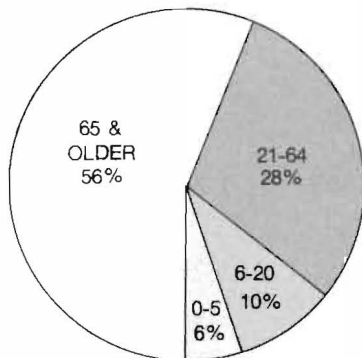
BY SEX



BY RACE



BY AGE GROUP



Source: No. 24

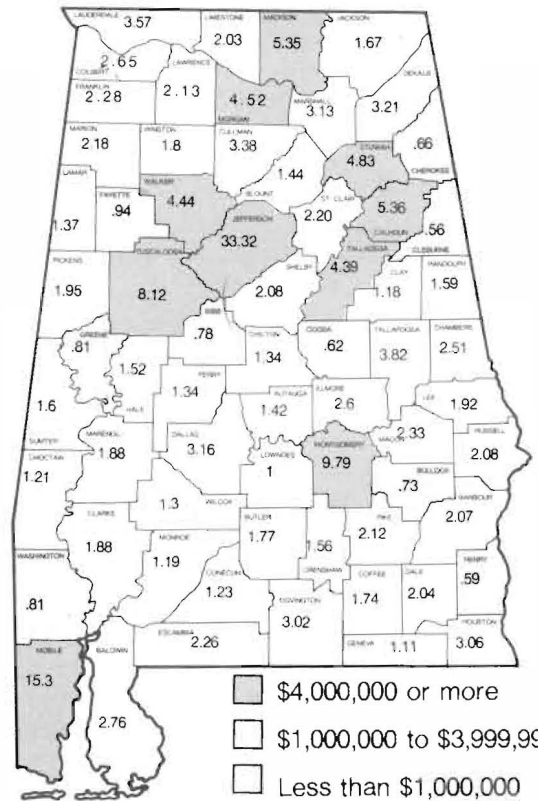
The percentage of the money spent on each category, sex, race, and age group never changes much in one year. But, over a period of years certain trends have become visible, and in 'FY '78 these trends continued. Specifically, the groups who cost the most money—the females, the whites, and the aged—continued to have their relative shares reduced by a small amount.

FY '78

PLATE 13

PAYMENTS

By county



Source: No. 25

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.

Continuing the trend of the past several years, prices for these medical services climbed, with the

single largest increase being that of \$10.25 for hospital inpatient days. Next came the price of physicians' visits, which showed a hike of \$.99 over the first quarter figure. Nursing home care, both skilled and intermediate, had relatively small increases. This was important because nursing home care consumes nearly half of Medicaid's budget. Medicaid-imposed price ceilings accounted primarily for the slower growth of nursing home prices.

FY '78						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	\$ 17.98	\$ 18.13	\$ 18.46	\$ 18.47	+ \$.49	+ 2.7%	
ICF	17.09	17.51	17.82	17.81	+ \$.72	+ 4.2%	
Inpatient Days	116.69	119.76	127.75	126.94	+ \$10.25	+ 8.8%	
Physicians' Visits	13.69	12.71	13.80	14.68	+ \$.99	+ 7.2%	
Prescriptions	5.58	5.67	5.86	6.05	+ \$.47	+ 8.4%	
Outpatient Visits	18.85	17.61	17.25	15.96	- \$ 2.89	- 15.3%	

Source: No. 26

POPULATION AND ELIGIBLES

Population

As shown in Plate 15, the population of Alabama grew from 3,444,165 in 1970 to approximately 3,742,000 in 1978, or an increase of about 8.6%

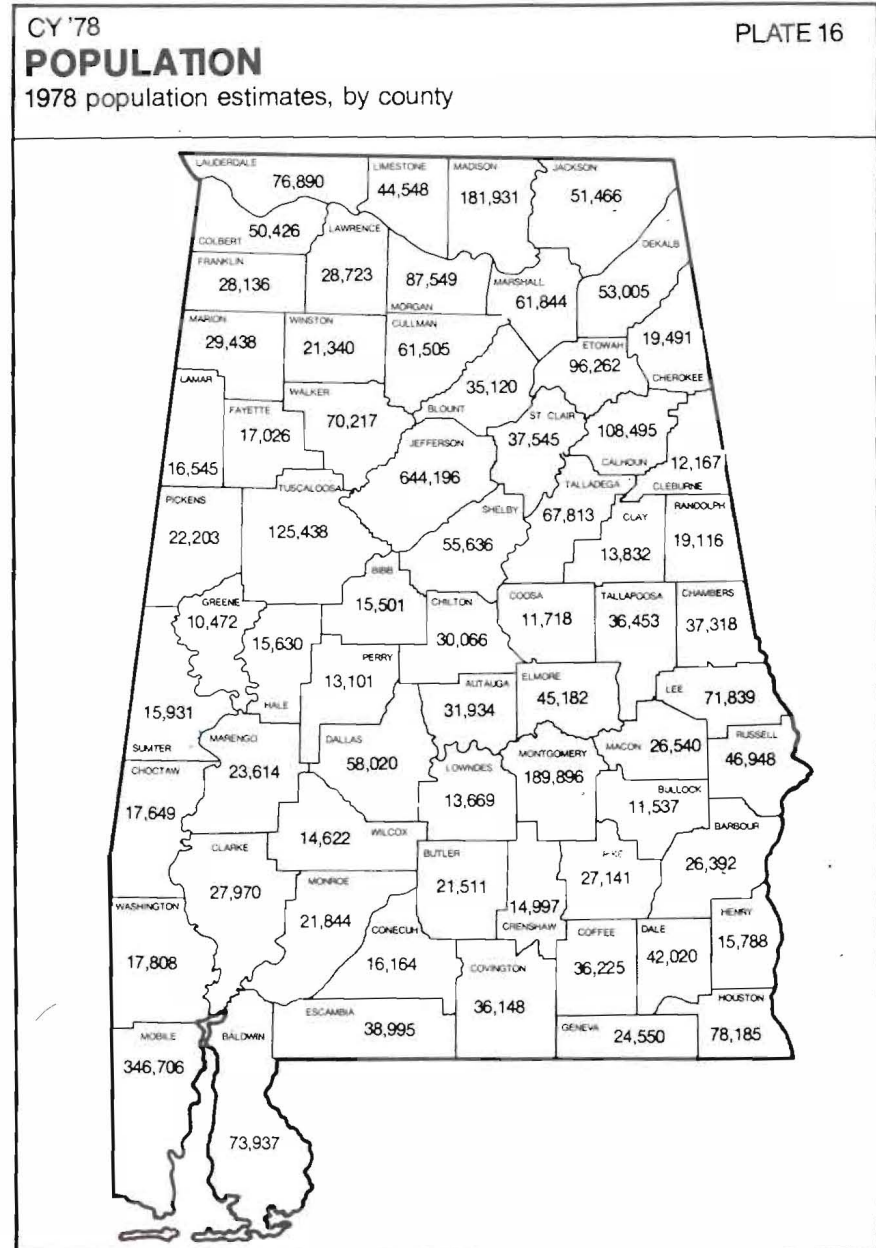
Changes in population and economic conditions affect Medicaid. The majority of the Medicaid eligibles come from the dependent portion of the population (those under 21 and over 64 years of age.) In 1970 this group represented 41.3% of the total. In 1978, this portion had risen to 47%. The 65 and over age group contributed most to the growth in that the elderly population increased by 26%. This trend toward a larger percentage of the population in this age group means more aged will be eligible.

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 '70-'78		PLATE 15	
POPULATION			
Eligibles as percent of Alabama population, by year, 1970 to 1978.			
Year	Population	Monthly Average Eligibles	Percent
1970	3,444,165*	Not Available	Not Available
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 est.	332,999	8.90

* U.S. Bureau of Census count.
 ** U.S. Bureau of Census official estimate.
 Source: Nos. 8, 9, 20



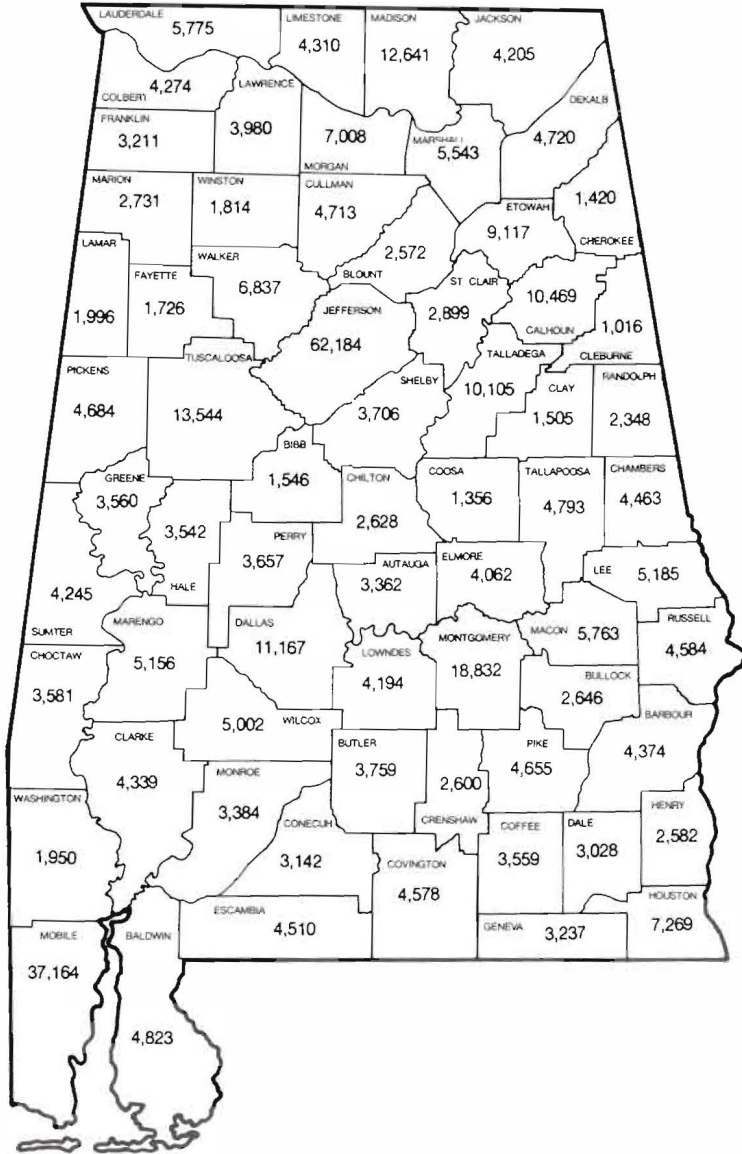
Source: No. 20

FY '78

ELIGIBLES

Number of Medicaid eligibles by county

PLATE 17

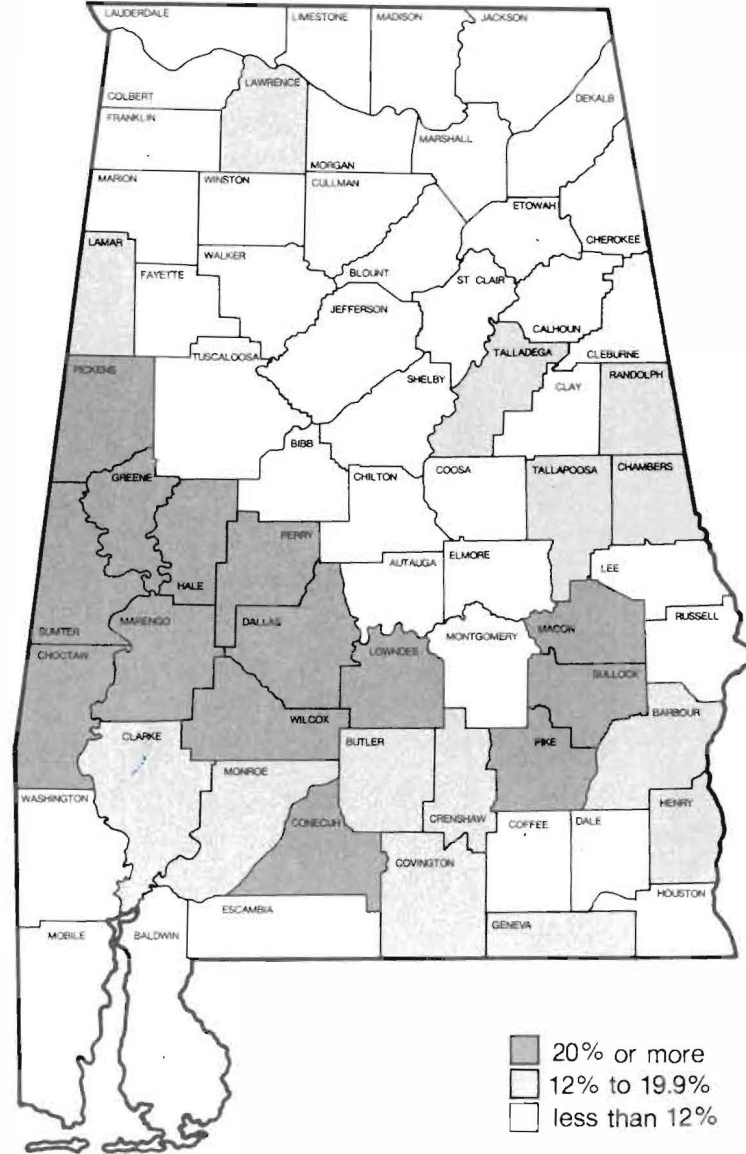


FY '78

ELIGIBLES

Percent of population eligible for Medicaid, by county

PLATE 18



■ 20% or more
 □ 12% to 19.9%
 □ less than 12%

FY '78

PLATE 19

ELIGIBLES

All Categories

Three ways to count the number of eligibles

	-1- Current Counts	-2- Cumulative Counts	-3- Monthly Averages
Oct.	330,084	330,084	330,084
Nov.	329,510	336,743 est.	329,797
Dec.	331,323	343,401 est.	330,306
Jan.	331,075	350,060 est.	330,498
Feb.	331,621	356,718 est.	330,723
Mar.	333,237	363,377 est.	331,142
Apr.	334,135	370,035 est.	331,569
May	336,843	376,694 est.	332,229
June	331,738	383,353 est.	332,174
July	333,742	390,012 est.	332,331
Aug.	336,373	396,671 est.	332,698
Sept.	336,308	403,330	332,999

Source: No. 22

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 1978 was about 333,000, an increase of nearly 1000 over last year's average of 332,000.

The cumulative count shows that during the year, 403,330 persons were eligible for at least one month. The highest monthly count was 336,843 in May. (See Plate 19.)

FY '78

PLATE 20

ELIGIBLES

By category, sex, race, age

Total number for year

Average number per month

	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	330,084	73,246	403,330	67,022	336,308	332,999	21.1%
AGED, Category 1	100,841	10,991	111,832	10,872	100,960	100,994	10.7%
BLIND, Category 2	1,981	199	2,180	162	2,018	1,988	9.7%
DISABLED, Category 4	52,714	9,940	62,654	7,029	55,625	54,374	15.2%
DEPENDENT, Categories 3 & 7	174,548	52,116	226,664	48,959	177,705	175,643	29.0%
MALES	119,259	27,262	146,521	26,526	119,995	119,661	22.4%
FEMALES	210,825	44,117	256,809	40,496	216,313	213,338	20.4%
WHITES	119,292	29,129	148,421	27,720	120,701	120,355	23.3%
NONWHITES	210,792	44,117	254,909	39,302	215,607	212,644	19.9%
AGE 0 - 5	40,138	18,234	58,372	11,995	46,377	43,047	35.6%
AGE 6 - 20	99,685	23,789	123,474	24,364	99,110	99,264	24.4%
AGE 21 - 64	79,022	19,653	98,675	18,936	79,739	79,403	24.3%
AGE 65 & Over	111,239	11,570	122,809	11,727	111,082	111,285	10.4%

Source: No. 22

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 more 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 decreased by 9,804 in FY '78. Plate 22 shows that the number of eligibles changed each year during the past 5 years, and between FY '74 and FY '78 the monthly averages increased more rapidly than the yearly totals. The monthly average for FY '78 followed the trend by advancing over the previous year even though the yearly total was lower than any of the previous three years.

The number of aged individuals is decreasing as

FY '78		PLATE 21	
ELIGIBLES			
Year's total			
Distribution by category, sex, race, and age			
	NUMBER	PERCENT	
All Categories	403,330	100%	
Aged, Category 1	111,832	27.7%	
Blind, Category 2	2,180	0.6%	
Disabled, Category 4	62,654	15.5%	
Dependent, Categories 3 & 7	226,664	56.2%	
Males	146,521	36.3%	
Females	256,809	63.7%	
White	148,421	36.8%	
Nonwhites	254,909	63.2%	
Age 0 - 5	58,372	14.5%	
Age 6 - 20	123,474	30.6%	
Age 21 - 64	98,675	24.5%	
Age 65 & Over	122,809	30.4%	

Source: No. 22

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 '74-'78		PLATE 22				
ELIGIBLES						
By category						
Monthly average						
Annual number						
		FY '74	FY '75	FY '76	FY '77	FY '78
MONTHLY AVERAGES	AGED, Category 1	118,757	115,942	109,108	109,856	100,994
	BLIND, Category 2	2,190	2,150	2,047	1,991	1,988
	DISABLED, Category 4	27,613	39,604	45,846	49,153	54,374
	DEPENDENT, Categories 3 & 7	154,750	166,191	167,919	170,891	175,643
	ALL CATEGORIES	303,310	323,887	324,920	331,891	332,999
YEARLY TOTALS	AGED, Category 1	138,453	132,785	125,648	119,271	111,832
	BLIND, Category 2	2,754	2,461	2,352	2,228	2,180
	DISABLED, Category 4	38,010	52,219	60,111	63,417	62,654
	DEPENDENT, Categories 3 & 7	201,723	218,043	218,386	228,218	226,664
	ALL CATEGORIES	380,760	405,458	406,497	413,134	403,330

Source: Nos. 2, 3, 4, 5, 22

FY '78		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	3,995,989	9.9
AGED, Category 1	1,211,928	10.8
BLIND, Category 2	23,856	10.9
DISABLED, Category 4	652,448	10.4
DEPENDENT, Categories 3 & 7	2,107,717	9.3
MALES	1,435,932	9.8
FEMALES	2,560,057	10.0
WHITES	1,444,260	9.7
NONWHITES	2,551,729	10.0
AGE 0-5	516,564	8.8
AGE 6-20	1,191,168	9.6
AGE 21-64	952,836	9.7
AGE 65 & Over	1,335,421	10.9

Source: No. 22

Man-Months and Expected Duration of Eligibility: Although 403,330 people were eligible for Medicaid in FY '78, 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 '78, 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 3,995,989, producing an average of 9.9 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 '76-'78		PLATE 24			
ELIGIBLES					
Annual changes in expected duration of eligibility					
	EXPECTED DURATION OF ELIGIBILITY				Percent Change FY '77 FY '78
	Based On Turnover In FY '76	Based On Turnover In FY '77	Based On Turnover In FY '78		
ALL ELIGIBLES	48 Months	49 Months	57 Months		+ 16.3%
AGED, Category 1	80 Months	140 Months	112 Months		- 20.0%
BLIND, Category 2	81 Months	101 Months	124 Months		+ 22.8%
DISABLED, Category 4	39 Months	41 Months	79 Months		+ 92.7%
DEPENDENT, Categories 3 & 7	40 Months	36 Months	41 Months		+ 13.9%
MALES	47 Months	50 Months	54 Months		+ 8.0%
FEMALES	49 Months	49 Months	59 Months		+ 20.4%
WHITES	46 Months	45 Months	52 Months		+ 4.0%
NONWHITES	49 Months	52 Months	60 Months		+ 15.4%
AGE 0-6	25 Months	91 Months	34 Months		- 62.6%
AGE 7-20	49 Months	46 Months	49 Months		+ 6.5%
AGE 21-64	39 Months	23 Months	49 Months		+ 113.0%
AGE 65 & Over	90 Months	103 Months	115 Months		+ 11.7%

Source: Nos. 4, 5, 22

RECIPIENTS

Of the 403,330 people deemed eligible for Medicaid in FY '78, only 76.7% actually received Medicaid benefits. These 309,516 people are called "recipients." The other 93,814, 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 thus 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 '78. By comparing this figure of 146,691 to the corresponding figure for FY '77 (148,837), it becomes apparent that there was a 1.4% decrease in the number of persons receiving Medicaid services each month.

FY '78		PLATE 25	
RECIPIENTS			
All categories			
Three ways to count the number of recipients			
	-1-	-2-	-3-
	Current Counts	Cumulative Counts	Monthly Averages
Oct.	161,215	161,215	161,215
Nov.	118,747	171,807	139,981
Dec.	131,809	186,695	137,257
Jan.	136,303	201,903	137,019
Feb.	141,457	215,385	137,906
Mar.	146,097	228,376	139,271
Apr.	144,703	241,858	140,047
May	170,418	257,620	143,844
June	153,629	272,151	144,931
July	143,712	285,264	144,809
Aug.	147,703	297,152	145,072
Sept.	164,499	309,516	146,691

Source: No. 23

FY '78		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	101,641	10,191	90.9%
BLIND, Category 2	1,715	465	78.7%
DISABLED, Category 4	52,338	10,316	83.5%
DEPENDENT, Categories 3 & 7	153,822	72,842	67.9%
MALES	106,629	39,892	72.8%
FEMALES	202,887	53,922	79.0%
WHITES	120,363	28,058	81.1%
NONWHITES	189,153	65,756	74.2%
AGE 0-20	118,755	63,091	65.3%
AGE 21-64	78,568	20,107	79.6%
AGE 65 & Over	112,193	10,616	91.4%
ALL CATEGORIES	309,516	93,814	76.7%

Source: Nos. 22, 24

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	79,345	69,863	64,121	769,453	101,641	7.57
BLIND, Category 2	880	1,104	978	11,741	1,715	6.85
DISABLED, Category 4	26,300	34,099	29,316	351,788	52,338	6.72
DEPENDENT, Categories 3 & 7	54,690	59,433	52,276	627,310	153,822	4.08
MALES	N/A	N/A	N/A	N/A	106,629	N/A
FEMALES	N/A	N/A	N/A	N/A	202,887	N/A
WHITES	N/A	N/A	N/A	N/A	120,363	N/A
NONWHITES	N/A	N/A	N/A	N/A	189,153	N/A
AGE 0-20	N/A	N/A	N/A	N/A	118,755	N/A
AGE 21-64	N/A	N/A	N/A	N/A	78,568	N/A
AGE 65 & Over	N/A	N/A	N/A	N/A	112,193	N/A
ALL CATEGORIES	161,215	164,499	146,691	1,760,292	309,516	5.69

Source: Nos. 23, 24

The decline 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 '78 were doing so more 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 309,516 recipients in FY '78 was 1,760,292. (See Plate 27.) This represents an average of 5.69 MMS per recipient, up 7.6% from the 5.30 MMS per recipient in FY '77.

USE AND COST

FY '78 USE Utilization rate by category		PLATE 28		
	FY '76	FY '77	FY '78	
AGED, Category 1	87.6%	97.4%	90.9%	
BLIND, Category 2	79.5%	84.3%	78.7%	
DISABLED, Category 4	80.7%	84.1%	83.5%	
DEPENDENT, Categories 3 & 7	73.3%	72.4%	67.9%	
ALL CATEGORIES	78.9%	81.5%	76.7%	

Source: Nos. 4, 5, 22, 24

FY '78 USE Frequency-of-service rate (MMS per recipient)		PLATE 29		
	FY'76	FY'77	FY '78	
AGED, Category 1	9.37MMS	6.87MMS	7.57MMS	
BLIND, Category 2	7.35MMS	6.48MMS	6.85MMS	
DISABLED, Category 4	7.63MMS	6.57MMS	6.72MMS	
DEPENDENT, Categories 3 & 7	3.66MMS	3.78MMS	4.08MMS	
ALL CATEGORIES	5.93MMS	5.30MMS	5.69MMS	

Source: Nos. 4, 5, 23, 24

FY '78 USE MMS per eligible Ratio of actual use to potential use		PLATE 30	
AGED, Category 1		6.88MMS	
BLIND, Category 2		5.39MMS	
DISABLED, Category 4		5.61MMS	
DEPENDENT, Categories 3 & 7		2.77MMS	
ALL CATEGORIES		4.36MMS	

Source: Nos. 22, 23

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 76.7% 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 5.69 means that the average recipient received medical care during 5.69 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 5.69 months each. Subsequently, the actual demand for care is about 35% 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 nearly twelve 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 65 and over group, followed closely by the aged category and the nonwhites. Eligibles aged 6-20 showed no change in cost from the previous year. Two groups, the age 0-5 and the dependents, actually cost less per eligible than they did in FY '77. Plate 32 shows cost per period of eligibility.

FY '76-'78				PLATE 31
COST				
Annual changes in cost per eligible				
	FY '76	FY '77	FY '78	Change From FY '77
AGED, Category 1	\$759	\$866	\$955	+10.3%
AGE 65 & Over	795	824	923	+12.0%
WHITES	693	770	807	+ 4.8%
DISABLED, Category 4	662	725	761	+ 5.0%
AGE 21-64	469	537	576	+ 7.3%
BLIND, Category 2	551	535	568	+ 6.2%
FEMALES	500	538	558	+ 3.7%
ALL ELIGIBLES	432	470	500	+ 6.4%
MALES	314	359	397	+10.6%
NONWHITES	272	291	321	+10.3%
DEPENDENTS, Categories 3 & 7	175	207	202	- 2.4%
AGE 0-5	156	201	194	- 3.5%
AGE 6-20	143	162	162	0.0%

Source: Nos. 4, 5, 12, 22, 24

FY '78

PLATE 32

COST

Cost per eligible

	Cost Per MME	Cost Per Year	Cost Per Period of Eligibility
AGED, Category 1	\$88	\$955 for 10.8 MME	\$9,856 for 112 MME
AGE 65 & Over	85	923 for 10.9 MME	9,775 for 115 MME
BLIND Category 2	54	592 for 10.9 MME	6,448 for 124 MME
DISABLED, Category 4	74	773 for 10.4 MME	5,767 for 79 MME
WHITES	83	807 for 9.7 MME	4,316 for 52 MME
FEMALES	56	558 for 10.0 MME	3,304 for 59 MME
AGE 21-64	59	576 for 9.7 MME	2,891 for 49 MME
ALL ELIGIBLES	50	500 for 9.9 MME	2,850 for 57 MME
MALES	40	397 for 9.8 MME	2,160 for 54 MME
NONWHITES	32	321 for 10.0 MME	1,920 for 60 MME
DEPENDENT, Categories 3 & 7	22	206 for 9.3 MME	902 for 41 MME
AGE 6-20	17	162 for 9.6 MME	833 for 49 MME
AGE 0-5	22	194 for 8.8 MME	748 for 34 MME

Source: Nos. 12, 22, 24

Cost Per Recipient: Section 3 of Plate 33 discloses that Medicaid averaged paying \$1,267 for each disabled person who became a hospital patient, but only \$257 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 for 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 "buy-in" fee or premium of \$7.70 (effective July 1, 1977) per month per person for each Medicaid eligible who was also on Medicare. Medicaid's total payment to Medicare for these buy-in premiums in FY '78 was \$8,534,405. Medicare spent considerably more than \$8.5 million in partial payments of medical bills incurred by Alabama citizens on Medicaid.

FY '78

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	TRANSPOR- TATION	DRUGS	NURSING HOMES, SKILLED+ +
SECTION 1	ALL CATEGORIES	\$19,065,099	\$4,697,956	\$48,037,903	\$5,451,111	\$1,240,569	\$161,322	\$17,938,531	\$45,658,753
	Category 1 Aged	3,085,089	1,928,216	6,822,643	796,728	735,010	6,155	10,655,423	38,973,211
	Category 2 Blind	183,149	36,660	450,714	42,978	14,465	2,916	158,113	156,059
	Category 4 Disabled	5,412,458	1,277,700	17,560,313	1,746,098	457,907	77,541	4,966,087	6,512,209
	Categories 3 & 7	4,408,838	623,312	9,821,997	1,632,925	15,304	18,679	885,472	11,578
YEAR'S COST	Dependent Children Category 3 Dependent Adults	5,975,565	832,068	13,382,236	1,232,382	17,883	56,031	1,273,436	5,696
SECTION 2	ALL CATEGORIES	218,820	154,938	66,939	93,229	2,846	* N/A	228,986	13,997
	Category 1 Aged	69,678	52,815	26,585	24,223	1,763	* N/A	87,503	12,136
	Category 2 Blind	1,382	894	412	570	39	* N/A	1,466	36
	Category 4 Disabled	39,200	27,680	13,858	16,839	924	* N/A	44,268	1,809
	Categories 3 & 7	69,497	45,381	10,815	32,560	52	* N/A	59,948	6
YEAR'S TOTAL NUMBER OF RECIPIENTS	Dependent Children Category 3 Dependent Adults	39,063	28,168	15,269	19,037	68	* N/A	35,801	10
SECTION 3	ALL CATEGORIES	\$ 87.12	\$ 30.32	\$717.64	\$ 58.47	\$435.90	* N/A	\$ 78.34	\$3,262.04
	Category 1 Aged	44.27	36.51	256.64	32.89	416.91	* N/A	121.77	3,211.37
	Category 2 Blind	132.53	41.01	1,093.97	75.40	370.90	* N/A	107.85	4,334.97
	Category 4 Disabled	138.07	46.16	1,267.16	103.69	495.57	* N/A	112.18	3,599.89
	Categories 3 & 7	63.43	13.73	908.18	50.15	294.30	* N/A	14.77	1,929.67
YEAR'S COST PER RECIPIENT	Dependent Children Category 3 Dependent Adults	152.97	29.53	876.43	64.73	262.99	* N/A	35.57	569.60
SECTION 4	ALL CATEGORIES	54.3	38.4	16.6	23.1	0.71	* N/A	56.8	3.47
	Category 1 Aged	62.3	47.2	23.8	21.7	1.58	* N/A	78.2	10.85
	Category 2 Blind	63.4	41.0	18.9	26.1	1.79	* N/A	67.2	1.65
	Category 4 Disabled	62.6	44.2	22.1	26.9	1.47	* N/A	70.7	2.89
	Categories 3 & 7 Dependents	47.9	32.4	11.5	22.8	0.05	* N/A	42.2	**

Source: Nos. 12, 22, 23, 24

+ 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

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	PAID FOR ENTIRELY BY MEDICAID	PAID FOR BY MEDICAID & MEDICARE	MEDICAID'S TOTALS
\$44,127,151	\$3,468,052	\$759,335	\$1,041,732	\$274,139	\$1,029,332	\$8,534,405	\$122,831,430	\$78,653,960	\$201,485,390
36,161,894	18,261	0	418,910	136,018	0	7,104,864	93,468,581	13,373,841	106,842,422
182,675	2,197	1,841	5,624	1,208	0	0	507,717	730,882	1,238,599
7,780,574	130,688	28,708	241,399	55,634	0	1,429,541	21,144,840	26,532,017	47,676,857
1,689	2,899,715	78,855	214,701	35,127	1,029,332	0	5,156,469	16,521,055	21,677,524
319	417,191	649,931	161,098	46,152	0	0	2,553,823	21,496,165	24,049,988
10,270	34,333	18,819	26,948	5,894	43,553	*N/A	*N/A	*N/A	309,516
8,682	377	0	10,448	3,611	0	*N/A	*N/A	*N/A	101,641
37	24	47	144	41	0	0	*N/A	*N/A	1,715
1,546	1,332	891	6,232	1,398	0	*N/A	*N/A	*N/A	52,338
4	29,811	2,463	5,865	420	43,553	0	*N/A	*N/A	104,060
1	2,789	15,418	4,259	424	0	0	*N/A	*N/A	49,762
\$4,296.70	\$ 101.01	\$ 40.35	\$ 38.66	\$ 46.51	\$ 23.63	*N/A	*N/A	*N/A	\$ 650.97
4,165.16	48.43	0	40.09	37.67	0	*N/A	*N/A	*N/A	1,051.17
4,937.16	91.54	39.17	39.05	29.46	0	0	*N/A	*N/A	722.22
5,032.71	98.11	32.22	38.74	39.80	0	*N/A	*N/A	*N/A	910.94
422.25	97.27	32.02	36.61	83.64	23.63	0	*N/A	*N/A	208.32
319.00	149.58	42.15	37.83	108.85	0	0	*N/A	*N/A	483.30
2.55	8.5	4.7	6.7	1.5	10.8	*N/A	*N/A	*N/A	76.7
7.76	0.3	0	9.3	3.2	0	*N/A	*N/A	*N/A	90.9
1.70	1.1	2.2	6.6	1.9	0	0	*N/A	*N/A	78.7
2.47	2.1	1.4	9.9	2.2	0	*N/A	*N/A	*N/A	83.5
**	14.4	7.9	4.5	0.4	19.2	0	*N/A	*N/A	67.9

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 45% of Medicaid funds went for nursing home care.

In the past five years, Medicaid's annual expense for nursing home care has risen from \$44.5 million to \$89.8 million — an increase of 102%. 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 44%)
- more months of service (up 24%)
- higher prices per month (up 63%)

In terms of dollars, 1978 cost \$45.2 million more than 1974. Of this amount, \$33.2 million (73%) is attributable to rising prices. The other \$12 million (27%) is attributable to increased use.

PLATE 34

FY '78 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
1974	16,858	7.63 months	128,604	\$346	\$44,539,709
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
% Change Since 1974	+44%	-14.5%	+24%	+63%	+102%

Source: Nos. 2, 3, 4, 5, 12, 24

FY '78

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		
1973	14,011	9,844	15,409	70%	4,167
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

Source: Nos. 1, 2, 3, 4, 5, 14, 23, 24

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 5448 beds were added – an average of 91 a 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 2610 more beds.

Such surveys are made each year and a review of the past six surveys shows that the need for beds is not fixed. No matter how fast beds are built, the need seems to grow as fast, or faster, than the supply, for the gap between supply and demand has not diminished. In late 1971, the need was found to be for 1602 new beds. By 1977, though 7648 new beds had been built, the shortage had not diminished but had worsened, to 2610.

It seems unlikely that the health of Alabama's aged poor has deteriorated this rapidly since 1971. The growing demand for nursing home care needs to be explained. It is no longer possible to make Medicaid budget plans, on the assumption that the total demand for nursing home care will be determined entirely by health conditions, and that Medicaid's share of this total can be controlled by changing the maximum income permitted for Medicaid patients.

FY '78		PLATE 36		
LONG-TERM CARE PROGRAM				
Recipients, by sex, by race, by age				
	SKILLED	ICF	TOTAL	PERCENT
All Recipients	13,997	10,270	24,267	100.0%
By Sex				
Female	10,253	8,000	18,253	75.2%
Male	3,744	2,270	6,014	24.8%
By Race				
White	11,139	7,162	18,301	75.4%
Nonwhite	2,858	3,108	5,966	24.6%
By Age				
65 & Over	12,477	9,027	21,504	88.6%
21-64	1,292	1,177	2,469	10.2%
6-20	175	60	235	1.0%
0-5	53	6	59	0.2%

Source: No. 24

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

FY '78		PLATE 37		
LONG TERM CARE PROGRAM				
Length of Stay, By Type of Care				
	Skilled	ICF	Both	
Length of Stay				
1-6 Days	1820 (13.0%)	116 (1.1%)	1936 (8.0%)	
7-30 Days	1059 (7.6%)	429 (4.2%)	1488 (6.1%)	
31-60 Days	1324 (9.5%)	645 (6.3%)	1969 (8.1%)	
61-120 Days (2 to 4 months)	2214 (15.8%)	1301 (12.7%)	3515 (14.5%)	
121-180 Days (4 to 6 months)	1120 (8.0%)	977 (9.5%)	2097 (8.6%)	
181-270 Days (6 to 9 months)	1301 (9.3%)	1490 (14.5%)	2791 (11.5%)	
271-365 Days (9 to 12 months)	5159 (36.8%)	5312 (51.7%)	10,471 (43.2%)	
	13,997 (100.0%)	10,270 (100.0%)	24,267 (100.0%)	

Source: No. 24

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 (14,225) is only about

FY '78		PLATE 38		
LONG-TERM CARE PROGRAM				
Payments, by sex, by race, by age				
	SKILLED	ICF	TOTAL	PERCENT
All Recipients	\$45,658,753	\$44,127,151	\$89,785,904	100%
By Sex				
Female	34,700,652	31,047,863	65,748,515	73.2%
Male	10,958,101	13,079,288	24,037,389	26.8%
By Race				
White	36,481,344	34,079,399	70,560,743	78.6%
Nonwhite	9,177,409	10,047,752	19,225,161	21.4%
By Age				
65 & Over	39,914,882	38,059,668	77,974,550	86.8%
21-64	4,625,232	5,767,419	10,392,651	11.6%
6-20	922,307	273,588	1,195,895	1.3%
0-5	196,332	26,476	222,808	.3%

Source: Nos. 12, 24

FY '78

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 '77	12,816	7,392	6,071	6,166	18,887	13,558
Nov	12,619	7,081	5,829	9,994	18,448	17,075
Dec	12,921	7,201	5,748	6,205	18,669	13,406
Jan '78	12,953	7,223	5,803	6,313	18,756	13,536
Feb	12,976	8,011	5,639	6,332	18,615	14,343
March	12,959	7,120	5,836	6,662	18,795	13,782
April	13,323	7,278	5,916	6,788	19,239	14,066
May	12,866	7,303	6,185	6,764	19,051	14,067
June	14,501	7,057	6,342	7,236	20,843	14,293
July	12,689	6,571	6,602	7,301	19,291	13,872
Aug	13,679	7,368	6,256	7,112	19,935	14,480
Sept	12,931	7,215	6,528	N.A.	19,459	N.A.
Average	13,102	7,235	6,063	6,988	19,166	14,225

Source: Nos. 14, 23

one-half the yearly total (24,267) suggests that the turnover rate is relatively high in a year. 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 6.5 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 '76 - '78

PLATE 40

LONG-TERM CARE PROGRAM

Number of recipients

	SKILLED			ICF			TOTAL		
	FY'76	FY'77	FY '78	FY'76	FY'77	FY '78	FY'76	FY'77	FY '78
Monthly average	8,110	8,042	7,235	4,469	5,001	6,988	12,579	13,043	14,225
Yearly total	13,932	15,261	13,997	7,162	9,090	10,270	21,094	24,351	24,267
Average length of stay (months)	7.0	6.3	5.7	7.5	6.6	7.7	7.2	6.4	6.5
Annual turnover rate	71.8%	89.8%	93%	60.3%	81.8%	47%	67.7%	86.7%	70.6%

Source: Nos. 4, 5, 23, 24

HOSPITAL PROGRAM

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

For five years in a row outpatients have outnumbered inpatients.

Inpatients: When Medicaid's hospital inpatients are compared to all hospital inpatients in Alabama, several conclusions emerge:

1. The hospital admission rate for Medicaid eligibles (219 per 1000) is higher than the admission rate for all Alabamians. (See Plate 41.) The reason is that Medicaid eligibles contain a high percentage of the aged and disabled.
2. The average days-per-stay for Medicaid patients (6.2 days) is shorter than the average of all hospital patients in Alabama. (See Plate 41.)
3. The average cost-per-day for Medicaid patients (\$88) is lower than for all patients. (See Plate 42.)
4. The average cost-per-stay for Medicaid patients (\$543) is also lower than for all patients.

The fact that Medicaid patients make more use of hospitals, but at less cost, has several explanations. It is difficult to be sure what all the causes are, and impossible to measure the relative influence of each cause. Part of the credit should be given to Medicaid's policies and administration. Medicaid has struggled hard to prevent waste and to keep costs down.

FY '78		PLATE 41			
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	403,330	88,356	545,554	219	6.2
All Alabama Patients	3,690,000	689,558	4,673,207	187	6.8

Source: Nos. 7, 20, 22, 24

FY '78		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	\$197	7.23	\$1426	N/A
All Alabama Hospital Patients	\$170	6.77	\$1151	N/A
Alabama Medicaid Patients	\$ 88	6.17	\$ 543	\$718
paid by Medicaid	N/A	6.17	N/A	N/A
paid by Medicare				

Source: Nos. 7, 10, 24

In spite of the fact that Medicaid has kept its hospital costs below average, it has not been able to escape a steep and continuous rise in such costs. Eleven years ago (1967) hospital inpatients, on an average for the whole United States, paid \$49 a day. By 1975 it was up to \$101 a day. As 1978 ended the average daily cost had reached \$197.

Medicaid has not been immune from rising hospital costs. In the past five years Medicaid's annual cost per inpatient has more than doubled - rising from \$331 to \$718. (See Plate 43.)

At the same time that costs have risen, use has also risen, but not as steeply. The number of patients rose by about 8,000. Average days-per-stay have fluctuated; in '78 it declined. The combined effect of price rises and increases in use more than doubled Medicaid's budget for inpatient care since 1974 - from \$19.6 million to just over \$48 million a year. (See Plate 43.)

FY '74 - '78		PLATE 43				
HOSPITAL PROGRAM						
Use and cost trends for the past five years						
	FY '74	FY '75	FY '76	FY '77	FY '78	
Number of inpatients	59,126	61,833	67,187	67,842	66,939	
Number of hospital stays	73,801	82,825	88,438	83,059	88,356	
Number of hospital days	440,444	523,562	520,502	614,289	545,554	
Days per stay	5.97	6.32	5.88	7.40	6.17	
Cost to Medicaid	\$19,580,499	\$26,479,182	\$32,215,062	\$44,721,460	\$48,037,903	
Cost per patient	\$331	\$428	\$479	\$659	\$718	

Source: Nos. 2, 3, 4, 5, 12, 24

FY '74 - '78

PLATE 44

HOSPITAL PROGRAM

Outpatients

	FY '74	FY '75	FY '76	FY '77	FY '78
Number of outpatients	69,129	86,206	93,335	86,910	93,229
Percent of eligibles using outpatient service	18.2%	21.3%	23%	21%	23%
Annual cost of outpatient care	\$2,754,182	\$3,741,689	\$4,846,291	\$5,464,123	\$5,451,111
Cost per patient	\$40	\$43	\$53	\$63	\$58

Source: Nos. 2, 3, 4, 5, 12, 24

Outpatients: Last year, for the first time in any year, Medicaid's number of outpatients declined. The decline was only temporary. The trend turned upward again this year. Plate 44 gives details on how the number of outpatients has increased during the past five years.

Even though the use of outpatient service declined, it remained true that among Medicaid eligibles there were more outpatients than inpatients.

Alabama's Supply of Hospital Beds: As FY '78 began, Alabama had 17,652 hospital beds which was a slightly smaller number than the 18,189 that had existed a year earlier. Plate 46 shows how these beds were distributed. The distribution is quite uneven.

The best equipped counties have from six to eight beds per thousand people. There were seven such counties. They are shown in Plate 46 shaded dark gray. You would expect these counties to include all

FY '71 - '77

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

Source: Nos. 7, 20

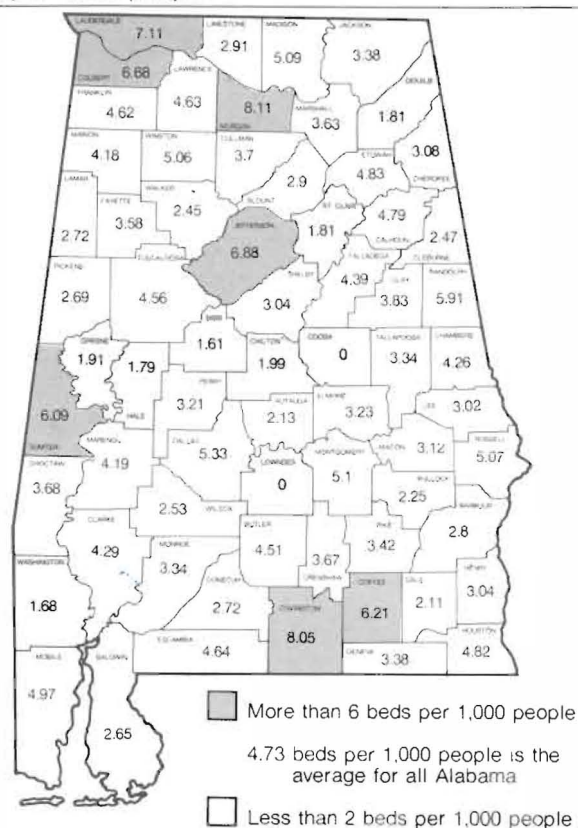
or most of Alabama's cities, but this is not so. Mobile, Montgomery, Huntsville, Tuscaloosa, Gadsden, Anniston and Dothan all are in counties with less than six beds per thousand.

The counties with the fewest beds are those with less than two per thousand residents. Last year there were nine such counties, and on Plate 46 they are shaded light gray. Two of these counties have no hospitals at all. As expected, none of these counties contain large cities.

Plate 47 shows hospital occupancy rates. Again, there is a noticeable difference between urban counties and rural counties. Most urban counties have occupancy rates of 70 percent or more. In the rural counties, even those with very few beds, rates as low as 40 percent or 30 percent are common.

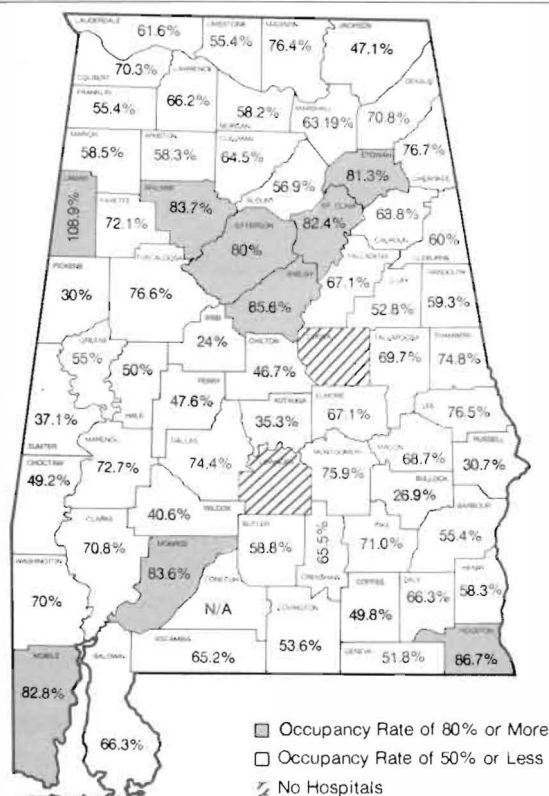
FY '78
HOSPITAL PROGRAM
Beds per 1,000 people

PLATE 46



FY '78
HOSPITAL PROGRAM
Hospital occupancy rates

PLATE 47



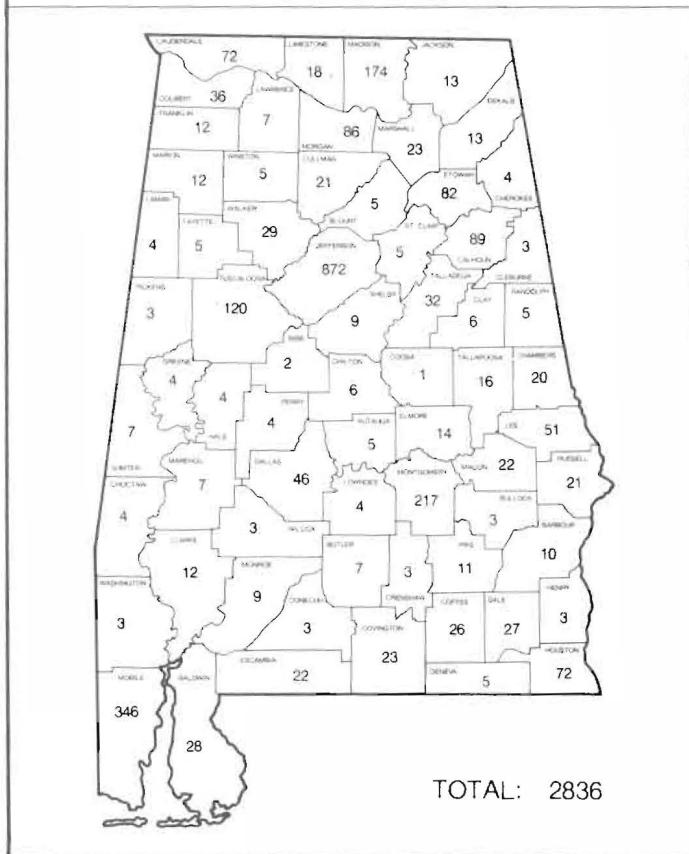
PHYSICIANS' PROGRAM

Among Medicaid eligibles, 54 persons in 100 saw a physician this year.

Medicaid paid physicians an average of \$87 for each patient.

FY '77
PHYSICIANS' PROGRAM
Number of physicians providing direct patient care, by county

PLATE 48

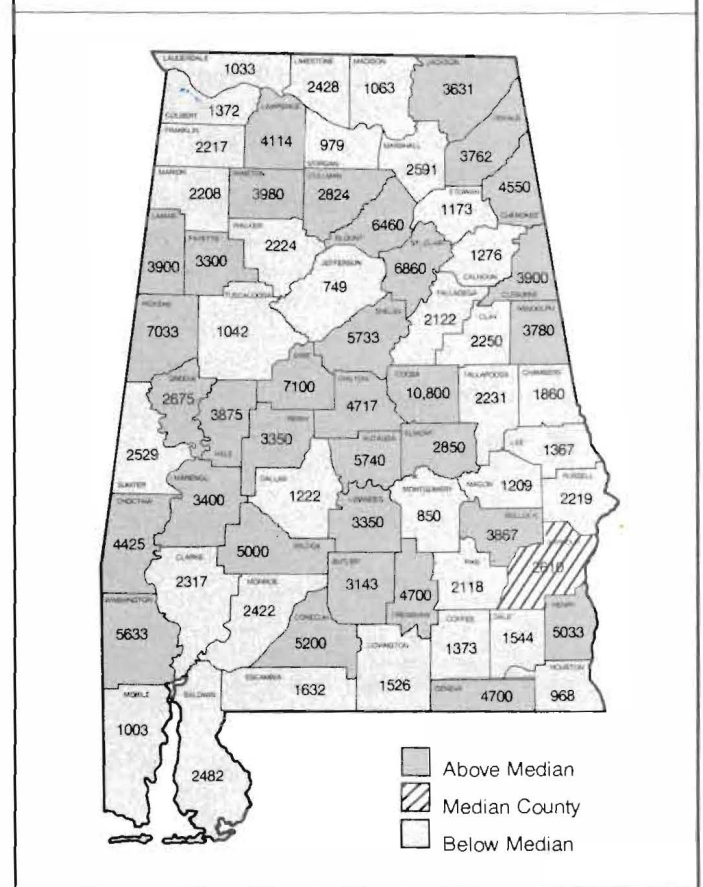


Source: No. 6

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 2,836 doctors offering direct patient care in Alabama as of June, 1977. (More recent figures were not available.) This figure does not include physicians in teaching, research, public health, administration, etc.

FY '77
PHYSICIANS' PROGRAM
Number of people per physician, by county

PLATE 49



Source: Nos. 6, 20

Physicians in Alabama may participate in the Medicaid program as general practitioners or specialists. In the EPSDT Program, physicians must sign agreements with the Medical Services Administration to provide child screening services because of cost limitation; however, in the other programs, physicians are not required to sign agreements. They may provide medically necessary care to any eligible person. During FY '78 more than two-thirds of the Medicaid recipients in Alabama received physicians' services.

PHYSICIANS' PROGRAM

Use and cost

**COST PER RECIPIENT PER YEAR,
FOR PHYSICIANS' SERVICES**

	FY'74	FY'75	FY'76	FY'77	FY '78
Aged	\$ 40	\$ 56	\$ 50	\$ 51	\$ 44
Blind	\$ 95	\$138	\$130	\$135	\$133
Disabled	\$107	\$148	\$132	\$143	\$138
Dependent Children	\$ 43	\$ 55	\$ 49	\$ 66	\$ 63
Dependent Adults	\$105	\$139	\$123	\$140	\$153
ALL CATEGORIES	\$ 58	\$ 82	\$ 75	\$ 85	\$ 87

**NUMBER OF MEDICAID RECIPIENTS
TREATED BY PHYSICIANS**

	FY'74	FY'75	FY'76	FY'77	FY '78
Aged	87,905	89,620	84,428	76,287	69,678
Blind	1,618	1,643	1,505	1,416	1,382
Disabled	19,273	30,507	36,425	38,203	39,200
Dependent Children	70,203	76,152	74,226	82,648	69,497
Dependent Adults	37,029	39,785	39,649	33,651	39,063
ALL CATEGORIES	216,038	237,707	236,233	232,205	218,820

**PERCENT OF ELIGIBLES WHO BECAME
RECIPIENTS OF PHYSICIANS' CARE**

	FY'74	FY'75	FY'76	FY'77	FY '78
Aged	63.5%	67.5%	67.2%	64.0%	62.3%
Blind	62.9%	66.8%	64.0%	63.6%	63.4%
Disabled	50.7%	58.4%	60.0%	60.2%	62.6%
Dependents	53.2%	53.2%	52.1%	51.0%	47.9%
ALL CATEGORIES	56.7%	58.6%	58.1%	56.2%	54.3%

Source: Nos. 2, 3, 4, 5, 12, 22, 24

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 decreased by about 13,000 from the previous year. The disabled category, however, showed an increase.

PHARMACEUTICAL PROGRAM

The total number of prescriptions used by Medicaid patients declined for the third year in a row.

FY '76-'78		PLATE 51		
PHARMACEUTICAL PROGRAM				
Types of provider by number				
TYPE OF PROVIDER	NUMBER			
	FY'76	FY'77	FY '78	
In-State Retail Pharmacies	964	983	1,009	
Institutional Pharmacies	35	33	37	
Dispensing Physicians	4	6	6	
Out-of-State Pharmacies	41	44	44	
Health Centers and Clinics	0	2	3	
TOTAL	1,044	1,068	1,099	

Source: No. 15

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 '76-'78		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 '76	406,497	125,648	2,352	218,386	60,111
FY '77	413,134	119,271	2,228	228,218	63,417
FY '78	403,330	111,832	2,180	226,664	62,654
EXPENDITURES (Per Year)					
FY '76	\$15,622,432	\$ 8,462,672	\$148,413	\$3,338,529	\$3,772,818
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
# of RX (Per Year)					
FY '76	3,304,746	1,994,745	29,743	517,192	763,066
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
RX PER ELIGIBLE (Per Year)					
FY '76	8.1	15.9	12.6	2.4	12.7
FY '77	7.8	15.9	12.6	2.2	12.6
FY '78	7.5	15.6	11.8	2.1	12.6
COST PER ELIGIBLE (Per Year)					
FY '76	\$38	\$67	\$63	\$15	\$63
FY '77	43	88	72	11	75
FY '78	44	95	73	10	79

Source: Nos. 4, 5, 12, 22, 24, 26

FY '78

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	71,343	22%	168,906	2.37	\$5.65	\$13.38	\$ 954,330
November	79,113	24%	193,079	2.44	5.69	13.88	1,097,839
December	93,300	28%	243,841	2.61	5.70	14.90	1,390,236
January	95,173	29%	259,553	2.73	5.77	15.74	1,497,867
February	95,784	29%	249,884	2.61	5.76	15.04	1,440,464
March	92,166	28%	230,244	2.50	5.86	14.64	1,348,977
April	95,610	29%	246,561	2.58	5.91	15.23	1,456,609
May	118,776	35%	398,244	3.35	5.97	20.01	2,376,855
June	89,750	27%	226,618	2.52	6.06	15.29	1,372,297
July	95,319	29%	245,956	2.58	6.20	16.00	1,524,775
August	89,586	27%	222,086	2.48	6.28	15.58	1,395,618
September	110,329	33%	336,603	3.05	6.19	18.88	2,082,663
ALL YEAR	228,986	57%	3,021,575	13.20	\$5.94	\$78.34	\$17,938,531

Source: Nos. 12, 22, 24, 25, 26

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 3000 drugs 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 county. 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 declined this year—for the third

year in a row. The decline started when co-pay was introduced in the drug program near the end of FY '76. This year the number was down to approximately 3 million prescriptions. (See Plate 52.) Two years ago, in FY '76, the year's total was 3.3 million.

This reduction in the total has had two causes. The number of drug users has declined slightly (2%), and the number of prescriptions per recipient per year has declined substantially (6%).

The decrease in use was more than offset, however, by an increase in price. The average price per prescription rose 25%—from \$4.74 to \$5.94. (See Plate 53.)

The combined effect of lower use and higher prices was that the average monthly cost per recipient rose 14%—from \$13.77 to \$15.71 per month.

FAMILY PLANNING

Recipients of family planning services this year numbered 50% more than last year. However, the total costs for these services were reduced by nearly 29%, primarily because of fewer abortions and sterilizations being performed.

FY '78		PLATE 54
FAMILY PLANNING PROGRAM		
Recipients by age, sex, and race		
	RECIPIENTS	
Total	18,819	
Male	91	
Female	18,728	
White	2,312	
Nonwhite	132,758 <i>16,507</i>	
Age 0-5	0	
Age 6-20	7,056	
Age 21-64	11,763	
Age 65 & Over	0	

Source: No. 24

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 non-therapeutic sterilization for family planning purposes.

During 1976, a federal law was passed prohibiting the use of Medicaid funds for abortions. A United States District Court judge issued a preliminary injunction barring enforcement of the ban and directed DHEW to continue to provide Medicaid reimbursement for abortions. This injunction was subsequently dissolved and, 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.

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.

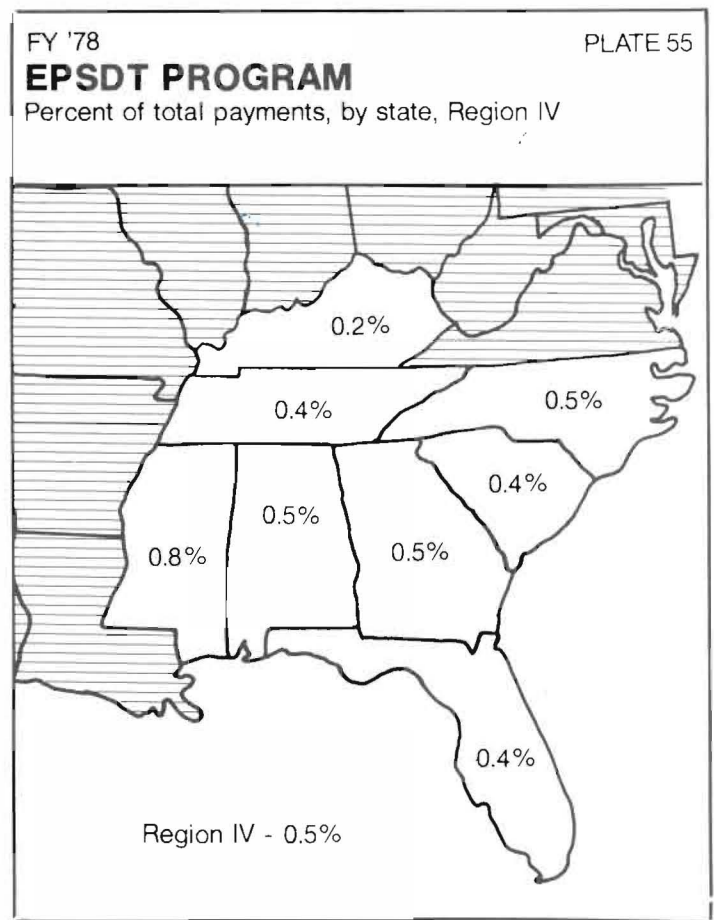
Each year since FY '72, there have been approximately 175,000 eligibles in this age group. Medicaid's goal is to screen each one at periodic intervals from birth until he reaches age 21 if he remains eligible during all these years. These checkups are scheduled to occur at ages 2, 4, 6, 9, 13, and 17 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 during the year 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 less than 1% of the money 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. 16

During FY '78 46,059 screenings were made – up 5% from last year. Of those screened, more than 80% had referable conditions uncovered or suspected. The total screened increases in Alabama each year. We are rapidly approaching the goal set by Congress of seven screenings for each child before his 21st birthday.

Appendix A

TERMINOLOGY

MEDICAID and MEDICARE	<p>Medicaid and Medicare are two governmental programs which exist to pay for health care for two different, but overlapping, groups of Americans.</p> <p>Medicaid buys medical care for several low-income groups, including people of all ages.</p> <p>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.</p> <p>Medicaid is administered by the state governments, and thus there is not one Medicaid program, but 54, (Puerto Rico, Guam, the Virgin Islands, and Washington, DC, run the total to 54). All 54 programs are different.</p> <p>Medicare is administered by the federal government, and the coverage provided is uniform throughout the nation.</p>												
ELIGIBLES and RECIPIENTS	<p>Eligibles, in this report, are people who have Medicaid cards and thus are eligible for health care services paid for by Medicaid.</p> <p>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.</p>												
PROVIDERS	<p>All physicians, dentists, hospitals, nursing homes, and other individuals or businesses that provide medical care are called providers.</p>												
CATEGORY	<p>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.</p> <p>The four major categories are:</p> <ul style="list-style-type: none">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	<p>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.</p> <p>Price, in this report, means "average unit price" or the average price Medicaid paid this year for a unit of care, such as:</p> <table><tr><td>1 day in a hospital</td><td>\$126.94</td></tr><tr><td>1 day in a skilled nursing home.....</td><td>17.81</td></tr><tr><td>1 visit to a physician.....</td><td>14.68</td></tr><tr><td>1 prescription</td><td>5.94</td></tr></table> <p>Cost, in this report, means "average cost per person." Examples of different contexts in which this term is used include:</p> <ul style="list-style-type: none">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. <p>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.</p>	1 day in a hospital	\$126.94	1 day in a skilled nursing home.....	17.81	1 visit to a physician.....	14.68	1 prescription	5.94				
1 day in a hospital	\$126.94												
1 day in a skilled nursing home.....	17.81												
1 visit to a physician.....	14.68												
1 prescription	5.94												
HEALTH CARE SERVICES	<p>Medicaid pays for the following health care services:</p> <table><tr><td>nursing home care,</td><td>hospital care,</td></tr><tr><td>physicians' services,</td><td>dental services,</td></tr><tr><td>eye care, including glasses,</td><td>hearing care, including hearing aids,</td></tr><tr><td>drugs,</td><td>laboratory work and X-rays,</td></tr><tr><td>family planning services,</td><td>screening and referral services (EPSDT),</td></tr><tr><td>home health care,</td><td>transportation required for medical purposes.</td></tr></table>	nursing home care,	hospital care,	physicians' services,	dental services,	eye care, including glasses,	hearing care, including hearing aids,	drugs,	laboratory work and X-rays,	family planning services,	screening and referral services (EPSDT),	home health care,	transportation required for medical purposes.
nursing home care,	hospital care,												
physicians' services,	dental services,												
eye care, including glasses,	hearing care, including hearing aids,												
drugs,	laboratory work and X-rays,												
family planning services,	screening and referral services (EPSDT),												
home health care,	transportation required for medical purposes.												
BUY-IN INSURANCE	<p>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 \$7.70 a month. Medicaid buys this insurance for all Medicaid eligibles whose applications are approved by Social Security. Medicaid calls this insurance "buy-in insurance."</p>												

Appendix B

SOURCES OF DATA USED IN THIS PUBLICATION

PUBLISHED MATERIALS

1. Alabama Department of Public Health, Medical Services Administration. *Alabama Medicaid AFY '73*. Montgomery, Alabama. July, 1974.
2. Alabama Department of Public Health, Medical Services Administration. *Alabama Medicaid AFY '74*. Montgomery, Alabama. August, 1975.
3. Alabama Department of Public Health, Medical Services Administration. *Alabama Medicaid AFY '75*. Montgomery, Alabama. April, 1976.
4. Alabama Department of Public Health, Medical Services Administration. *Alabama Medicaid AFY '76*. Montgomery, Alabama. March, 1977.
5. Medical Services Administration. *Alabama Medicaid FY '77*. Montgomery, Alabama. May, 1978.
6. Alabama Department of Public Health. *A Plan of Action for Selected Health Manpower: A Supplementary Manpower Report to Alabama Comprehensive Health Planning*. Montgomery, Alabama. October, 1977.
7. Alabama Department of Public Health. *Alabama Hospitals Selected Data*. Montgomery, Alabama. August, 1978.
8. U.S. Department of Commerce. Bureau of Census. *Current Population Reports*. Washington, D.C. September, 1977.
9. U.S. Department of Commerce. Bureau of Census. *Current Population Reports*. Washington, D.C. November, 1978.
10. A.H.A. *Hospitals; Journal of the American Hospital Association*. Chicago, Illinois. February 16, 1979.
11. Medicaid Utilization Management Program. *Quarterly Reports*. Falls Church, Virginia. September, 1978.
12. MSA Fiscal Division. Statements of Expenditures. October, 1978.
13. Alabama Department of Finance. Disbursement Table. Fiscal Year 1978-1979.
14. MSA, Long-Term Care Branch. Expiration Date Report.
15. MSA, Pharmaceutical Branch. Pharmacists Card File.
16. HCFA, Research and Statistics Office, Atlanta, Georgia. Compilation of Region IV Medicaid Statistics. January, 1979.
17. Memorandum from Jane Cates, Alabama Hospital Association. March, 1979.
18. Office of the Attorney General. Letter from Joe Sutton, Medicaid Fraud Control Unit. February 28, 1979.
19. MSA, Material Assembled by Surveillance and Utilization Review Branch. March, 1979.
20. University of Alabama. Center for Business and Economic Research. Census Estimates: 1975-1985. February, 1979.
21. MSA, Medicaid Impact Study. December, 1978.

COMPUTER PRINTOUTS MADE FOR ALABAMA MEDICAID

22. Monthly, quarterly, and annual counts of eligibles.
23. SRS-NCSS-120 Statistical Report on Numbers of Recipients and Amounts of Assistance Under Public Assistance Programs (monthly).
24. SRS-NCSS-2082 Statistical Report on Medical Care; Recipients, Payments and Services (annual).
25. Recap of Welfare Medical Assistance (monthly).
26. Expenditure Analysis (monthly).

UNPUBLISHED REPORTS, RECORDS

12. MSA Fiscal Division. Statements of Expenditures. October, 1978.

Appendix C

ALABAMA MEDICAID

(MEDICAL SERVICES ADMINISTRATION)

ORGANIZATION

