

Estimating Variation in Productivity Across State Medicaid Programs: Evidence from Dual-Eligibles

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Key Findings and Policy Implications

This paper analyzes differences in the composition and magnitude of Medicaid program costs across states for people who are dually eligible for both Medicare and Medicaid. It uses linked enrollment and claims data from the Medicare and Medicaid programs for the period 2008-2015. The study finds that:

- There is enormous variation in per-enrollee Medicaid spending for dually eligible Medicare and Medicaid enrollees across states. The highest-spending states have per enrollee spending levels that are 3-4 times the levels of the lowest-spending states.
- The bulk of spending for duals (and the variation) comes from long-term services and supports, with the most of that category of spending going to institutional long-term care in nursing homes.
- When dual-eligible enrollees move from a lower-spending state to a higher-spending state, their spending increases by around 60-70% of the observed cross-sectional spending gap between the states. Following the move, spending changes immediately and generally persists over time.
- The causal spending gap between the highest 10% of states and the lowest 10% of states is not unique to one type of spending but appears for all important spending categories, including Medicare cost-sharing, institutional long-term care, non-institutional long-term care, and other Medicaid-only services.
- The differences in Medicaid spending across states is primarily due to program design rather than things like provider practice patterns that would be expected to influence Medicare spending as well.

These results indicate that state program design has important consequences for state spending in Medicaid. This is an important finding, as it suggests that the flexibility provided to states in administering their Medicaid programs allows them to influence spending levels to a high degree.

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