

Oregon's Medicaid Expansion Drove Shifts in Health Care Spending

Oregon's 2014 Medicaid expansion altered the program's demographics and shifted spending. Some shifts were predictable, whereas others were unexpected.

The Affordable Care Act's (ACA's) 2014 Medicaid expansion resulted in unprecedented growth in enrollment among participating states.

Oregon's Medicaid program grew by 59 percent, more than any other state except Kentucky—covering almost 400,000 additional people in a state with a total population of fewer than 4 million.¹ The demographics of these enrollees differed substantially from those of members enrolled prior to expansion. To maintain quality of care and control spending growth, policymakers must understand the health care needs and spending patterns of the changing Medicaid population.

To assess the immediate effects of Medicaid expansion on health care spending in Oregon, this study analyzed changes in spending patterns from 2013 to 2014. The study team began by categorizing all spending into 50 health conditions and examining how per-person spending changed for each condition. They then examined various drivers behind the observed spending changes—particularly, differences in the number of people who had the condition (prevalence), and differences in the cost to treat people with the condition. The method used to “decompose” the factors behind spending growth or shrinkage was a novel approach that enabled the study team to form a robust picture of how spending changed after expansion, and why.

The study also shed light on a few less-scrutinized conditions that may offer fresh opportunities for policymakers tasked with controlling spending.

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KEY FINDINGS

- Oregon's per capita Medicaid spending decreased moderately with expansion, but changes were not uniform across health conditions.
- Per capita spending on substance use treatment and heart disease increased, even as average treatment prices for these conditions decreased.
- One-sixth of per capita spending was for lung conditions, trauma, and digestive diseases—conditions not typically associated with Medicaid.
- A better understanding of new members' needs and spending patterns may help policymakers improve care and control costs.



Spending and Cost

Per capita spending on some conditions decreased, even as their treatment costs increased; per capita spending on other conditions increased, even as treatment costs fell.

Changes in eligibility drove changes in spending

Prior to expansion, Medicaid eligibility was based on belonging to specific categories.

Low-income families with children, pregnant women, people with disabilities, and people aged 65 and older qualified for the program.

Medicaid expansion allowed anyone with an income up to 138 percent of the federal poverty level to enroll.

This brought an influx of males and older adults into the program. From 2013 to 2014, the proportion of males increased from 45.3 percent to 47.3 percent. The proportion of Oregon Medicaid enrollees under 18 years shrunk from 62.1 percent to 43.4 percent, and the proportion between 45-64 years nearly doubled, from 9.5 percent to 17.9 percent.

Concurrent with these changes, annual per capita spending decreased moderately.

From 2013 to 2014, total per capita spending decreased by 7 percent, from an average of \$3,497 to \$3,303. However, per capita spending on some conditions decreased—driven by lower service use—even as the per

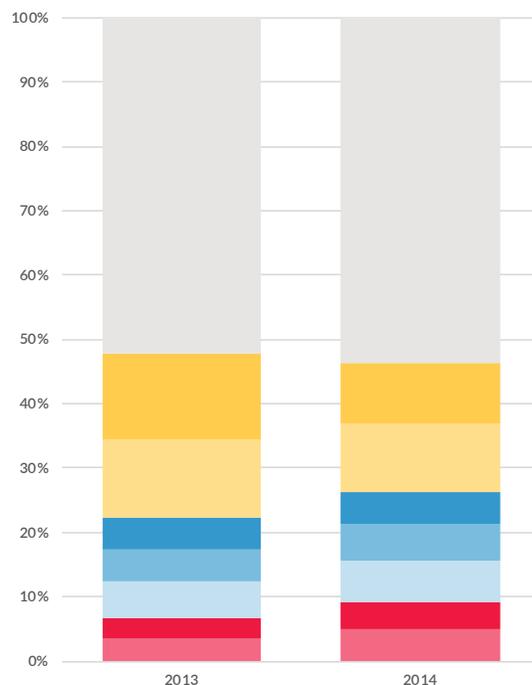
episode cost of treating those conditions increased. Conversely, per capita spending on other conditions increased, even as per episode treatment costs fell.

Lower per capita spending on pregnancies, births, and mental health conditions

From 2013 to 2014, per capita spending on pregnancies and births decreased by one-third, from \$476 to \$312. This can be explained by the fact that the ACA expansion enrolled a higher proportion of men than women, and most low-income pregnant women were largely eligible before expansion. Hence, pregnancies and births were 34 percent less common among program enrollees after expansion. The net decrease in per capita spending occurred even though per episode treatment costs for these conditions increased by 8 percent.

Per capita spending on mental health conditions declined by nearly one-fifth, from \$430 to \$350. This may reflect the fact that people with severe mental illness were often eligible for Medicaid through the

Figure 1. Seven conditions comprise half of total per capita Medicaid spending



Out of 50 distinct medical conditions, the seven highlighted below account for nearly half of total per capita Medicaid spending. This study compared per capita spending for these conditions in 2013 (the year prior to ACA expansion) with spending in 2014 (the year following expansion).

Per capita spending on **pregnancies, births, and mental disorders** decreased following Medicaid expansion.

Per capita spending on **pulmonary conditions, trauma, and diseases of the digestive system** remained stable from 2013 to 2014. Together, they accounted for one-sixth of total per capita spending.

Per capita spending on **heart disease and substance use disorder** treatment increased.

disability category prior to 2014. As a result, mental disorders were less common among expansion enrollees than among enrollees eligible prior to expansion.

Per capita spending growth for substance use treatment and heart disease

From 2013 to 2014, per capita spending on substance use disorders increased by one-third, from \$123 to \$167. This occurred despite per episode treatment costs decreasing by 22 percent. In contrast to mental health conditions, substance use disorders were not a basis for Medicaid eligibility prior to the ACA expansion. As a result, substance use disorders were 14 percent more common across the Medicaid population post-expansion.

Similarly, per capita spending on heart disease increased by one-fifth, from \$111 to \$133, even as per episode treatment prices decreased by 29 percent. The higher average age of people who enrolled through expansion helps explain this trend.

Implications

Per capita health care spending among Oregon's Medicaid enrollees decreased moderately following Medicaid expansion. However, changes in spending were not uniform across medical conditions, and savings in some areas were offset by increased spending in others. Many of the spending shifts can be explained by the demographics of newly enrolled members, but changing treatment costs and prevalence also played a role.

The information in this brief has several implications for Medicaid policy and program administration:

- This information represents an early look at the demographics and care needs of newly enrolled Medicaid members. Policymakers should monitor this information over time.
- A better understanding of members' care needs and spending in the areas of lung conditions, trauma, and digestive disease may offer fresh opportunities for policymakers to improve care and control spending. These conditions account for one-sixth of total per capita spending, but are not commonly associated with the population served by Medicaid—unlike pregnancy, births, and mental health conditions.
- While per capita spending on mental health conditions declined, some types of mental health care spending increased. This may be, in part, the result of reforms to Oregon's Medicaid program that were aimed at improving access to mental health care and screenings. Policymakers should closely scrutinize and monitor types of spending in this area to understand the effect of reforms and determine the breakdown of desirable and undesirable spending.

REFERENCES

- 1 Kaiser Family Foundation. Total Monthly Medicaid and CHIP Enrollment. State Health Facts. <https://www.kff.org/health-reform/state-indicator/total-monthly-medicaid-and-chip-enrollment/>.

CENTER FOR HEALTH SYSTEMS EFFECTIVENESS

Written by Stephanie Renfro of the Center for Health Systems Effectiveness

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