

Medicaid costs for the most commonly treated conditions, Washington, 2022

By Nhan Ho

September 2024

Key Findings

- The three most common conditions treated among Medicaid clients were mental disorders, respiratory conditions and nervous system disorders.
- Total expenditures were highest for mental disorders (\$1.3 billion), but cancer care had the highest per capita expenses (\$14,635).
- Prescription drugs accounted for more than half of annual expenditures for diabetes and arthritis.

Introduction

Data from the Washington All-Payer Health Care Claims database (WA-APCD) indicate that Medicaid allocated approximately \$3.74 billion toward healthcare for nine specific conditions in 2022, accounting for about 28.9% of the total Medicaid paid claims expenditure of \$12.9 billion that year. Nearly 40% of the Medicaid population (848,200 out of 2.1 million enrollees) received treatment for at least one of the nine most common treated conditions, which included: (1) arthritis and other joint disorders [including joint pain

and back pain]; (2) cancer; (3) chronic obstructive pulmonary disease [COPD], asthma and other respiratory conditions; (4) diabetes; (5) heart disease; (6) hyperlipidemia; (7) hypertension; (8) mental disorders; and (9) nervous system disorders.

Utilizing WA-APCD claims

We used the *Clinical Classifications Software Refined (CCSR)* from Healthcare Cost and Utilization Project (HCUP)¹ to group ICD-10-CM principal diagnosis codes into medical condition categories (Appendix, Table A). We extracted expenditures from medical claims directly related to these conditions, using the paid amount. For prescription drugs, we referenced online sources² to assign drugs used by enrollees who had a condition falling within the nine most common categories. This approach allowed us to code approximately three-quarters (Appendix, Table D) of total drug expenditures for these enrollees. In mapping ICD-10 diagnosis codes to CCSR codes, we followed the method outlined by Muhuri, PK (2019)³ to estimate total and

¹ https://hcup-us.ahrq.gov/toolsoftware/ccsr/ccs_refined.jsp

² Drugs.com; Accessed March 1st, 2024

³ Muhuri, PK (2019) Expenditures for commonly treated conditions among older adults: Estimates from the Medical Expenditure Survey, 2019. AHRQ Statistical Brief 545

average expenditures, as well as the proportion of expenditures by service, for each category.

Results

In 2022, approximately 23% (503,400 individuals) of the total Medicaid enrollees were treated for a single condition, and 16% (344,300 individuals) were treated for two or more conditions (Appendix, Table B). Notably, 18% (392,300 individuals) sought treatment for mental health disorders, the most prevalent condition reported (Appendix, Table C). Additionally, respiratory conditions and nervous system conditions were also significant, each affecting 11% of enrollees (over 235,000 individuals).

Cost

A breakdown of the costs reveals that mental disorders accounted for the largest share, with expenditure of \$1.308 billion (Figure 1). This amount was nearly three times higher than the second-highest expenditure of \$465.5 million for arthritis and other joint disorders. Additionally, costs for cancer, respiratory conditions and diabetes each exceeded \$400 million.

Cancer treatment had the highest per-capita cost (Figure 2) of around \$14,635, nearly 2.5 times the cost of diabetes, the next highest category. Mental disorders and

heart disease each had a per-capita cost over \$2,500.

Analysis of the cost distribution for each condition by medical service type (Figure 3) shows that prescription drugs dominated the costs for diabetes (75.5%) and arthritis (66.9%). Additionally, prescription drugs accounted for a notable portion of costs for respiratory conditions (43.0%) and hyperlipidemia (44.3%). Inpatient care was the primary cost driver for hypertension (56.1%), while provider services made up the largest share of costs for mental disorders (50.1%). Cancer treatment costs were substantial in outpatient services (31.7%) and inpatient services (30.5%).

Conclusion

The most commonly treated conditions among Medicaid clients in 2022 were mental disorders, respiratory conditions and nervous system disorders. While mental disorders were the most common condition treated, cancer treatment had the highest per-capita cost deriving mostly from inpatient and outpatient services.

The category of mental disorders had most of its cost associated with provider services. Literature on mental health care shows that adults seeking mental health services has increased over the years, exacerbated by the pandemic, but a shortage of health care providers is making it hard to find care.⁴ As

https://meps.ahrq.gov/data_files/publications/st545/stat545.pdf.

⁴ Substance Abuse and Mental Health Services Administration. Key Substance Use and Mental Health Indicators in the United States: Results from

the National Survey on Drug Use and Health. Interactive NSDUH State Estimates. Rockville, MD: Center for Behavioral Health Statistics and Quality, SAMHSA. <https://samhas.gov/data>. Accessed April 22, 2024.

of 2023, Washington state reported only about 17% of mental health care need was being met in the state.⁵

Prescription drugs made up a large proportion of the cost to treat many of the chronic conditions. Given that many of these prescription drugs for chronic conditions need to be taken for the remainder of a patient's life, reining in the cost for such prescription drugs needs to be a priority of public programs like Medicaid.

Limitations

One limitation of our analysis is that we manually coded prescription drug expenditures to associated conditions. We used information from Drugs.com and categorized the medication to related conditions. Many drugs are specially designed for specific conditions, but some could be used for more than one condition. If a drug could not be associated with one of the nine conditions, we excluded it from the cost calculation. It is possible that there were errors or wrongly coded drugs, but notably, high-cost drugs were mostly linked to the conditions that they were designed for.

Also, our study used claims data to assess the most common conditions and the costs directly related to treating those conditions. The prevalences of the conditions shown in our analysis could be underestimated if a Medicaid member had a condition but did not seek medical treatment or generate a claim in 2022.

The Public Health Emergency (PHE) declaration for COVID-19 was still in effect in 2022. Under the PHE declaration, Medicaid members could continue to stay in the program even when changes in their employment and/or income would have otherwise caused them to be ineligible for Medicaid. As a result, there was a significant increase in Medicaid enrollment in 2022. The numbers of Medicaid members diagnosed with commonly treated conditions in 2022 might be higher than pre-pandemic levels due to the expanded coverage. Volatility in Medicaid enrollment size can lead to inaccurate estimates of the long-term average costs.

⁵ KFF. State Health Facts. Mental Health Care Professional Shortage Areas (HPSAs) as of Nov 1,

2023. San Francisco, CA: KFF. Accessed April 22, 2024.

Appendix

Table A. Condition Categories and CCSR Codes for ICD-10-CM diagnoses

Conditions	CCSR codes
Hypertension	CIR007–CIR008
Hyperlipidemia	END010
Arthritis and other joint disorders (including joint pain and back pain)	MUS001–MUS010 and MUS032
Nervous system disorders	EAR000, EAR003, EAR004, EAR006, NVS000, NVS001–NVS008, NVS013–NVS020, NVS022, SYM010 and SYM015
Heart disease	CIR001–CIR006, CIR009 and CIR010–CIR019
Diabetes	END002–END006
Cancer	FAC006, NEO000, NEO001–NEO072 and NEO074
Mental disorders	FAC002, FAC007, MBD000–MBD034, NVS011, SYM008 and SYM009
COPD, asthma and other respiratory conditions	RSP000, RSP007–RSP009, RSP011–RSP014, RSP016 and SYM013

Table B. Counts of people according to number of treated conditions

Number of commonly treated conditions	Number of people
1	503,408
2	203,104
3	84,860
4	35,027
5	14,277
6	5,123
7	1,547
8	310
9	28

Table C. Number of people treated by conditions

Condition	Count of enrollees
Mental disorders	392,267
COPD, asthma and other respiratory conditions	252,050
Nervous system disorders	239,382
Arthritis	223,575
Heart diseases	97,795
Hypertension	76,211
Diabetes	71,866
Hyperlipidemia	39,521
Cancer	27,321

Table D. Common-condition expenditures in year 2022 by medical and pharmacy claims⁶

Condition	Medical claims expenditures	Pharmacy claims expenditure
Arthritis	\$153,972,229	\$311,545,077
Cancer	\$323,677,106	\$76,683,757
COPD, asthma and other respiratory conditions	\$243,652,590	\$183,894,963
Diabetes	\$99,871,934	\$307,025,131
Heart diseases	\$219,682,954	\$59,550,224
Hyperlipidemia	\$7,448,310	\$5,917,325
Hypertension	\$68,349,862	\$4,805,502
Mental disorders	\$1,031,930,451	\$276,613,603
Nervous system disorders	\$249,449,232	\$116,309,509

⁶ Only 77.6% of pharmacy claims expenditures are in the calculation.

Figure 1. Total expenditures for Medicaid enrollees by condition, Washington, 2022

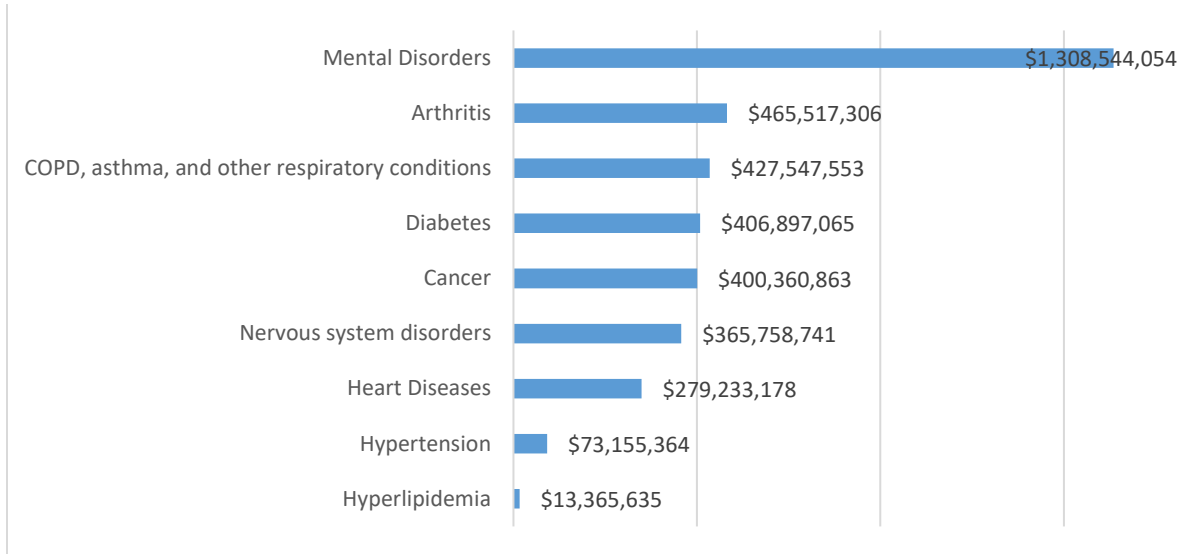


Figure 2. Per-capita costs by condition for Medicaid enrollees by condition, Washington, 2022

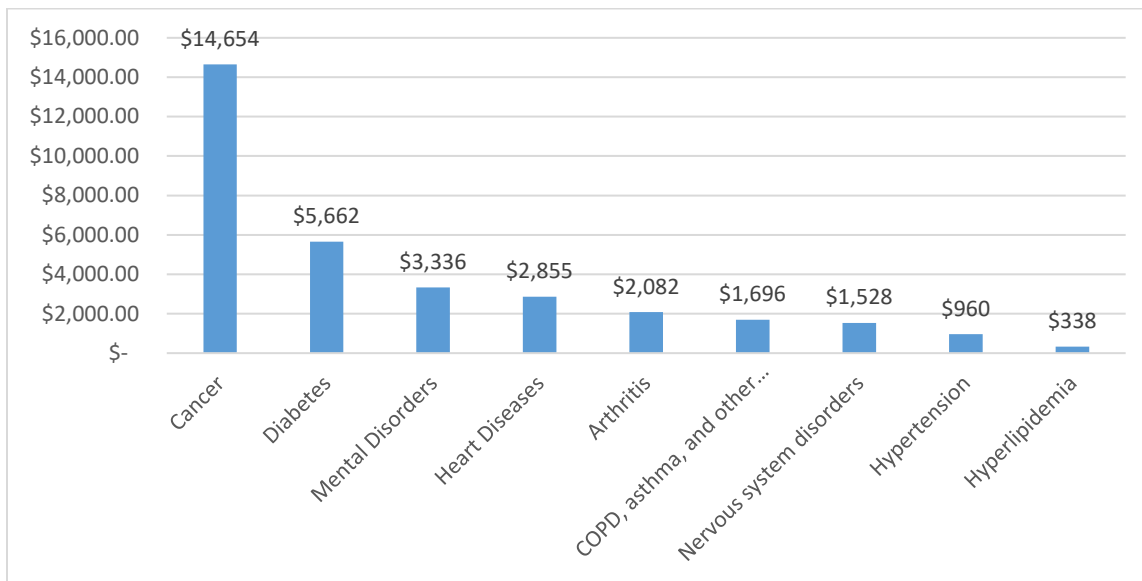


Figure 3. Proportion of treatment expenditures for different types of medical services by condition, Medicaid, 2022

