

MEDICAID DRUG COSTS AND PROJECTED DEMOGRAPHIC CHANGES IN NORTH DAKOTA

MEDICAID DRUG COST HISTORY

General fund costs for Medicaid drug benefits in North Dakota have increased significantly in recent years and are anticipated to continue to do so during the 2001-03 biennium. The general fund share of Medicaid costs is approximately 30 percent. The following table shows the general fund share of Medicaid drug costs in North Dakota for 1991-93 through 1999-2001 and the appropriation for the 2001-03 biennium.

Biennium	General Fund Medicaid Drug Costs	Biennial Percentage Increase	Average Annual Percentage Increase
1991-93	\$5,591,377		
1993-95	\$7,624,260	36.36%	16.77%
1995-97	\$10,054,267	31.87%	14.84%
1997-99	\$13,769,111	36.95%	17.02%
1999-2001	\$19,469,799	41.40%	18.91%
2001-03 (appropriation)	\$24,563,951	26.16%	12.32%

DEMOGRAPHIC CONSIDERATIONS

During July 2001, 32,051 North Dakotans received Medicaid services, 8,184 of which were age 65 or older (**25.5 percent** of the total Medicaid population). However, approximately **39.1 percent** of total 1999-2001 biennium Medicaid drug costs related to Medicaid recipients age 65 and older. The state's demographic projections indicate a growing elderly population, which could contribute to future increases in Medicaid drug expenditures. The total population of North Dakota is anticipated to increase by only 1.1 percent from 2000 to 2015, according to data published by the North Dakota Data Center. However, the age 65 and older population of North Dakota is projected to increase by 36.6 percent during that time period. The following table shows estimated changes in the state's population from 1991 through 2015.

Year	Projected Total North Dakota Population	Approximate Annual Percentage Increase	Cumulative Percentage Increase	Projected Age 65 and Older North Dakota Population	Approximate Annual Percentage Increase	Cumulative Percentage Increase	Elderly Percentage of Total Population
1991	634,199			91,884			14.49%
1992	635,427	0.19%	0.19%	92,578	0.76%	0.76%	14.57%
1993	637,229	0.28%	0.48%	93,052	0.51%	1.27%	14.60%
1994	639,762	0.40%	0.88%	93,299	0.27%	1.54%	14.58%
1995	641,548	0.28%	1.16%	93,633	0.36%	1.90%	14.59%
1996	642,858	0.20%	1.37%	93,449	-0.20%	1.70%	14.54%
1997	640,945	-0.30%	1.06%	92,701	-0.80%	0.89%	14.46%
1998	637,808	-0.49%	0.57%	92,594	-0.12%	0.77%	14.52%
1999	633,666	-0.65%	-0.08%	92,383	-0.23%	0.54%	14.58%
2000	642,297	1.36%	1.28%	95,423	3.29%	3.85%	14.86%
2005	644,428	0.07%	1.61%	99,778	0.90%	8.59%	15.48%
2010	647,637	0.10%	2.12%	110,554	2.07%	20.32%	17.07%
2015	649,107	0.05%	2.35%	130,345	3.35%	41.86%	20.08%

FUTURE MEDICAID COSTS

Future Medicaid drug costs are difficult to estimate. Many factors, including demographic changes, influence these costs. Unknown factors that could affect future state Medicaid drug costs include the state's share of Medicaid, inflationary increases in drug costs, the prices of new medications, and utilization rates.

The average annual rate of increase in general fund Medicaid drug costs from 1991 to 1999 was 16.89 percent; the average biennial rate of increase was 36.65 percent.

The following schedule calculates what North Dakota's general fund Medicaid drug costs could be for each biennium through the 2013-15 biennium, assuming a 36.65 percent biennial increase, the average rate of increase experienced for the 1991-93 through 1997-99 bienniums.

Biennium	General Fund Medicaid Drug Costs
1999-2001 (actual)	\$19,469,799

2001-03	\$26,605,480
2003-05	\$36,356,389
2005-07	\$49,681,005
2007-09	\$67,889,094
2009-11	\$92,770,447
2011-13	\$126,770,816
2013-15	\$173,232,320

As discussed earlier, the number of state residents age 65 or older will impact the number of Medicaid recipients age 65 or older, a group which accounts for a disproportionately large share of total Medicaid drug expenditures.

The age 65 and older population of North Dakota is expected to increase at a significantly higher annual rate from 2000 to 2015 (approximately 2.1 percent per year) than it did during 1991 to 1999 (approximately .07 percent per year). The impact of this demographic change on Medicaid costs cannot be estimated because of unknown impacts, including utilization and costs of drugs used by the age group and is therefore not reflected in the increases shown above.