



Connecticut Medicaid remains very efficient but pharmacy driving up costs

March 21, 2025 update

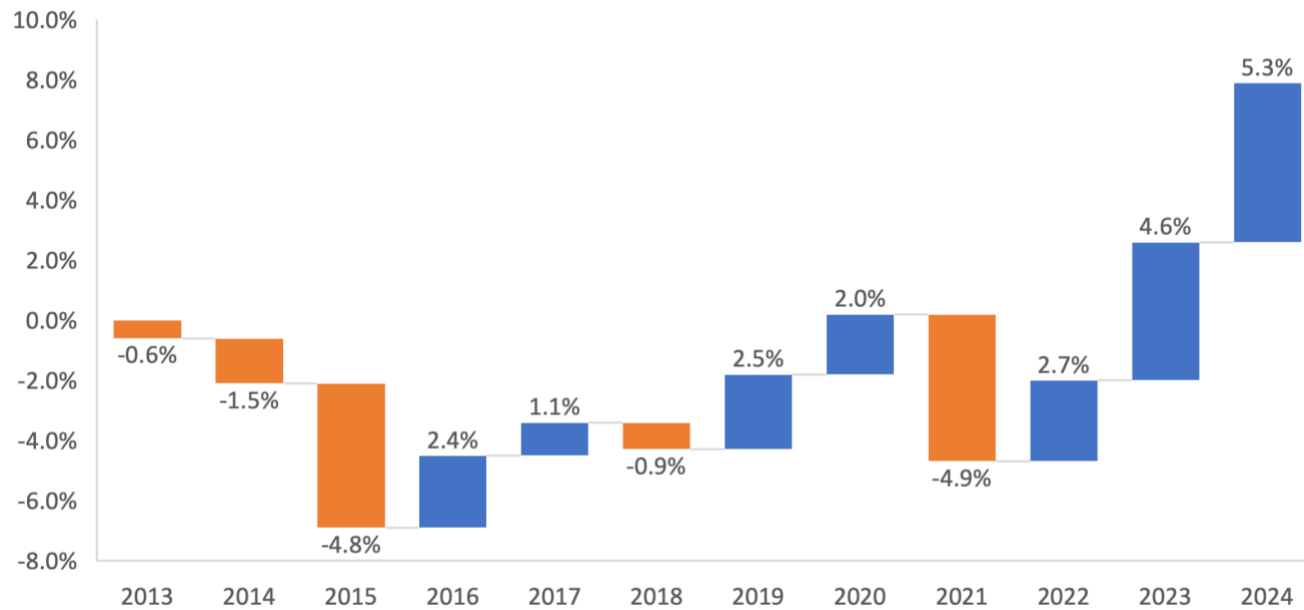
Like other states, Connecticut Medicaid per member costs are beginning to increase after dropping during COVID. However, Connecticut's rate trend remains better than other states. **Since switching from managed care organizations in 2012 to focus on care management, Connecticut Medicaid spending stabilized while enrollment expanded significantly**, according to the state's latest financial report. Even as COVID enrollment protections have lapsed, enrollment remains above pre-pandemic levels.

Connecticut Medicaid is very efficient. Administrative burden in the program is four-fold lower than Connecticut commercial insurance plans. This is likely because, unlike most states, Connecticut Medicaid no longer uses private, for-profit insurers to run our program.

Connecticut also spends less of our state budget on Medicaid than most states. That lower spending frees up \$1.6 billion in the state budget for other priorities.

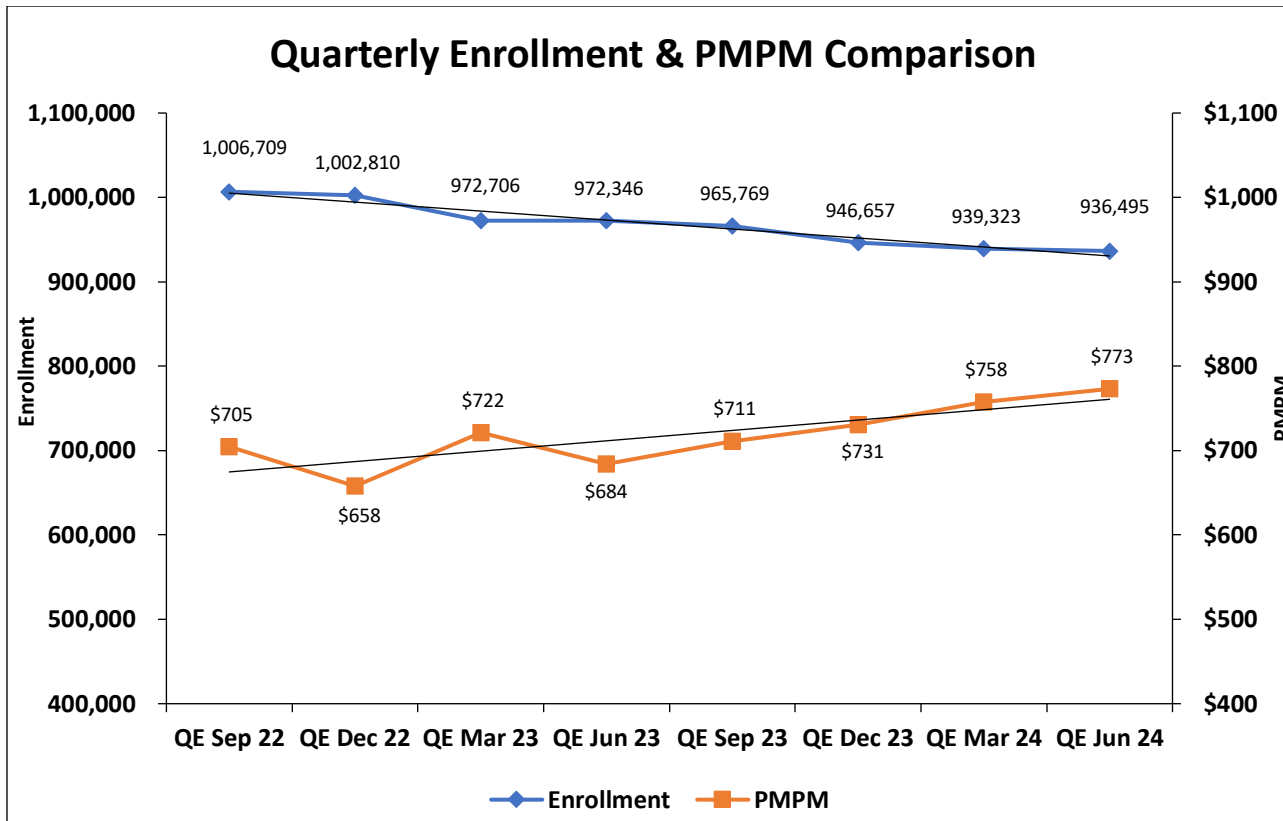
As in other states, **spending on pharmaceuticals is the main driver of rising Medicaid costs** since 2020, likely due to high-cost specialty drugs. However, Connecticut's increases are below most states. Long Term Care spending, including nursing homes, dropped sharply from 2020 to 2021, largely due to COVID. Home care/waiver services and administrative costs are up.

CT Medicaid pmpm change



Per member spending in Connecticut’s Medicaid program dropped significantly from 2013 through 2015, after switching from private Managed Care Organizations (MCOs) running the program. However, per member spending resumed a slow increase through 2020. When COVID hit, health care spending dropped sharply, as it did across the US. Per member spending has increased since then, as it also has for the rest of the US.

Sources: DSS Medicaid financial reports, 2025, 2023, 2021

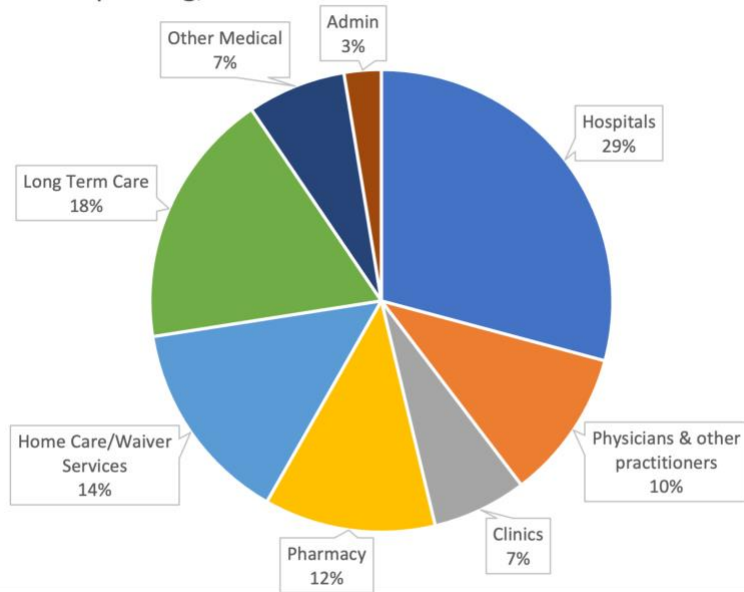


Since 2022, enrollment has fallen as COVID enrollment protections lapsed. However, it remains above pre-COVID levels. (Not pictured in the graphic.)

Per member costs rose 9.6% in almost two years from September 2022 to June 2024. This is faster than [medical inflation](#) across the US economy which grew 3.3% for the year ending June 2024 and 0.1% for the year ending June 2023.

Source: DSS Medicaid financial report, 2025

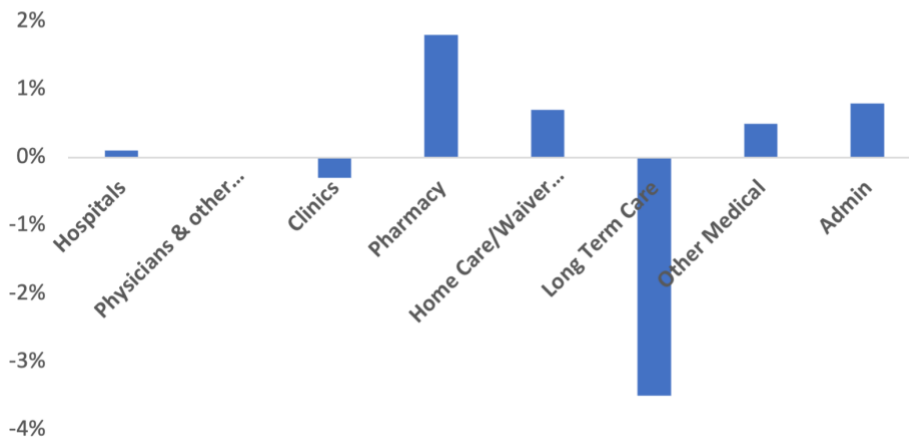
CT Medicaid spending, 2024



As in the past, hospitals were the largest category of Medicaid spending, followed by Long Term Care, Home Care/Waiver Services, and pharmacy spending.

Source: DSS Medicaid financial report, 2025

Change in spending, 2020 to 2024
change as % state budget

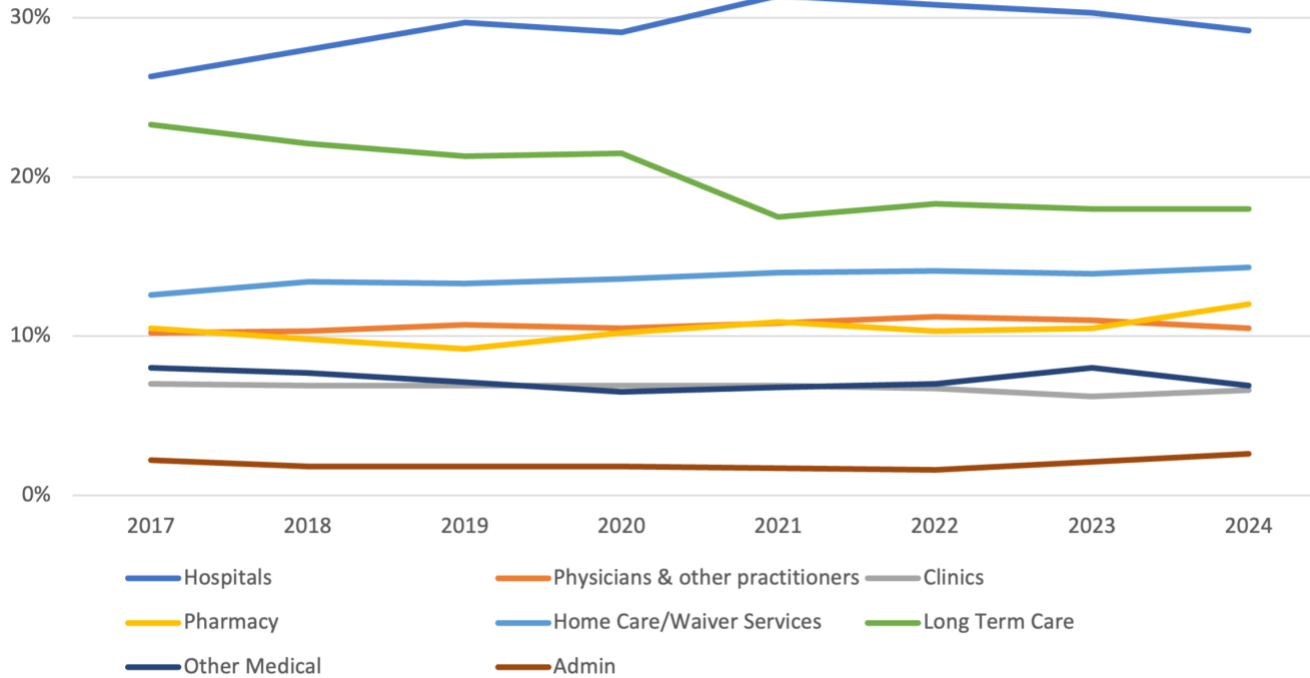


While comprising 12% of total Medicaid spending, pharmacy costs have been the main driver of rising Medicaid spending since 2020, likely due to high-cost specialty drugs. This is a [national trend](#) and Connecticut is doing better than most states in controlling drug spending.

Long term care costs are down sharply since COVID. Home care/waiver services and administrative costs are up.

Source: DSS Medicaid financial report, 2025

Medicaid spending by service category

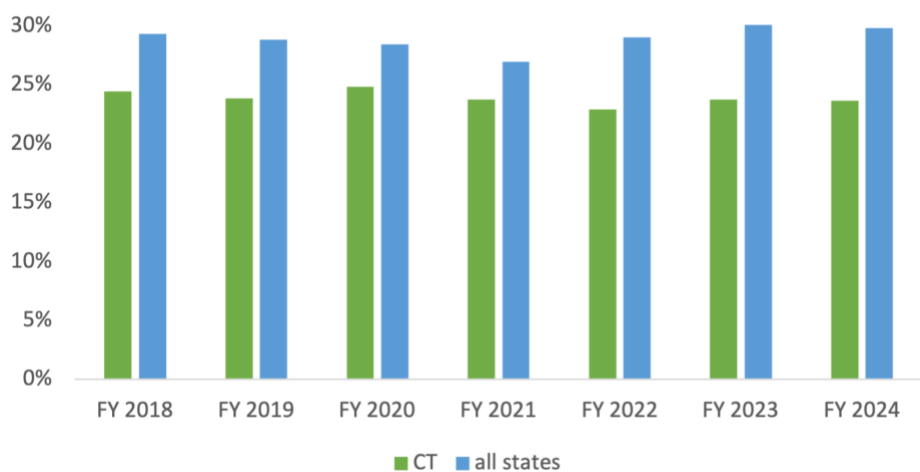


Since at least 2017, the largest share of Medicaid spending has been on hospital services, both inpatient and outpatient care. Since 2021, that spending has moderated slightly as a percent of the total.

Long Term Care spending dropped sharply from 2020 to 2021, largely due to COVID.

Sources: DSS Medicaid financial reports, 2025, 2023, 2021

Medicaid percent of state budget

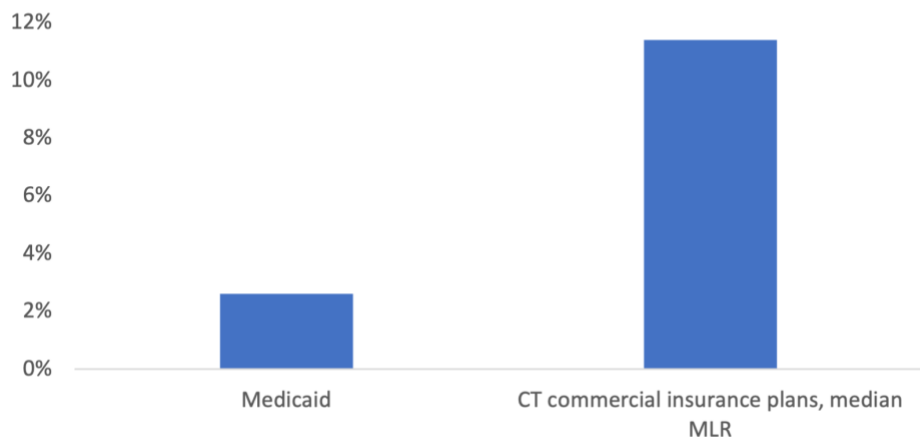


Our state consistently spends less of our state budget on Medicaid than other states. Last year, Medicaid comprised 23.6% of Connecticut’s state budget compared to the 29.8% average for all states.

Our state programs’ efficiency allows for \$1.6 billion savings in the state budget that is devoted to other priorities.

Sources: State Expenditure Reports, NASBO, 2020, 2022, 2024

Administrative costs 2024



With an administrative burden of 2.6%, Connecticut Medicaid is very efficient. In contrast, Connecticut commercial insurers spent 11.4% (median) on administrative costs.

It's important to note that unlike 42 other states that use private managed care organizations (MCOs), Connecticut handles its own healthcare administration. This means that while other states' administrative rates don't include MCO costs, Connecticut's 2.6% rate reflects all administrative expenses since they're handled directly by the state.

Sources: DSS Medicaid financial report, 2025; Consumer Report Card, CID, 2024

Sources:

[Financial Trends in the Connecticut Medicaid Program](#), DSS presentation to MAPOC, 3/14/2025

[Financial Trends in the Connecticut HUSKY Health Program](#), DSS presentation to MAPOC, 2/10/2023

[Financial Trends in the Connecticut HUSKY Health Program](#), DSS presentation to MAPOC, 1/8/2021

[Consumer Report Card On Health Insurance Carriers In Connecticut](#), CT Insurance Dept., October 2024

[2024 State Expenditure Report](#), NASBO,

[2022 State Expenditure Report](#), NASBO

[2020 State Expenditure Report](#), NASBO

[Governor Lamont's budget presentation FY 2026-2027](#), 2/5/2025

[How does medical inflation compare to inflation in the rest of the economy?](#) KFF, 8/2/2024

[Recent Trends in Medicaid Outpatient Prescription Drugs and Spending](#), KFF, 10/11/2024