Medicaid Managed Care: State Expansions

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Managed Care Remains a Primary Strategy

Enrollment in Millions

- Early Adopters, CA, NY, MN, MI, AZ
- Growth of Medicaid-Focused & Commercial Plans
- Mandatory Enrollment (Families)
- Comprehensive Reform
- Focus on Disabled / SSI

Source: CMS 2004, Robert Hurley
Ohio Medicaid Reform Commission 2005

- Expand mandatory full risk managed care statewide for all Covered Families and Children
- Introduce mandatory full risk managed care statewide for targeted Aged, Blind and Disabled
- Expand performance based payment
Ohio Managed Care Status

- Successful CFC statewide procurement (8 regions; 8 plans selected, 2-3 per region)
  - Competitive; no plan statewide
  - Local plans purchased by regional plans
- ABD procurement next: Population-specific network and performance standards expected
- TOTAL = 1.2 m Medicaid enrollees in full risk plans by July ‘07
The Future Looks Bright!

- Nationally:
  - Interest, movement into LTC
  - SNP options open the door to tackle dual eligible challenge (40-50% total Medicaid spending!)
  - Federal policy is supportive of managed care
Good News, Bad News

- Good news: Medicaid managed care produces PMPM savings, can improve outcomes
- Good news: managed care brings “budget predictability”
- Bad news: “predictable” isn’t the same as “affordable and sustainable!”

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Medicaid Spending Growth Is “Low” …

Annual Per Capita Spending Growth: Medicaid vs. Private Health Spending 2000-2003

- Medicaid: Acute Care Spending Per Enrollee: 5.1%
- Medicaid: Long-Term Care Spending Per Enrollee: 6.9%
- Private Coverage: Health Care Spending Per Person: 9.0%
- Employer-Sponsored Insurance: Monthly Premiums: 12.6%


..State Revenue Growth is Lower!

Figure 1

Underlying Growth in State Tax Revenue Compared with Average Medicaid Spending Growth, 1997-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>State Tax Revenue</th>
<th>Medicaid Spending Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>5.3%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>5.1%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>10.6%</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>12.7%</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>8.5%</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>7.9%</td>
</tr>
</tbody>
</table>

NOTE: State Tax Revenue data is adjusted for inflation and legislative changes. Preliminary estimate for 2005.

Revenues Matter

- Federal Medicaid spending projections:
  - 2007-2010 9% average annual growth (CMS)

- Ohio revenue projections?
  - 3rd quarter ’05 – 4.5% estimated annual growth
State Actions to Contain Medicaid Costs
FY 2002 – FY 2006

Controlling Drug Costs
Reducing/Freezing Provider Payments
Reducing/Restricting Eligibility
Reducing Benefits
Increasing Copayments
Disease Management
Long-Term Care

Number of States

State Options for Future

- Move more into managed care for “one time” savings pick up
- Pressure on managed care plan rates
- Reductions in benefit packages (is this realistic with disabled and chronically ill populations living below poverty level?)
Increased Expectations!

- Aggressive goals re: targeted savings, health improvement, consumer behavior, access – rates and PFP
- Leadership in IT, electronic medical records
- Duals, long term care
- Behavioral health integration
- Fraud and abuse