



Medicaid Managed Care: State Expansions

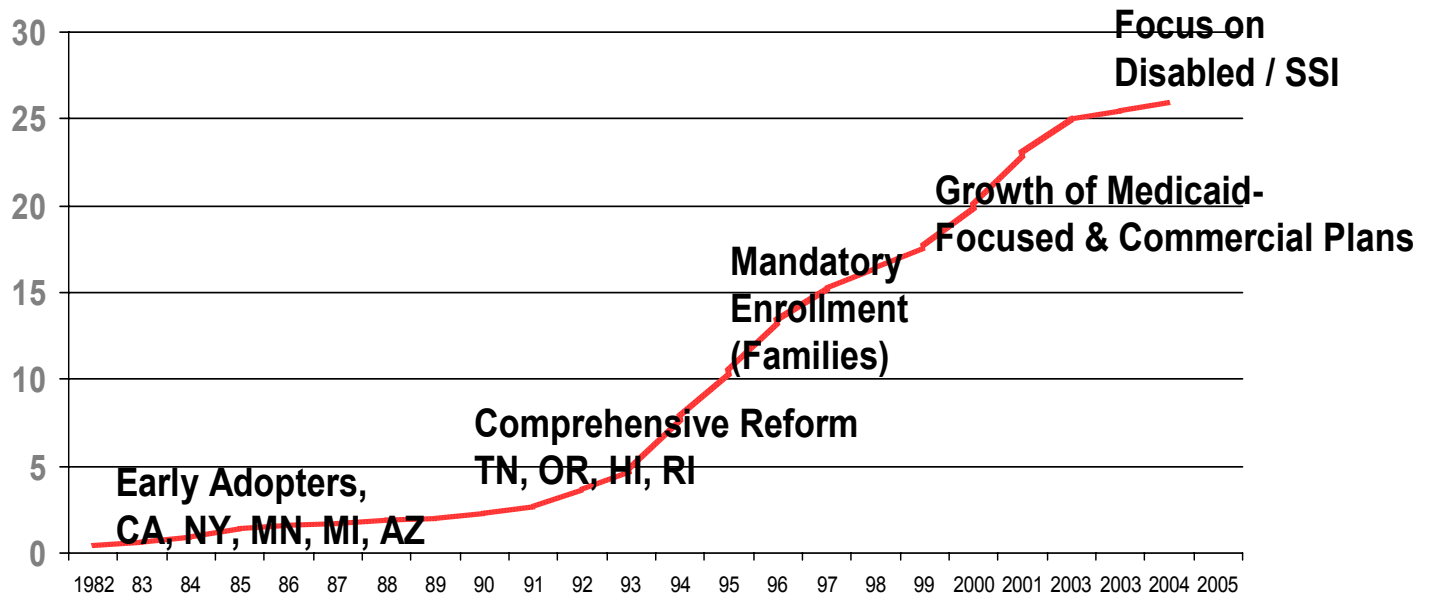
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Managed Care Remains a Primary Strategy

Enrollment in Millions





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



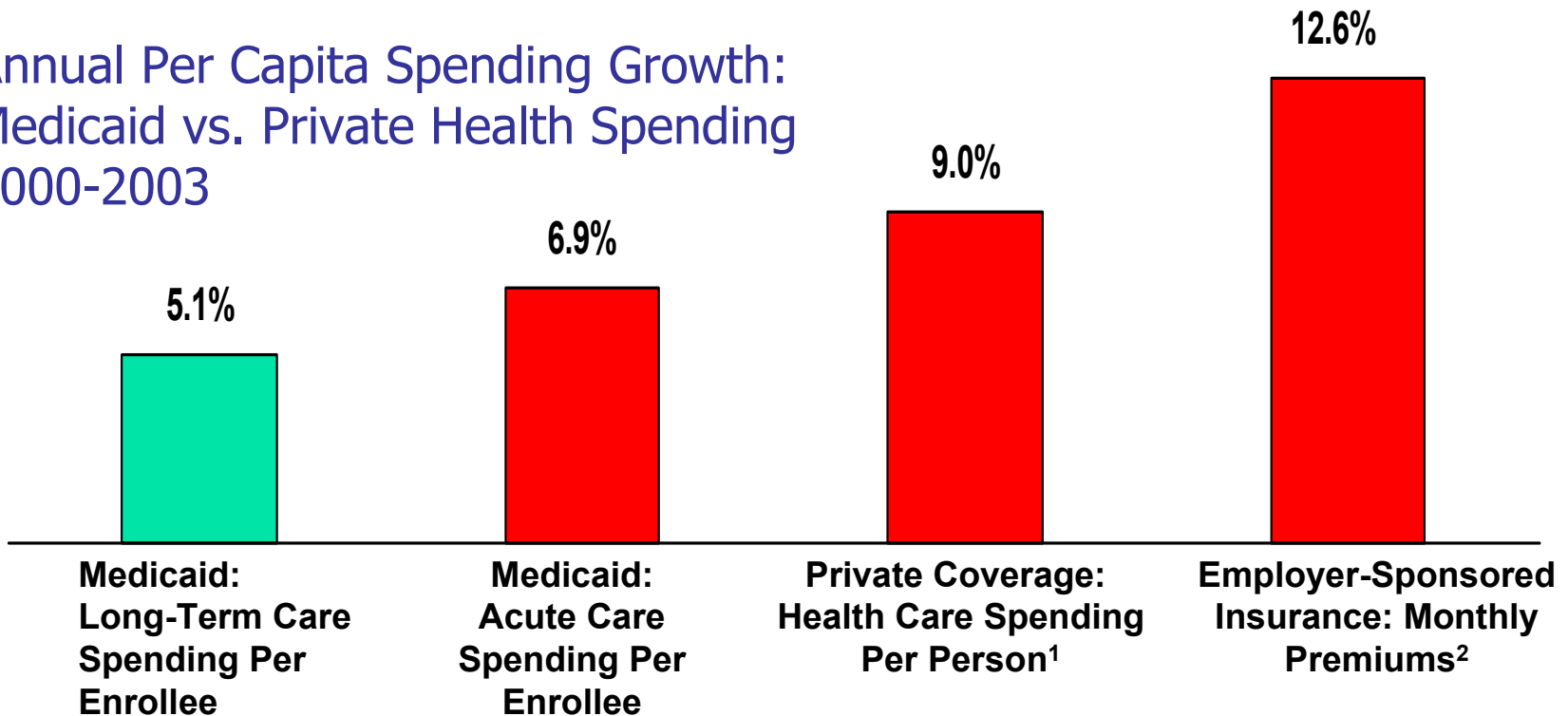
Good News, Bad News

- 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



¹ Strunk and Ginsburg, 2004.

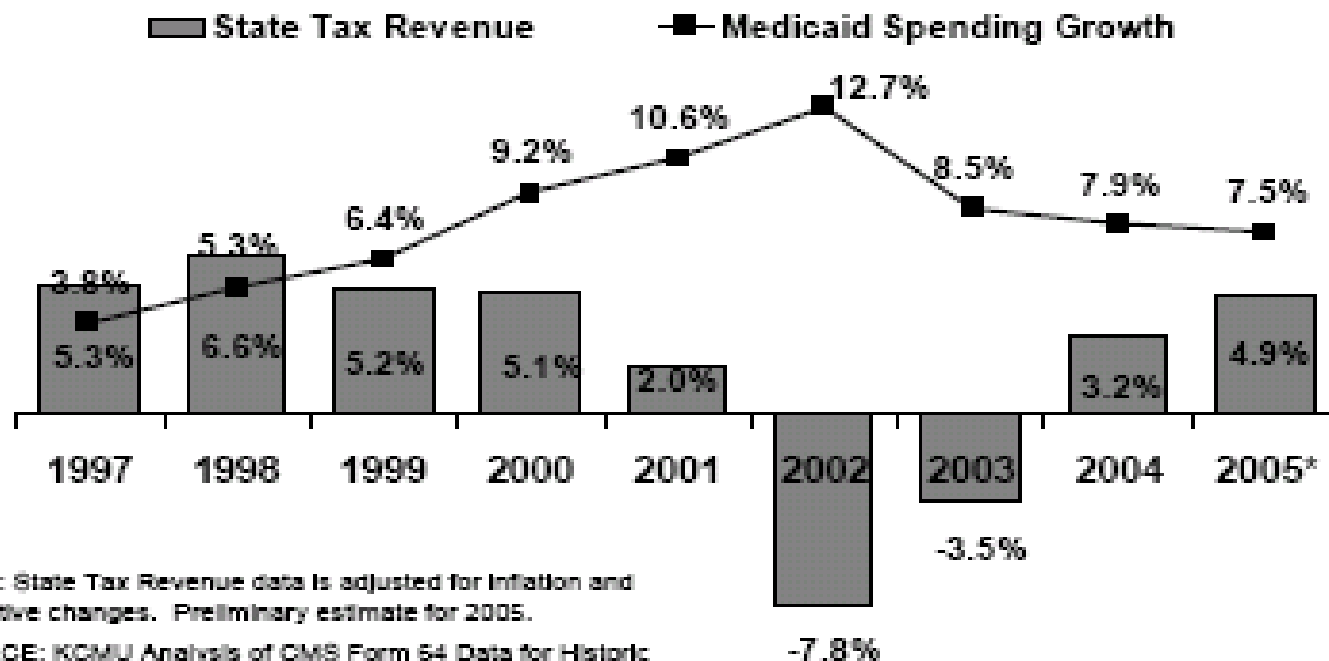
² Kaiser/HRET Survey, 2003.

Source: John Holahan and Arunabh Ghosh, “Understanding the Recent Growth in Medicaid Spending, 2000-2003,” *Health Affairs Web Exclusive*, 26 January 2005. Prepared for the Kaiser Commission on Medicaid and the Uninsured.

..State Revenue Growth is Lower!

Figure 1

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



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

SOURCE: KCMU Analysis of CMS Form 54 Data for Historic Medicaid Growth Rates and KCMU / HMA Survey for 2005 Medicaid Growth Estimates; Analysis by the Rockefeller Institute of Government for State Tax Revenue.



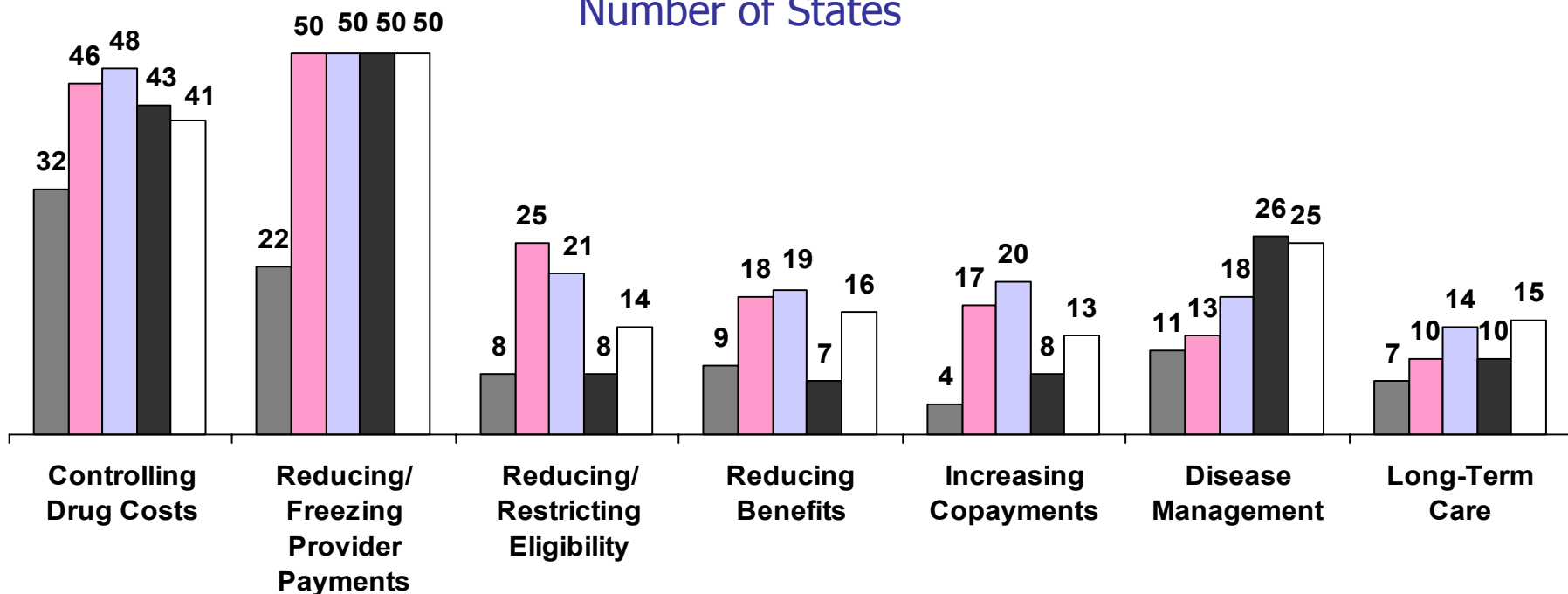
Revenues Matter

- Federal Medicaid spending projections:
 - 2007-2010 9% average annual growth (CMS)
- Ohio revenue projections?
 - 3rd quarter '05 – 4.5% estimated annual

State Actions to Contain Medicaid Costs FY 2002 – FY 2006

■ Implemented 2002 ■ Implemented 2003 ■ Implemented 2004 ■ Implemented 2005 □ Adopted for 2006

Number of States



SOURCE: Vernon Smith, Kathleen Gifford, Eileen Ellis, Amy Wiles, Robin Rudowitz and Molly O'Malley, *Medicaid Budgets, Spending and Policy Initiatives in State Fiscal Years 2005 and 2006: Results from a 50 State Survey*, Kaiser Commission on Medicaid and the Uninsured, October 2005.

<http://www.kff.org/medicaid/7392.cfm>



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