

# Importance of Managed Care and Safety Net Health Plans to Medicaid

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**ACAP**

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# Overview of the Importance of Managed Care and Safety Net Plans to Medicaid

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- Significant Savings Still To Be Gained From Managed Care Expansions
- Safety Net Health Plans' Importance to the MMC Program and Safety Net

# Lewin Finds that Medicaid Capitation Currently Plays a Fairly Small Role in Medicaid...

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- 16% of Medicaid spending was paid via capitation in FY2003
- Capitation represents > 30% of Medicaid spending in only six states
- Capitation represents < 12% of Medicaid spending in 7 of the largest 10 states

This highlights the significant opportunity for savings from expanding Medicaid managed care

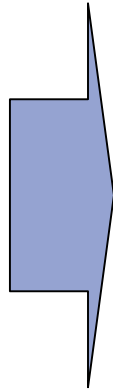
# ...And That Capitation Presents A Good Fit For The Disabled Population (as Well As a Good Opportunity)

Key:		Population Characteristics that Enhance Effectiveness of Capitation Model	TANF	SSI (Medicaid-Only)	SSI (Dual Eligibles)
●	Strongly Met	Sufficient Number of Persons to Support Choice-Based Model	●	○	○
○	Partially Met	Large Revenue Stream to Provide Administrative Scale Economies	●	●	○
○	Usually Not Met	Stable & Long-Lasting Medicaid Eligibility	○	●	●
		High PMPM Medicaid Costs in Service Categories that MCOs Can Impact	○	●	○
		High Prevalence of Chronic Conditions	○	●	●
		Enrollee Outreach and Education Investments Likely to Pass Cost/Benefits Test	○	●	○
		Medicaid Typically Primary and Only Payer	●	●	○
		Subgroup Can Be Included in a Mandatory MCO Program Without Political Resistance	○	○	○

After removing spending on dual eligibles, only 14% of FY2003 SSI spending was capitated; versus 36% of TANF spending

# Lewin Projects Significant Savings Potential From Expanding Medicaid Managed Care

- Initial savings estimated at 5% for TANF and 8% for SSI
  - lower savings assumptions used for rural areas, and for states where other managed care models are in place
  - percentage savings will steadily grow over time
  
- Two-thirds of savings come from serving SSI



## Nationwide Savings Through Optimal Adoption Of MCO Model

	FY 2006	FY 2015	5 Year Total 2006-2010	10 Year Total 2006-2015
Federal	\$3.9	\$4.7	\$18.9	\$52.6
State	\$2.3	\$3.7	\$14.8	\$40.8
Total	\$5.2	\$8.4	\$33.7	\$93.4

Federal share of savings in 56% and state share is 44%

# Lewin Analysis Includes A Policy Proposal To Encourage States To Adopt More Medicaid Managed Care

- Financial incentives to states
  - many options exist to increase match rate for cost-effective capitation spending
- Lewin modeled one specific option
  - increased match rate for first three years
  - enhanced match applied only to expanded spending on capitation
  - this would give states 90+% of savings during first three years; but set table for long-term, large-scale federal and state savings thereafter

**Cumulative 10 year savings would still be \$93 billion, but only \$43 billion (46% of total) would accrue to the Federal government**

# Strengths of Safety Net Health Plans

## SNHPs Defined – Three key characteristics

- Not-for-Profit (or owned by a not-for-profit health care provider)
- Focused on beneficiaries in Medicaid, Medicare, SCHIP, and other government health programs
- Sponsored or affiliated with safety net providers, such as CHCs

## SNHPs are the best choice because they..

- Provide higher quality care than do their for-profit counterparts
- Have lower administrative costs and spend more on health care than for-profits plans
- Have the financial flexibility and mission driven commitment to remain with Medicaid despite state and federal fiscal crises
- Reinvest their operating margins in the safety net, providing financial, programmatic and leadership support to the communities they serve
- Reinvest their operating margins to support the uninsured and other vulnerable populations

# ACAP Papers

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- [Safety Net Health Plans: Critical Partners in the Health Care Safety Net --April 2006](#)
- [Medicaid Capitation Expansion's Potential Cost Savings](#), Lewin Group -- April 18, 2006
- [www.communityplans.net/publications](http://www.communityplans.net/publications)



# Contact Information

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