

Medicaid Market Update

January 12, 2017

The ultimate purpose of the Affordable Care Act (ACA) was to significantly reduce the number of uninsured Americans by providing coverage options through Medicaid and the Marketplaces. A look at the latest Medicaid trend confirms that expansion programs have indeed been successful, from the standpoint of membership growth. From 2013 to 2016, total Medicaid enrollment grew from about 56.392 million to 74.370 million, resulting in a 32% increase over three years ([Total Monthly Medicaid and CHIP Enrollment](#) , Kaiser State Facts, October 2016).

Although the addition of approximately 18 million members to the Medicare rosters has helped reduce the uninsured population considerably, many state Medicaid agencies have concerns about the cost of expanding Medicaid. Budget concerns have been central to state decisions to not expand Medicaid and they have also fueled the ACA repeal and replace movement that has picked up steam. As President-elect Trump prepares to take office, Medicaid reforms are certain to be on the short-term horizon. This brief provides an overview of the current Medicaid market with insights about companies competing in this segment. [Click here ...](#)

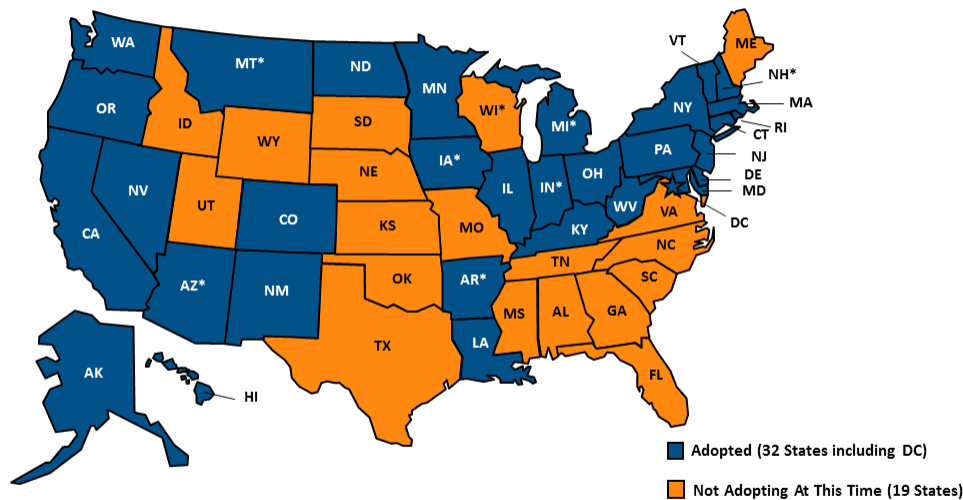
Medicaid Expansion Snapshot

Health plans and service providers have indeed experienced strong Medicaid enrollment growth in recent years, largely as a result of expansion programs under the Affordable Care Act (ACA). Medicaid expansion extended eligibility to more low-income people by increasing the income threshold to 138 percent of poverty. As of October 2016, CMS (Centers for Medicare and Medicaid Services) reported 74.370 million beneficiaries were enrolled in Medicaid programs, an increase of about 18 million when compared with calendar year 2013 figures. Approximately 77% of membership growth took place in the states that expanded Medicaid with about one third of this increase attributed to California.

Currently, thirty-one states and the District of Columbia have adopted Medicaid expansion while 19 states opted not to participate. Federal funding covered 100% of expansion costs through 2016 and the amount will gradually decline to 90% by the year 2020. Even with sizeable federal contributions, many states have expressed concerns about the cost of sustaining Medicaid expansion. An HHS

(Department of Health and Human Services) report to Congress, reported the cost of Medicaid expansion was \$6,366 per person in 2015, about 49 percent higher than the anticipated \$4,281 per person ([2015 Actuarial Report on the Financial Outlook for Medicaid](#)), Department of Health and Human Services.

Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. *AR, AZ, IA, IN, MI, MT, and NH have approved Section 1115 waivers. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.
 SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated October 14, 2016.
<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>



A number of states have proposed program options in efforts to protect and sustain Medicaid. Some have considered options that would require enrollees to offset cost burdens by introducing co-payments and/or adding work requirements. According to a NY Times article ([Expect Medicaid to Change, but Not Shrive, Under Donald Trump](#), 11/15/16) the Obama administration approved a waiver last September allowing Arizona to charge premiums to people with incomes above the poverty level (\$20,160 a year for a family of three). But federal officials refused to allow work requirements or a time limit on coverage, and they said the state could not charge premiums to people below the poverty level. State officials have suggested that program changes like this will likely be allowed when the Trump administration takes over.

As President-elect Trump and the GOP consider the repeal and replacement of the ACA, a block grant is among Medicaid funding options that will be considered. Reforms may result in states being allowed to choose between a block grant and per capita cap financing. Under a Medicaid block grant, the federal government would determine a base year financing amount for each state and specify a fixed rate of growth for federal spending. Under a Medicaid per capita

cap, the federal government would set a limit on how much to reimburse states per enrollee. Policy decisions would determine levels of federal financing as well as federal and state requirements around eligibility, benefits, state matching requirements, and beneficiary protections. Medicaid expansion proponents argue that a repeal of the ACA would significantly reduce Medicaid coverage causing the uninsured rate to rise again. Some believe Medicaid expansion might survive in some form, suggesting Vice President-elect Pence's Medicaid expansion efforts in Indiana might be a model for how the new administration restructures Medicaid. The Indiana program requires beneficiaries to contribute to savings accounts which are then applied to pay a portion of medical bills.

Medicaid Competition and Market Share

Consulting firms such as PwC have advised that the significant increase in Medicaid beneficiaries covered by private plans has been advantageous for health insurance companies. "Since 2013, private Medicaid health plans have added 20.5 million to their rolls, while those in fee-for-service or public managed care has decreased 2.8 million," PwC's Ari Gottlieb, the report's author, wrote in an analysis released at the Medicaid Health Plans of America annual meeting in 2016 ([The Steadying State of Medicaid in the United States](#) , PwC, September 2016).

The best available source of Medicaid enrollment by company is the statutory financial statements filed with state regulators and the NAIC (National Association of Insurance Commissioners) or the CA DMHC (California Department of Managed Health Care). This data represents approximately 66% of all Medicaid beneficiaries enrolled. Though not fully representative of all state Medicaid programs, this data provides a useful means of assessing market share and competition in this important health insurance segment.

Company	3Q15	Market Share	3Q16	Market Share
Anthem	4,456,523	10%	5,119,932	10%
UnitedHealth	4,319,993	9%	4,622,562	9%
Centene	3,742,741	8%	4,522,207	9%
Molina	2,937,290	6%	3,356,019	7%
Wellcare	2,137,147	5%	2,155,492	4%
All Others	28,496,718	62%	29,274,775	60%
Total	46,090,412	100%	49,050,987	100%

Source: Mark Farrah Associates' Health Coverage Portal™/Statutory Insurance filings

As of September 2016, total Medicaid membership reported through statutory financials was 49.051 million, according to Mark Farrah Associates' (MFA) latest

Medicaid enrollment statistics from the Health Coverage Portal™. Year over year market share among the leading Medicaid managed care companies has remained relatively consistent, as the segment grew by almost 3 million members. The top five managed care companies -- Anthem, UnitedHealth, Centene, Molina and Wellcare – all experienced enrollment increases. Anthem, the company with the largest book of Medicaid managed care business, increased its membership by 663,409 members since September 2015, commanding 10% of the market. Among the top plans, Centene gained the most members, year over year, with growth of 779,466. Overall, these top five Medicaid companies control 40% of the total Medicaid Managed Care market. It is important to keep in mind an additional 25 million Medicaid members are enrolled by companies or through funding arrangements not included in statutory financial data used for this assessment.

How to create health coverage options that best meet the needs of lower-income people while including appropriate cost control measures has been a topic of great debate among policymakers for many years. As the Trump administration prepares to take office, Mark Farrah Associates will be keeping a close eye on health reforms, with particular attention to emerging opportunities for health insurers. The Medicaid program is still the largest health program in the United States as measured by enrollment yet it is also the largest budget expenditure for state governments.

About Mark Farrah Associates (MFA)

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