Healthcare BUSINESS STRATEGY™

Health Plans See Growth in Medicaid

3/25/2010
by Hazel Becker

As healthcare costs continue to climb and the slow U.S. economy pushes more people into medical assistance programs, states are increasing their use of care management strategies to help rein in costly Medicaid programs. A new analysis by Mark Farrah Associates (MFA), a leading data aggregator and publisher of health plan market data, confirms U.S. enrollment in managed Medicaid plans is on the rise. Total membership grew by 9.7% from June 2008 to September 2009, reaching more than 23 million.

The growth rate in Medicaid managed care plans is even stronger than the increase in total Medicaid enrollment, estimated recently at 7.5% from mid-2008 to mid-2009. Both statistics demonstrate a growing opportunity for health plans seeking to replace business lost in employer groups.

This brief presents preliminary results of MFA's Medicaid segment analysis project and discusses how states and health plans are approaching this market.

Nearly Half of Beneficiaries Covered by Managed Care Plans

According to data collected by the Centers for Medicare and Medicaid Services (CMS), 46 million people were enrolled in Medicaid programs on June 30, 2008, and at that time more than 21 million (46%) were covered by comprehensive Medicaid managed care plans. By September 30, 2009, managed care enrollment grew to more than 23 million Medicaid beneficiaries, according to MFA's analysis of data filed with CMS and the National Association of Insurance Commissioners (NAIC). More current NAIC enrollment data was used for Medicaid plans required to file statutory financial statements. In cases where NAIC data was unavailable, June 2008 CMS enrollment data was applied to provide a more comprehensive assessment of overall growth. In some states with heavy commercial involvement in Medicaid programs, MFA's analysis found significant increases in Medicaid managed care. For example:

• Hawaii moved its Aged, Blind and Disabled (ABD) population into mandatory managed care plans in 2009, contributing to a 31% increase in Medicaid managed care enrollment in this state.

• South Carolina's automatic enrollment system for Medicaid health plans helped bolster its managed care enrollment in 2009. Companies (SC) filing quarterly enrollment reports with NAIC more than doubled membership in Medicaid plans from June 2008 to September 2009.

• Ohio now mandates that all beneficiaries in Covered Families and Children (CFC) and ABD programs enroll in managed care plans. Enrollment reported to the NAIC by Ohio Medicaid plans increased 12.5% since June 2008.

Because the states operate their own Medicaid programs, this segment of the health insurance market has not become heavily concentrated in national companies. However, at least seven public companies contract with Medicaid agencies to provide managed medical care. Each has contracts in at least seven states, and their aggregate enrollment has grown by more than a million individuals since June 2008.

UnitedHealth, the biggest public-company presence in the managed Medicaid market, increased its enrollment in subsidized plans in 16 states by more than 30% between June 2008 and September 2009, according to MFA's analysis. Among other leaders in the managed Medicaid business, four specialists in government-sponsored healthcare — AmeriGroup (10 states), Centene (7), Molina (8), and WellCare (7) — all reported membership growth, and most maintained or increased market share.

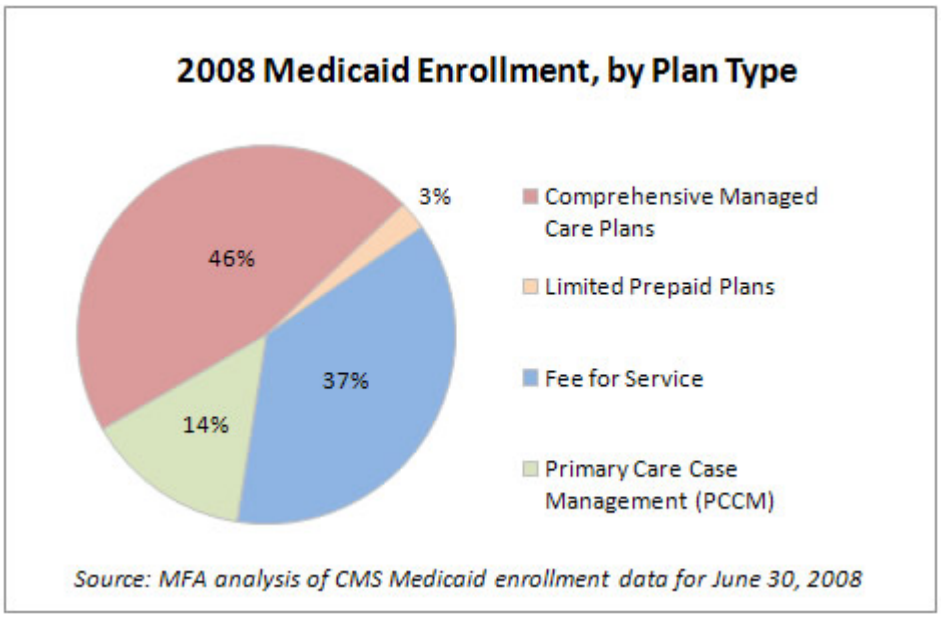
Leading Medicaid Managed Care Companies				
Parent Company	2Q08		3Q09	
	Enrollment	Market Share*	Enrollment	Market Share*
UnitedHealth	1,821,061	8.5%	2,412,644	10.3%
Amerigroup	1,300,085	6.1%	1,434,906	6.1%
Wellcare	1,099,053	5.2%	1,168,536	5.0%
Centene	967,289	4.5%	1,085,977	4.6%
Molina Healthcare	911,417	4.3%	1,076,038	4.6%
WellPoint	984,106	4.6%	1,008,464	4.3%
Coventry	456,106	2.1%	367,278	1.6%
All Others	13,783,090	64.6%	14,837,760	63.4%
Total	21,322,759	100.0%	23,391,603	100.0%
* Totals may not sum to 100% due to rounding. Source: MFA analysis of NAIC and CMS U.S. Medicaid data				

WellPoint's market share decline reflects its departure from Medicaid programs in Ohio and Nevada. Coventry lost share primarily due to its exit from the Pennsylvania Medicaid market in late 2008.

Many Strategies to Rein in Medicaid Costs

States continue to implement Medicaid managed care programs with cost control strategies. In Tennessee, for example, every person enrolled in Medicaid is required to choose a contracted managed care plan. Vermont has a similar mandate that every person must enroll in managed care, but coverage is provided through the state Office of Vermont Health Access. In Arizona, a combination of government-run and commercial organizations provide care management for almost all Medicaid beneficiaries. In other states, managed care is offered but not required.

In addition to comprehensive managed care plans, as summarized above, many states are using limited care management strategies. The most common limited care strategies are primary care case management (PCCM) systems under which practitioners are paid a capitated fee to manage medical care in addition to fees for services rendered, and prepaid plans covering only ambulatory or inpatient medical care.



In June 2008 about 29 million Medicaid beneficiaries (63%) were enrolled in some form of managed care programs. In addition to the 21.3 million covered by comprehensive plans, 6.7 million were signed up with PCCMs and 1.3 million were enrolled in limited prepaid plans for ambulatory or inpatient care. (CMS is expected to release data collected for June 2009 in the next few months.)

All but four states offer or require Medicaid beneficiaries to be enrolled in programs to manage Medicaid beneficiaries' medical care. Only Alaska and Wyoming have no Medicaid managed care. In Mississippi, beneficiaries are covered by a prepaid transportation plan, while New Hampshire uses a disease management program to care for beneficiaries with chronic diseases. All other medical care is compensated on a fee-for-service basis.

Ancillary Service Opportunities

Many state Medicaid agencies use separate "carve-out" contracts to cover dental, prescription drug, mental health, and disease management services. Some national companies offer such specialty plans; for example, UnitedHealth covers more than 36,000 Rhode Island Medicaid beneficiaries in a dental plan and 51,000 in a Washington State disease management program.

However, most carve-out contracts go to companies that specialize in the services provided, such as Logisticare for non-emergency transportation, McKesson for disease management, ValueOptions for mental health plans, and many local and regional dental plans. Most are risk-based, capitated arrangements. As of June 2008:

• 8.4 million Medicaid beneficiaries were enrolled in limited mental health plans in 19 states, including programs treating them for substance abuse. In some states, beneficiaries were enrolled in both inpatient and ambulatory mental health programs.

• 5.2 million received non-emergency transportation through prepaid plans in 12 states.

• 1.9 million were enrolled in dental plans in seven states.

• 1.2 million received prescription drug assistance from a pharmacy benefits manager in Tennessee.

A Fluid Market

Increasingly more companies are showing interest in the Medicaid segment as a means of growing revenues. Most recently, Aetna won a contract with Pennsylvania to provide managed care services for Medicaid beneficiaries in the southeastern part of the state, including Philadelphia, and in the Lehigh-Capital zone. Aetna

also has Medicaid contracts with Connecticut, Delaware, and Texas.

But perhaps due to the state-based nature of the Medicaid business — and particularly the varying payment rates among the states — companies consider their business options carefully, not merely looking to add contracts in a quest for economies of scale. (See our May 27, 2009 report (/healthcare-business-strategy/Medicaid-Market-Growth-Opportunities.aspx) for more on this point.) Some examples of recent activity include:

• Centene's sale of its New Jersey plan, University Health Plans, to AmeriGroup on March 1, affecting an estimated 55,000 members and bringing AmeriGroup Medicaid enrollment in the state up to an estimated 170,000.

• AmeriGroup's sale of its Medicaid and children's health plans in South Carolina last year, serving nearly 16,000 Medicaid beneficiaries, to Total Carolina Care, a Centene subsidiary.

• Centene's agreement in February to acquire another South Carolina company, Carolina Crescent Health Plan, which has 35,000 members. Centene had indicated previously that it hoped to cover about 15% of the state's Medicaid population.

Meanwhile, both national and local healthcare companies will watch developments in several states that have announced their intention to expand their Medicaid managed care programs.

• In Illinois, the state Department of Healthcare and Family Services asked for proposals from managed care companies to provide services to the ABD population in Chicago and surrounding counties. The state said it would give beneficiaries a choice between two managed care plans under the pilot program, which would affect about 40,000 Medicaid recipients.

• Florida is considering expanding a pilot program requiring managed care enrollment for all Medicaid recipients in five counties. The current pilot, operating in and around Ft. Lauderdale, has stirred controversy in the state throughout its four-year history, and proposals to expand it to adjacent Palm Beach and Dade counties brought a storm of recent criticism and counter-proposals furthered by medical and hospital associations.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading data aggregator and publisher providing health plan market data and analysis tools for the healthcare industry. We are a licensed distributor of NAIC data. MFA's Health Coverage Portal™ includes both risk-based and administrative services only (ASO) membership and financial data by plan, parent, state, region and nationally. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, the new Medicare Benefits Analyzer, Health Coverage Portal™, Health Insurer Insights™ and Health Plans USA™.

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