

Mid-Year 2017 Medicaid Market and Enrollment Trends

November 3, 2017

In spite of recent efforts to repeal and replace the Affordable Care Act (ACA) and legislative plans to cut Medicaid funding, the ACA remains the health care law. A look at Medicaid trends over the past few years confirms that the Affordable Care Act has indeed helped to reduce the number of uninsured Americans and expansion programs have proven to be successful in terms of substantial membership gains. According to Kaiser State Facts [Total Monthly Medicaid and CHIP Enrollment](#), average monthly enrollment before the law was enacted was 56.8 million. As of June 2017, total Medicaid and Children's Health Insurance Program (CHIP) enrollment was 74.3 million. This represents an increase of approximately 17.5 million covered lives, a 31% increase, when compared to the population of Medicaid recipients prior to ACA implementation.

While Medicaid continues to be the largest health program in the United States as measured by enrollment, it is also the largest budget expenditure for state governments, representing approximately one sixth of the national health economy. The future of Medicaid in the U.S. remains an unsettled debate amongst policy makers. In particular, a recent federal legislative proposal for Medicaid reform called for large budget cuts for FY 2018 where Medicaid financing may convert to a block grant program or per capita cap financing. In addition, as states grapple with budget constraints and political uncertainties, they are increasingly relying on the more predictable coordinated care model of Managed Care

Organizations (MCOs). This brief provides an overview of the current Medicaid market with insights about top companies competing in this segment.

Emerging Medicaid Developments

Recent legislative developments have emerged that could shape the future of the Medicaid program. Some of these include additional states pursuing Medicaid expansion after failed Republican attempts to repeal and replace the Affordable Care Act (ACA); proposals to restrict eligibility and impose premiums through Section 1115 waivers; the restructuring and limiting of federal Medicaid and CHIP funding; and increased initiatives of states moving more beneficiaries to managed-care plans.

Health Management Associates' (HMA) and the Kaiser Family Foundation's (KFF) annual 50-state [survey](#) report highlighted important details on current FY 2017 Medicaid policies and proposed policy changes implemented for FY 2018. *(Source: Kaiser Family Foundation [50-state survey](#) of Medicaid officials conducted by Health Management Associates HMA, October 2017)*

Eligibility and Expansion

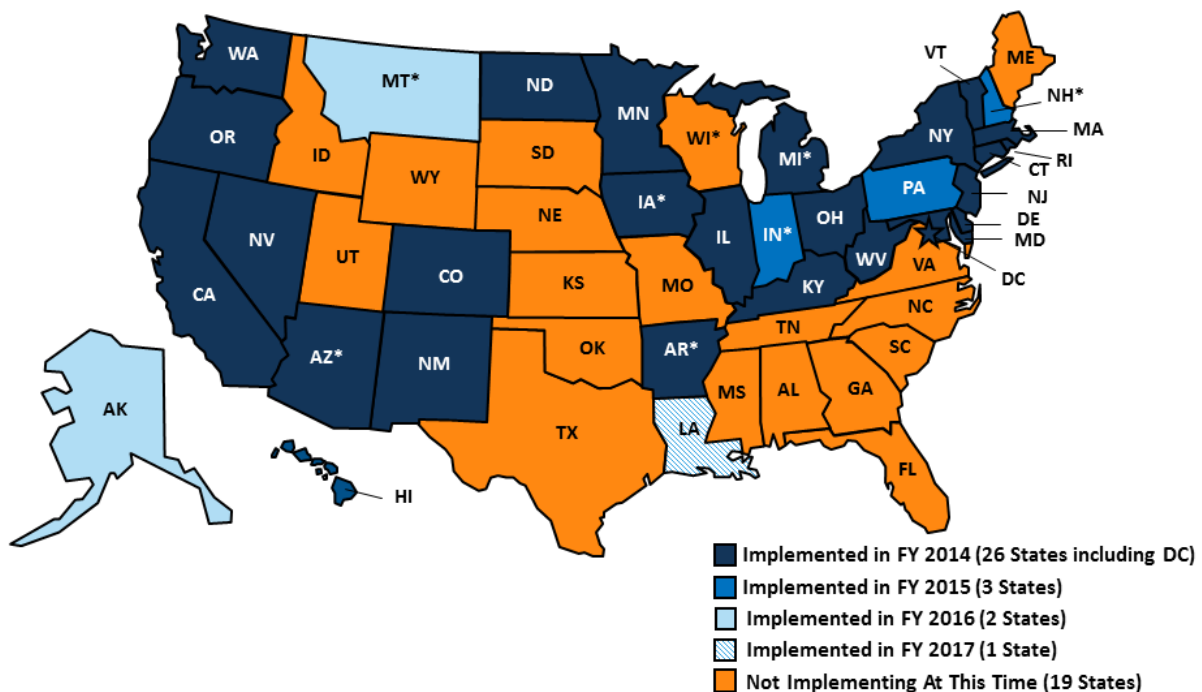
Medicaid expansion played a significant role in Medicaid eligibility since ACA implementation in 2014. The expansion of Medicaid programs under the ACA resulted in strong enrollment growth for health plans and service providers industrywide. In the wake of failed Republican attempts to repeal or replace the current health care law, more states have begun to consider expanding their Medicaid programs. In addition, more states are taking advantage of section 1115 waivers that apply to ACA Medicaid expansion for FY 2018.

- As of October 2017, 32 states including the District of Columbia implemented ACA Medicaid expansion.

- Expansion considerations are on hold for several non-expansion states due to uncertain future legislative actions (Idaho, Tennessee, Virginia, and Wyoming). North Carolina's plan to adopt the expansion in 2017 was delayed by a lawsuit brought on by a group of legislators challenging the governor's authority to expand without legislative approval. Voters will decide in a referendum on November 7, 2017 whether Maine will adopt the ACA Medicaid expansion.

Figure 1

Medicaid Expansion Decisions by Year of Implementation



NOTES: *AR, AZ, IA, IN, MI, MT, and NH have approved Section 1115 Medicaid expansion waivers. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2017.



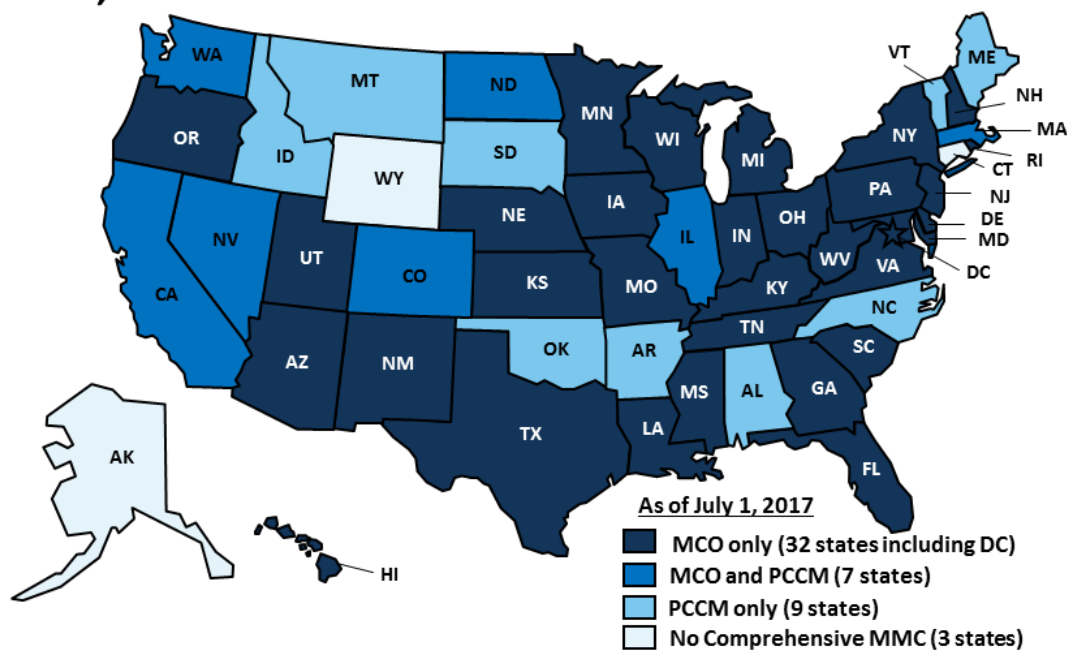
Source: Kaiser Family Foundation 50-state survey of Medicaid officials conducted by Health Management Associates HMA, October 2017

Medicaid Managed Care

Managed Care Organizations (MCOs) continue to be the primary delivery system for Medicaid in the U.S. Medicaid enrollment in MCOs continues to rise due in part to ACA Medicaid expansion and states that have expanded their managed care programs to new regions. States are increasingly moving more and more of their Medicaid beneficiaries to private health insurers on a capitation basis. Switching Medicaid patients to MCOs has proven to create a more predictable and efficient approach to controlling the *costs* and quality of health services. According to the KFF [report](#), as of July 1, 2017, twenty-nine of the 39 states with comprehensive risk-based MCOs reported 75 percent or more of their Medicaid beneficiaries were enrolled in MCOs.

Figure 2

Comprehensive Medicaid Managed Care Models in the States, 2017



NOTES: CA has a small PCCM program operating in LA County for those with HIV. Three states (SC, TX and WY) use PCCM authority to operate specialized care management programs or to make PMPM payments in a Patient Centered Medical Home program; these three are not counted here as a PCCM.

SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2017.

Proposed Medicaid Budget Cuts

Additionally, on October 26, 2017, the Senate passed the 2018 federal budget and tax reform plan. If this plan becomes law, it will end Medicaid as a federal entitlement and convert states to a block grant program or per capita cap financing. The budget is predicted to cut roughly \$1 trillion from Medicaid over the next decade.

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. Proponents of a Medicaid block grant believe it could provide states with greater flexibility and help innovate Medicaid programs while those who are opposed believe states will need to cut benefits or force beneficiaries to take on more cost-sharing.

Medicaid Managed Care Enrollment and Market Share

The best available sources of Medicaid managed care enrollment by company are the statutory financial statements filed with state regulators and the NAIC (National Association of Insurance Commissioners) and the CA DMHC (California Department of Managed Health Care). Though not fully representative of all state Medicaid programs, this data provides a useful means of assessing Medicaid market share and competition. It is important to keep in mind an additional 25.7 million Medicaid members are enrolled by companies or through funding arrangements not

included in statutory financial data used for this assessment. This data represents approximately 65% of all Medicaid beneficiaries enrolled.

Leading Medicaid Managed Care companies				
Membership Trend				
Company	2Q16	Market Share	2Q17	Market Share
Centene	6,063,334	13%	5,990,644	12%
Anthem	5,046,472	10%	5,156,737	11%
United	4,743,470	10%	5,118,552	11%
Molina	3,340,440	7%	3,374,077	7%
Wellcare	2,163,480	4%	2,375,666	5%
All Others	27,096,125	56%	26,624,598	55%
Total	48,453,321	100%	48,640,274	100%

At mid-year 2017, total managed Medicaid membership reported through statutory financial statements was 48.64 million, according to Mark Farrah Associates' (MFA) latest Medicaid enrollment statistics from the Health Coverage Portal™. Most of the top five managed care companies – Centene, Anthem, UnitedHealth, Molina and Wellcare – experienced enrollment increases, however, total year-over-year managed Medicaid membership marginally grew by 187,000; a vast difference from the 3.6 million increase between 2Q15 and 2Q16 related to Medicaid expansion.

Centene, the company now with the largest book of Medicaid managed care business, commanding 12 percent of the market, had a slight decrease in membership from 6.06 million at 2Q16 to 5.99 million members at 2Q17. Among the top five managed care plans, UnitedHealth gained the most members, year over year, with growth of 375,082. Anthem, Molina and Wellcare also experienced membership growth, respectively. Overall, these top five Medicaid companies control 45% of the total Medicaid managed care market.

While the uncertainty of legislative decisions surrounding the future of Medicaid continues to permeate the U.S. health insurance sector, Mark Farrah Associates will

continue to monitor health reform efforts, with particular attention to emerging opportunities for health insurers.

About Mark Farrah Associates (MFA)

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