



Understanding the Medicaid Market

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by Mark Farrah Associates

The expansion of Medicaid programs under the Patient Protection and Affordable Care Act (ACA) has resulted in strong enrollment growth for health plans and service providers industrywide. The continuing impact of Medicaid expansion and the launch of the Marketplaces have begun to play an unprecedented role in providing health care to millions of Americans. According to Kaiser Family Foundation (KFF) reports using CMS data (Centers for Medicare & Medicaid Services), since the enactment of the ACA in 2010, the number of beneficiaries enrolled in Medicaid and CHIP programs grew to 72.4 million as of June 2015. This represents an increase of approximately 14.6 million covered lives when compared to the population of Medicaid recipients prior to ACA implementation.

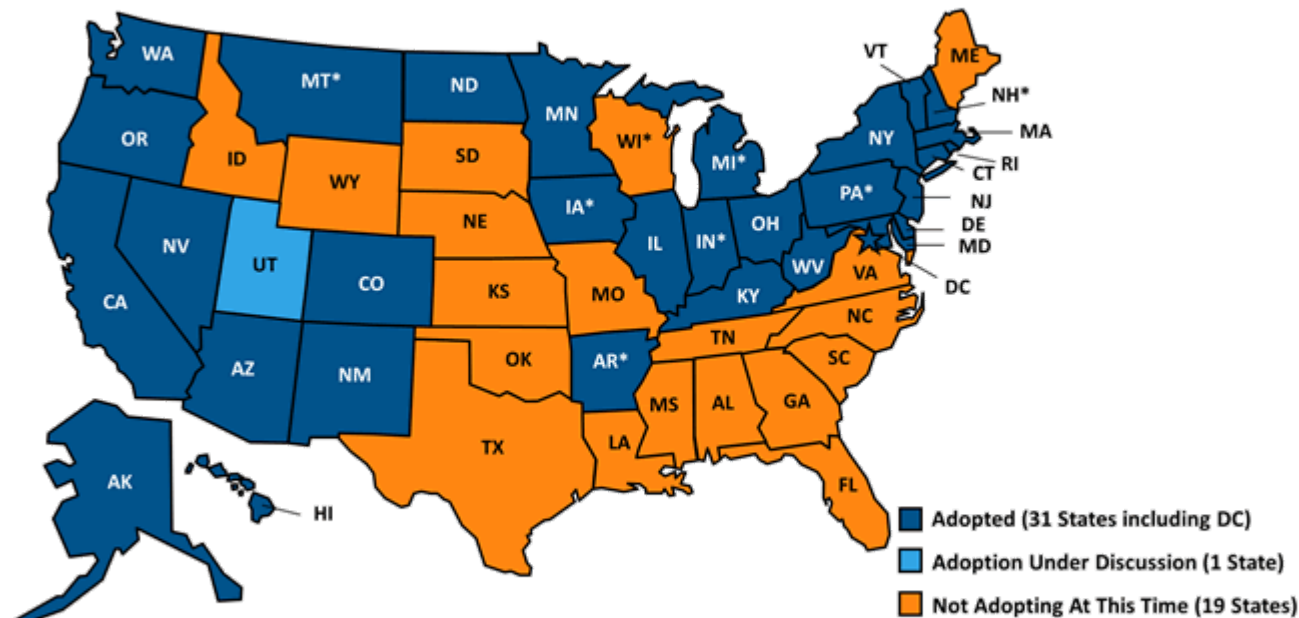
Currently 31 states, including the District of Columbia, are participating in Medicaid expansion programs. Those states have realized significant overall enrollment gains over the states that have not elected to expand. Insurers are heavily monitoring expansion developments in anticipation of new Medicaid market opportunities. This brief presents an overview of the current Medicaid market with insights about health plan competition and market share.

Medicaid Expansion Snapshot

Medicaid expansion broadened eligibility to include many adults with incomes up to 138 percent of the Federal Poverty Level (FPL). As a result, individuals earning up to \$16,242 per year may now qualify for benefits, depending on the state. Of the 31 states currently offering Medicaid expansion programs, Connecticut was the first to embrace Medicaid health care reform. As of August 2015, Connecticut's total monthly Medicaid and CHIP enrollment was 718,811 members, according to Medicaid and CHIP enrollment reports posted by KFF.

Out of the states that have adopted Medicaid expansion, Kentucky experienced the largest percentage of Medicaid growth since the ACA was amended. Before the ACA, Kentucky's average monthly Medicaid and CHIP enrollment was over 600,000 members whereby post-ACA Medicaid enrollment for the state is now approximately 1.1 million members, an increase of 87%. Nevada's Medicaid enrollment increase of 73%, which currently enrolls more than 573,000, positions the state as second with respect to post-ACA growth. Oregon's enrollment grew by 69% post-ACA and the Medicaid program covered more than one million as of August 2015 reports. To date, all but two states, including those that have adopted Medicaid expansion as well as those that have not, have experienced an increase in total Medicaid enrollment since the inception of the ACA. Nebraska and Wyoming, among the 19 states that have not expanded Medicaid, experienced a decline in enrollment since September 2013.

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, IA, IN, MI, MT, NH and PA have approved Section 1115 waivers. Coverage under the PA waiver went into effect 1/1/15, but it has transitioned coverage to a state plan amendment. Coverage under the MT waiver will be effective January 1, 2016. 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 November 2, 2015.
<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>



(<http://kff.org/health-reform/slide/current-status-of-the-medicaid-expansion-decision/>)

Federal grants are allocated to each state to be used for managing their Medicaid expansion program. The manner in which each state effectively invests its federal dollars vary, however, each state strives to meet the ultimate goal of improving access to quality healthcare for Medicaid beneficiaries. State program directors are developing innovative approaches and implementing cost containment initiatives to provide Medicaid benefits and services. For example, Arkansas applies its Federal funding to pay health plan premiums for beneficiaries directly through the Marketplace. This type of direct pay model is known as the "private option". Arkansas essentially enrolls all newly eligible adults statewide in Marketplace plans.

Indiana has chosen a far different approach, introducing the HIP 2.0 (Health Indiana Plan), a new version of its existing state Medicaid plan. The HIP 2.0 plan is structured and operated differently than the traditional program. It covers adults up to the 138% FPL which has been the state's normal benchmark. However the new program is modeled after high deductible plans with health savings accounts that give Medicaid consumers an incentive to make smarter health care spending choices. Enrollees in the HIP 2.0 program are required to make monthly premium contributions ranging from \$1 to \$27. These monthly contributions are then combined with federal funding to create a "Power" account which in turn is used to pay the first \$2,500 of care. If any money should be left in the fund at the end of the year, it can be rolled over to reduce required monthly payments for the following year. If a HIP 2.0 Medicaid enrollee cannot make their monthly contribution, they are placed into a basic plan that has fewer benefits and requires copays for care. Indiana encourages their Medicaid enrollees to take personal responsibility for their health care and stimulates the promotion of healthy behavior.

Medicaid Competition and Market Share

Each state independently selects a government agency or department to administer their Medicaid program. As a result, there are often variances in how enrollment is reported. Mark Farrah Associates has identified 12 states where Medicaid is not managed by the state's Department of Insurance. For example, Delaware's Medicaid

program is administered by the Delaware Division of Medicaid & Medical Assistance (DMMA). In cases like this, enrollment for Medicaid business is typically not included in statutory financial statements filed with state insurance regulators and the NAIC. Another reason Medicaid enrollment figures may not be included in statutory financials is self-funding. Some states have opted to create their Medicaid programs using ASO (administrative services only) arrangements. These states are structured as self-insured entities and are not necessarily required to report Medicaid business to insurance regulators because they are not assuming financial risk. For example, Connecticut's Medicaid program, contracts directly with four statewide administrative service organizations (ASOs) to manage their self-insured, managed fee-for-service model.

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 membership, generally inclusive of members enrolled in risk-based Medicaid Managed Care programs, though not fully representative of all state programs, provides a useful means of assessing market share and competition in this growing segment.

Leading Medicaid Managed Care Companies						
Parent	2Q13	Market Share	2Q14	Market Share	2Q15	Market Share
Anthem/WellPoint	3,574,752	12%	3,955,786	11%	4,771,517	11%
UnitedHealth	2,907,214	10%	3,559,101	10%	4,274,020	10%
Centene	2,432,931	8%	2,671,215	7%	3,644,704	8%
Molina	1,586,541	5%	1,985,543	6%	2,806,354	6%
WellCare	1,481,191	5%	1,834,097	5%	2,122,915	5%
All Others	17,652,082	60%	21,961,476	61%	25,990,587	60%
Total	29,634,711	100%	35,967,218	100%	43,609,997	100%

Source: Mark Farrah associates' Health Coverage Portal™

As of June 2015, total Medicaid membership reported through statutory financials was 43,609,997 million, according to Mark Farrah Associates' (MFA) latest Medicaid enrollment statistics from the Health Coverage Portal™. Although market share among the leading Medicaid managed care companies has remained relatively consistent, there has been significant growth in overall Medicaid enrollment since 2013. Since the inception of the ACA and Medicaid expansion, the top five managed care companies have steadily increased their enrollment. Anthem, the company with the largest Medicaid business as of June 2015, has increased its Medicaid membership by almost 1.2 million members since June of 2013, commanding 11% of the Medicaid Managed Care market. UnitedHealth and Centene have also consistently grown with 10% and 8% market share, respectively, as of second quarter 2015. Rounding out the top five Medicaid managed care leaders is WellCare with 2,122,915 members accounting for 5% market share. Overall, these top five Medicaid companies control 40% of the total Medicaid Managed Care market.

Outlook for Medicaid Managed Care

Mark Farrah Associates continues to monitor the rapidly expanding Medicaid market and the growth opportunity for health plans nationwide. The Medicaid program remains the largest health program in the United States as measured by enrollment and represents approximately one sixth of the national health economy. As this market evolves and expands, fueled by Affordable Care Act legislation, growth is simultaneously perpetuated within the Medicaid health care arena. MFA will continue to closely track and apprise the industry of future trends in this ever changing and steadily increasing health care market segment.

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 redistributor of NAIC statutory financial data and our data sources include Medicaid enrollment by carrier reports collected from state Medicaid agencies. Our

product portfolio includes Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, Medicare Business Online™, Medicare Benefits Analyzer™, and Health Plans USA™. Visit our website at [www.markfarrah.com \(/Default.aspx\)](http://www.markfarrah.com/Default.aspx) to learn more about our product offerings.

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