



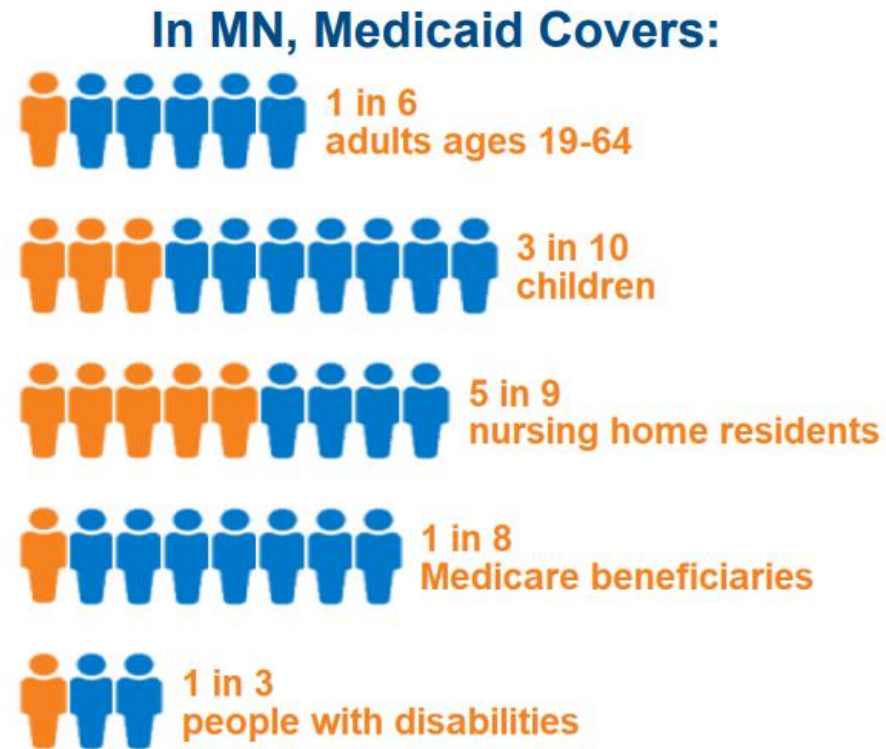
# *Medicaid Managed Care: Background*

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# A critically important program for the state

- Approximately 1.4 million Minnesotans are covered by Medicaid (18% of population)
- Covers Minnesotans throughout the state
- Covers one-in-three Minnesota births
- Offers broad range of covered services for enrollees

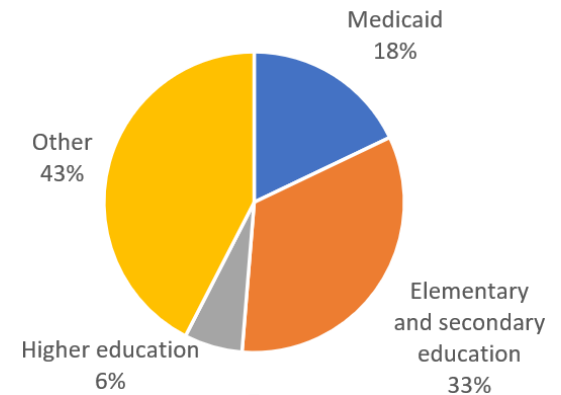


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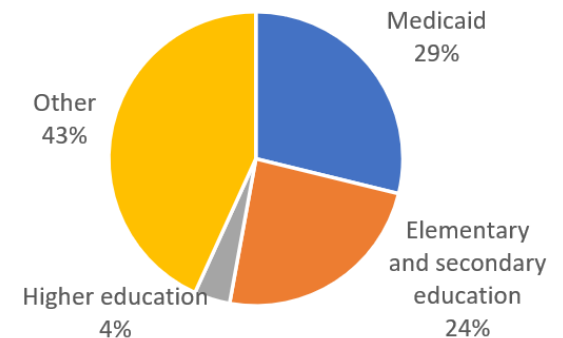
# Medicaid financing in Minnesota

- Minnesota spent approximately \$15 billion on Medicaid in 2022
- Federal government subsidizes over half the cost of Minnesota's Medicaid program

Share of MN Budget, FY 2021  
(State-funded budget)



Share of Total MN Budget, FY 2021  
(including state and federal funds)



Source: Medicaid and CHIP Payment Advisory Commission

# Medicaid is like four programs in one



Pregnancy  
and Children



Adults without  
Disability



People with  
Disabilities



Dually-Eligible  
with Medicare

# A critical support for health system, a budget challenge, and an investment opportunity

- Medicaid is critical for safety net, mental health, childbirth, long term services & supports, child health, health equity
- Very large state budget line - funding is challenging especially during economic downturns
- US Congressional Budget Office: “long-term fiscal effects of Medicaid spending on children could offset half or more of the program’s initial outlays”

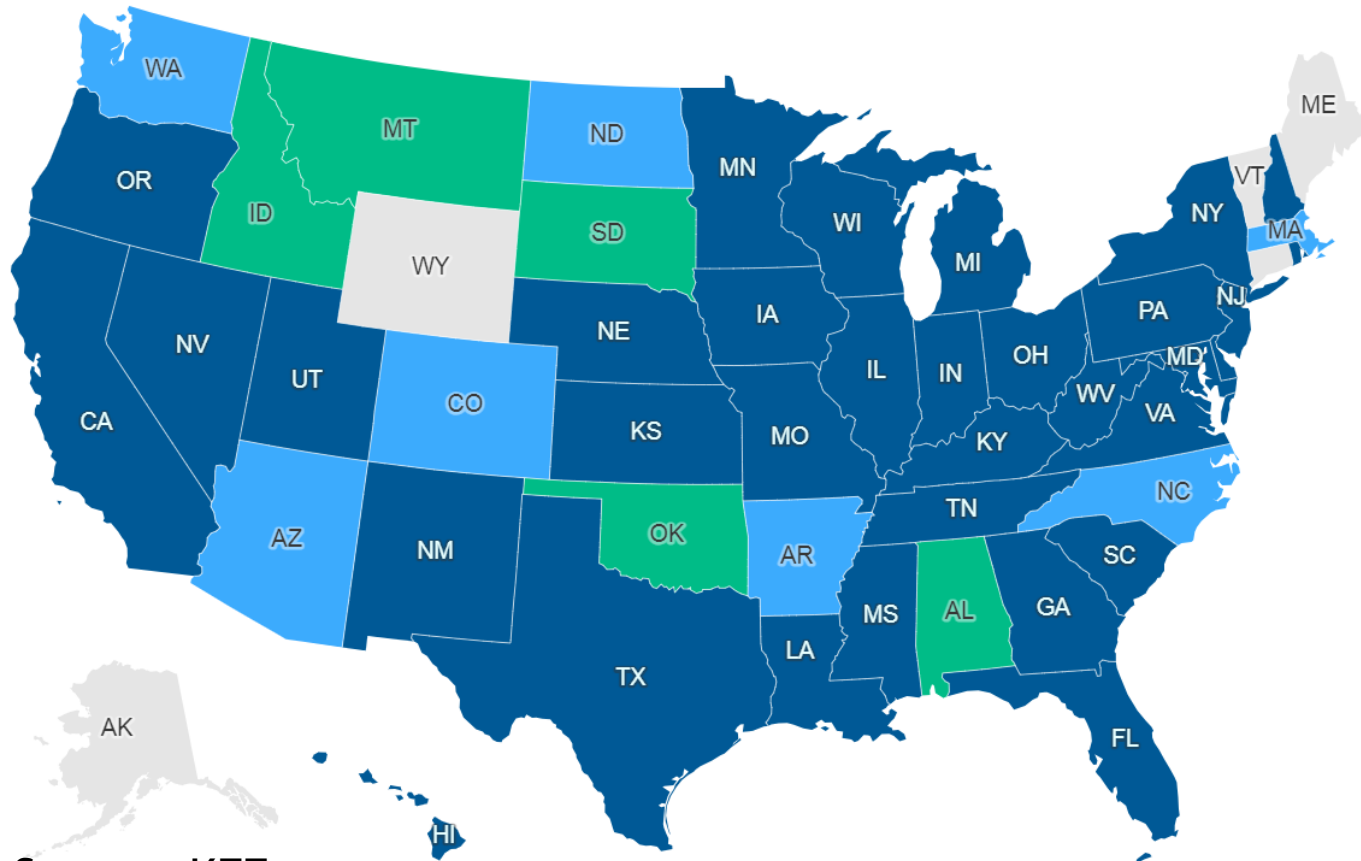
# State flexibility in Medicaid programs

- Federal subsidy dollars come with rules for how Medicaid programs work
- States have lots of flexibility, nevertheless:
  - Eligibility rules
  - Covered benefits
  - Provider payment rates
  - Administrative processes

# Medicaid: “Make” or “Buy?”

# Most Medicaid Enrollees are in a Managed Care Organization

■ MCO only (34 states including DC) ■ MCO and PCCM (7 states) ■ PCCM only (5 states) ■ No comprehensive MMC (5 states)



Source: KFF



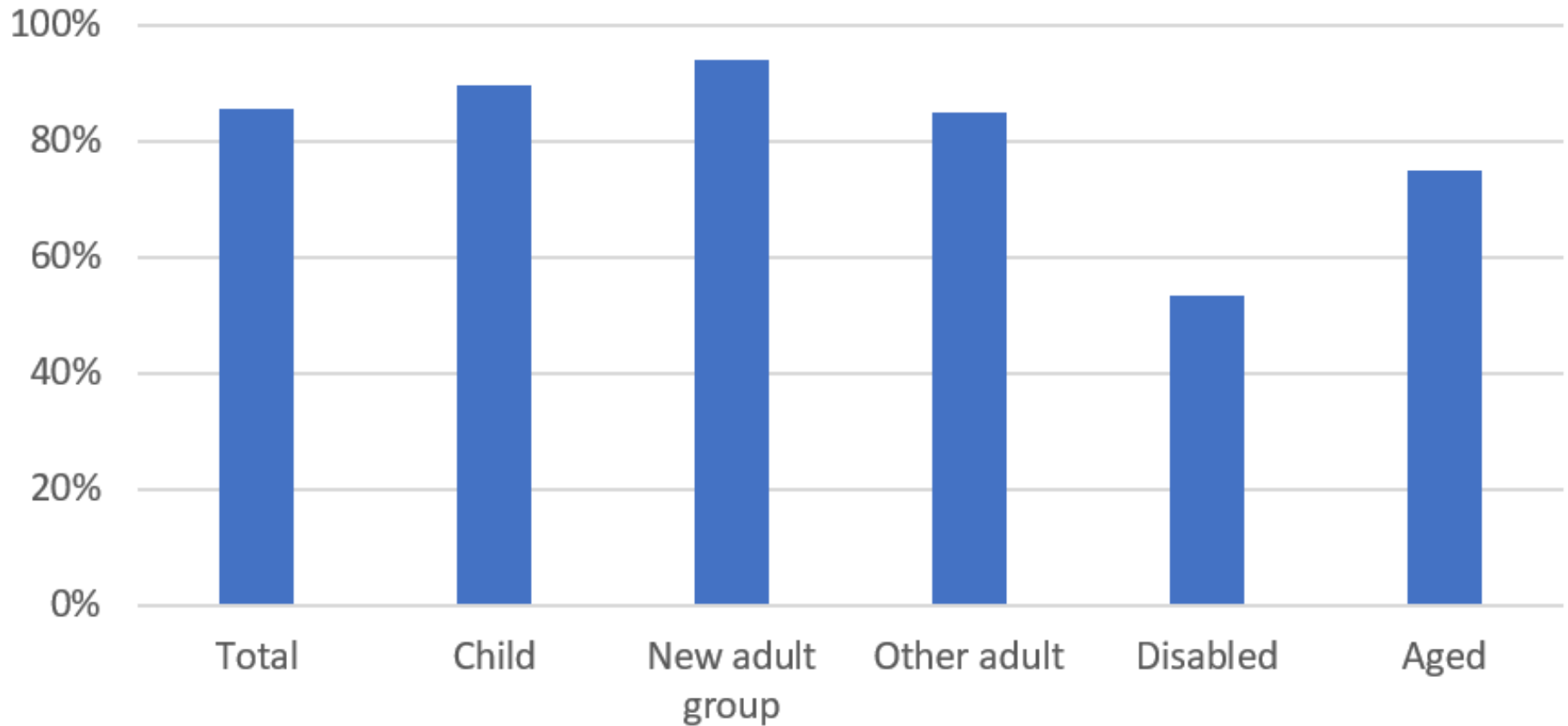
# Motivations for Medicaid Managed Care

- Try to reduce spending via private sector efficiencies
- Managed care has a variety of tools to control spending
- Create more budgetary predictability for the state
- Outsource administrative and bureaucratic functions
- Reduce stigma of Medicaid enrollment
- Create incentives and accountability for access, quality, and costs of care

# Different Models of Medicaid Managed Care

- Comprehensive, “full risk” contracts to managed care organizations
  - Capitation rates reflect expected spending for population
- Partial capitation contracts, carving-out specific types of services either to the state or to other managed care organizations
  - Mental health, pharmacy benefits, dental services, long-term services & supports
- Use different models for different geographies within a state, or for different eligibility groups within a state
- Federal rules guide what happens in Medicaid managed care

# Percent of MN Medicaid Enrollees in Managed Care, by Eligibility Category (FY 2021)



Source: MACPAC

# Managed Care Organization Requirements

- Determine a provider network
- Determine how services are delivered
- Determine which services require authorization or referral
- Determine its reimbursement rates to providers
- Must cover member's urgent or emergency care including outside of the MCO's network or service area
- Must cover open access services including family planning
- Must have procedures for handling member grievances and appeals

# Medicaid Managed Care in Minnesota

- Early adopter: MN has had some Medicaid managed care since 1985
- 49% of MN's Medicaid spending is payment to MCOs (FY 2022)
- All counties participate in competitive bidding process for up to 5-year contracts, with at least two MCOs/county
  - Plans are graded on criteria including organizational capacity, provider networks, plans for improving health and equity, plans for value-based payment, administrative processes
  - Plans selected on those criteria enter into rate negotiation with the State
- Currently nine MCOs delivering Medicaid benefits across MN

# Medicaid Managed Care: Evidence of Effects Nationally

- Good evidence that Medicaid managed care can reduce costs modestly, improve access to some services and improve some outcomes
- Overall, weak and mixed evidence on whether Medicaid managed care does systematically affect costs, quality, and access
- Important caveats:
  - States use very different managed care models, and for different populations
  - Within-states, performance can vary a lot across managed care organizations
  - Much evidence of effects on costs looks at populations that were already relatively low cost

# Thank you