

Medicaid Managed Care and the Minnesota Market

Presented to:

Health Finance and Policy Committee

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Presentation Outline

- Introduction
- How is Minnesota different?
- Key trends for providers and health plans
- Medicaid managed care: financial analysis
- Medicaid and hospitals
- Procurement processes and contract oversight
- Comparing Minnesota and other states

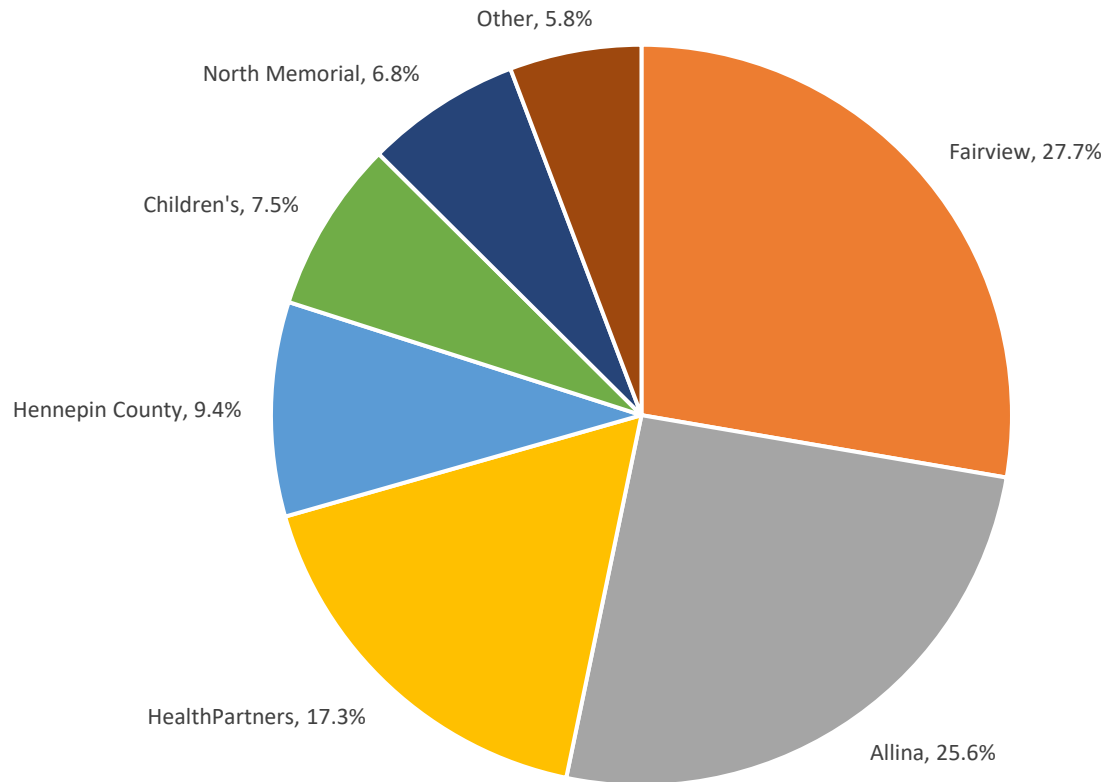
How is Minnesota Different?

- Limited presence of national insurers, investor-owned hospitals
- Moratorium on new hospitals, nursing homes, group homes since 1984
- Years of consolidation have led to highly concentrated markets for payers and providers.
- Extent of vertically integrated provider systems; high percentage of physicians, hospitals in systems
- Low use of capitation, other provider risk-sharing

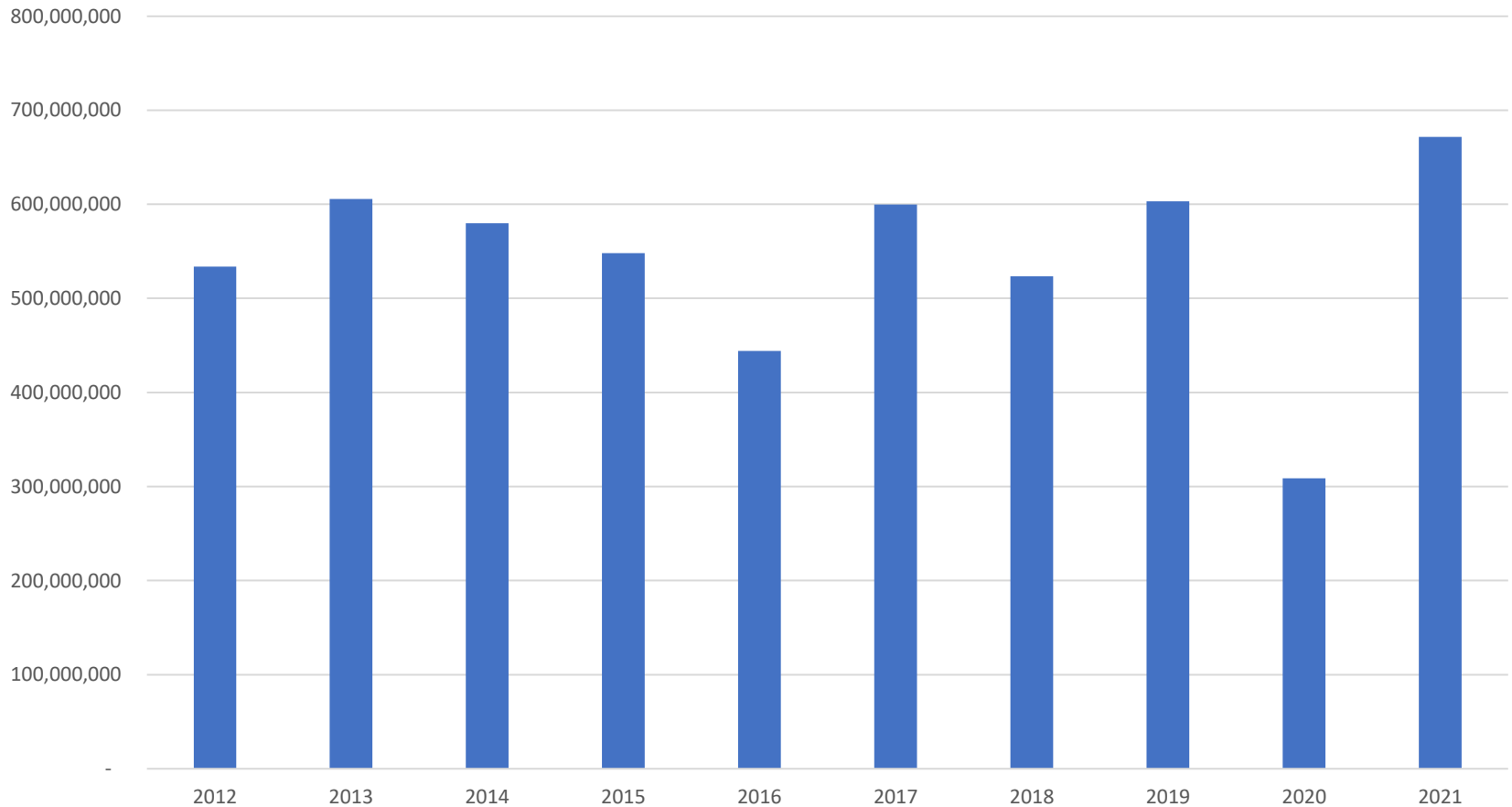
Trends for Provider Systems

- Seeking growth: Further consolidation going beyond state boundaries
- Continued profitability
- Declining or flat inpatient days; moves away from investment in inpatient facilities?
- Medicare and Medicaid cover a growing share of hospital care; hospitals more vulnerable to changes in government policies

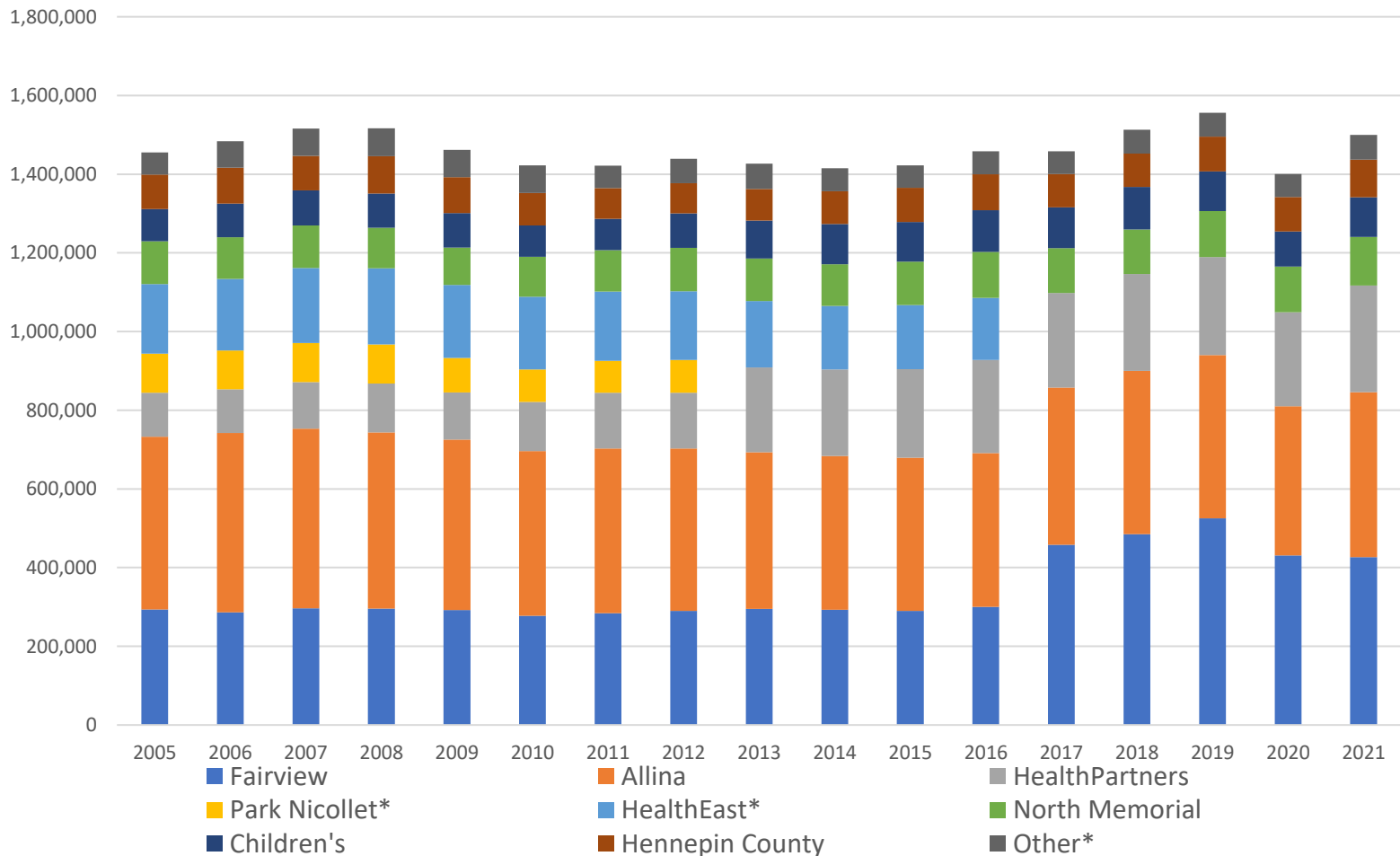
Three Systems in Twin Cities Have 71% of Market Based on Revenues



Twin Cities Hospital Systems: Net Income, 2012-2021



Flat, Declining Inpatient Days for Minneapolis-St. Paul Hospitals



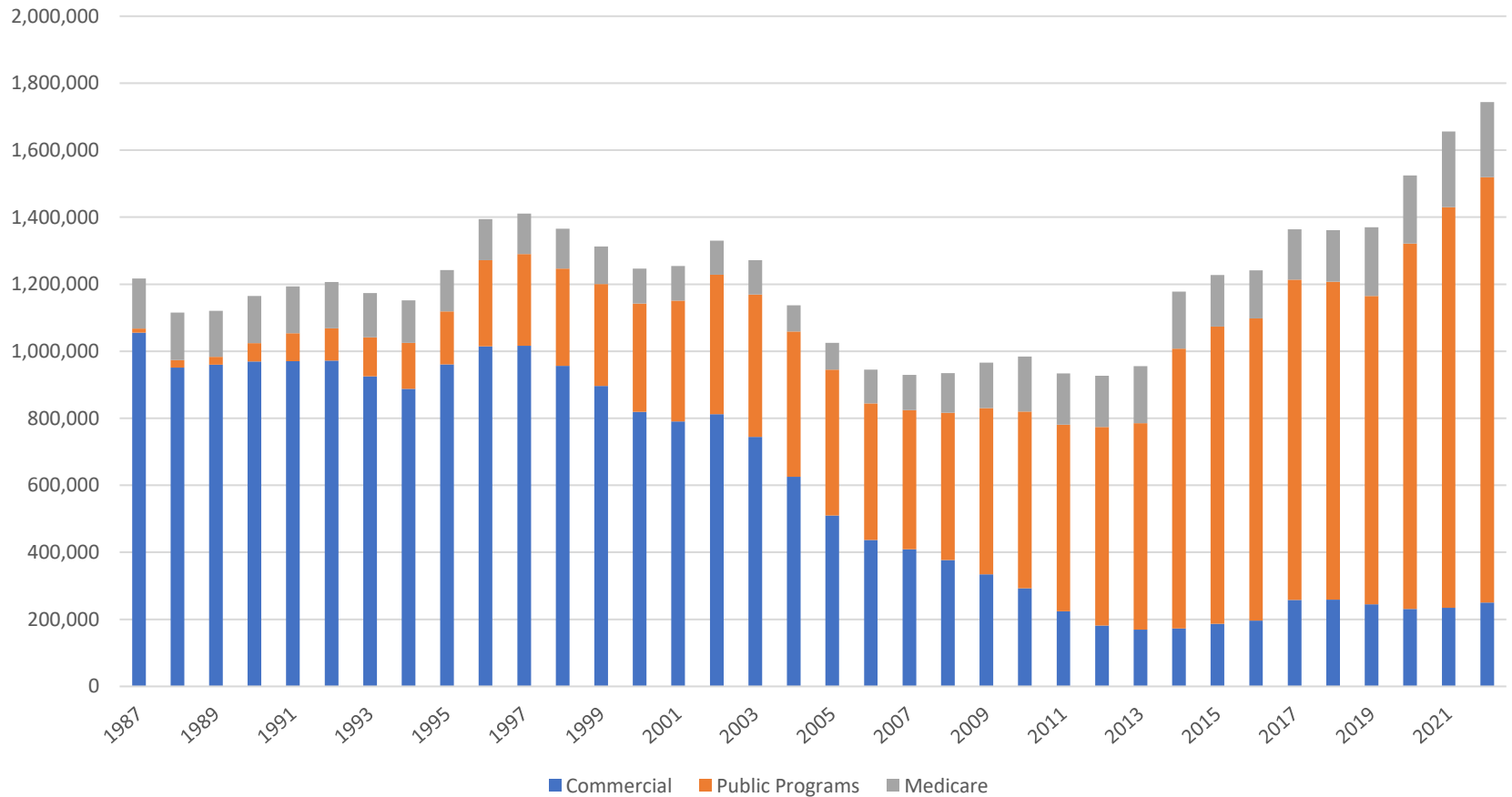
Expansion of Market Boundaries

- In Wisconsin – highly regarded regional systems merging – Froedtert with ThedaCare, Gundersen with Bellin; others in the works; also lots of construction
- Non-contiguous hospital mergers: Advocate-Atrium, Mercy-Bon Secours, Dignity-CHI
- For health plans: expansion of Medica to 7 states, HealthPartners ventures in five states

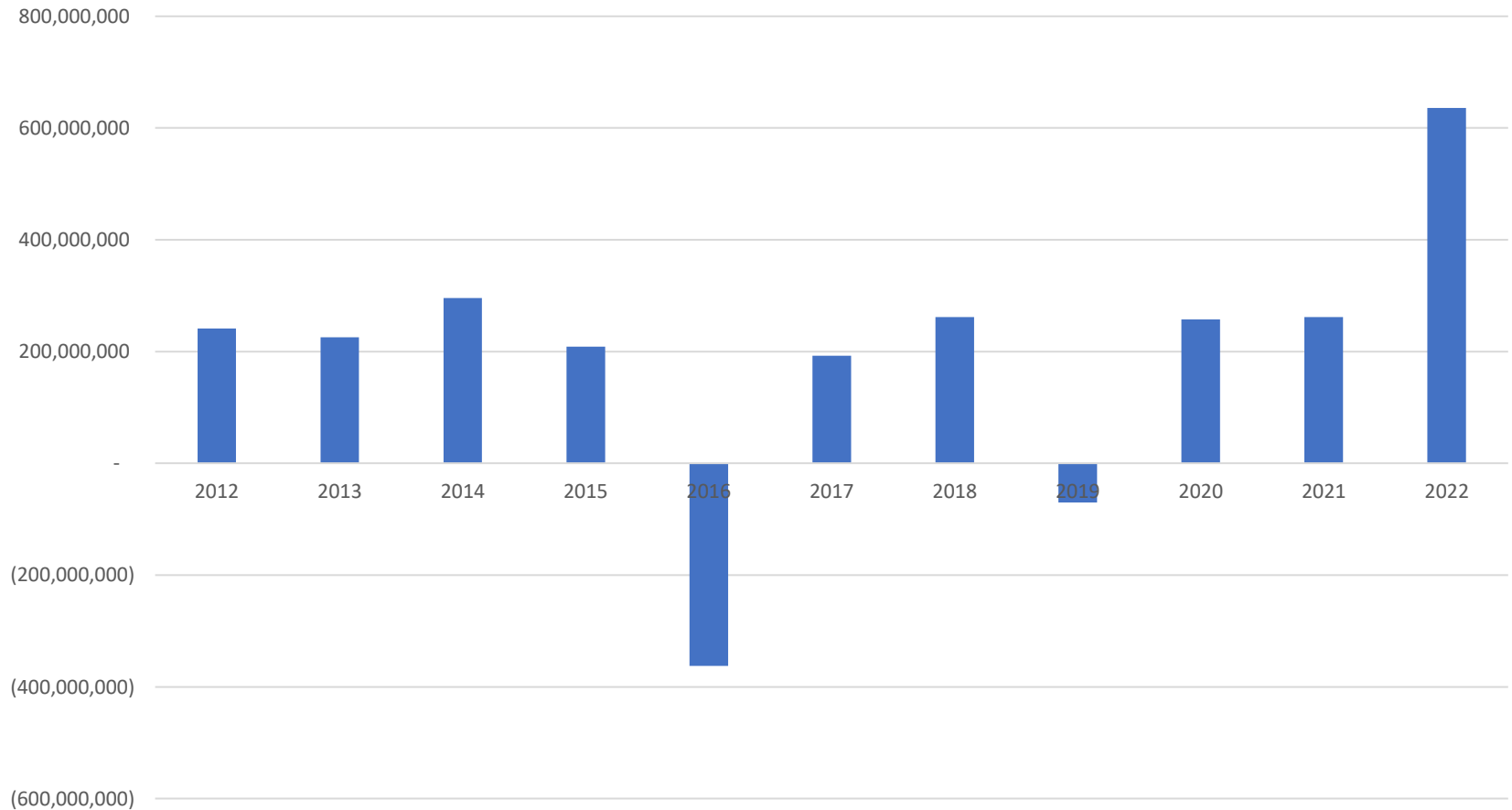
Health Plan Trends

- Overall enrollment growth, especially for Medicaid, Medicare Advantage and individual plans; seeing modest decline so far with Medicaid unwinding
- Record HMO profits in 2022, led by Medicaid/public programs New competition from UnitedHealthcare (with Medicaid contracts) and Allina-Aetna
- Does the non-profit/for-profit distinction matter?

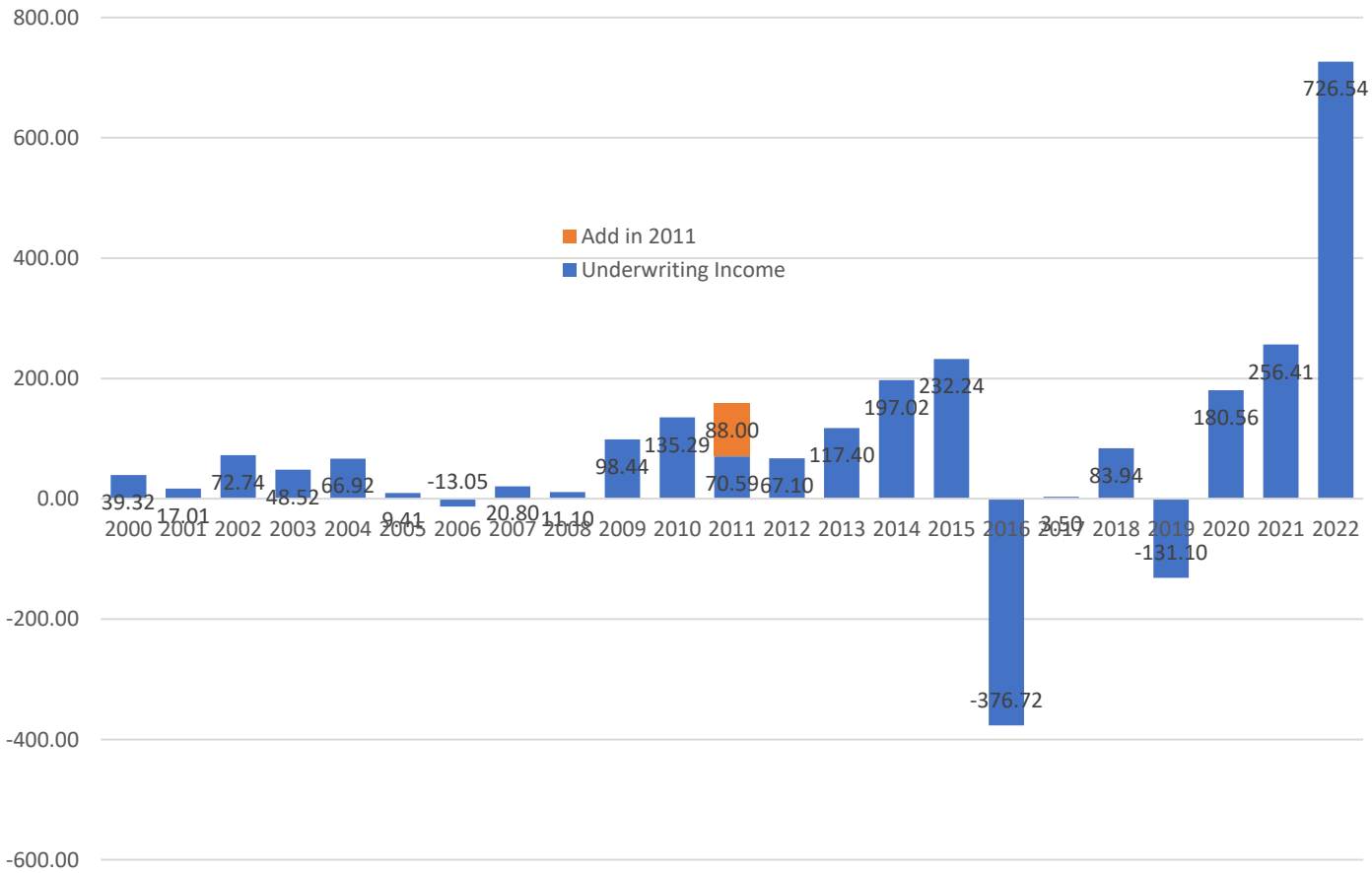
HMO Enrollment Growth, 1987-2022



Minnesota HMOs Record Profits in 2022



Underwriting Income for Minnesota Public Programs, 2000-2022



Trends in Revenues and Expenses for Medicaid Plans

Year	Revenues	PMPM Revenues	PMPM Medical Expenses	Medical Loss Ratio	Profit Margin
2022	\$6.8 billion	\$550.25	\$456.03	82.9%	7.1%
2021	\$5.5 billion	\$486.99	\$433.83	89.1%	2.0%
2020	\$4.4 billion	\$458.33	\$411.76	89.8%	1.0%
Change 2022/2020	52.5%	20.1%	10.8%	-7.7%	702.7%

2022 Results for Other State Programs

Program	Revenues	PMPM Revenues	PMPM Medical Expenses	Medical Loss Ratio	Profit Margin
MN Senior Health Options	\$2.0 billion	\$3,761.88	\$3,269.35	86.9%	7.0%
Minnesota Care	\$658 million	\$527.50	\$449.68	85.2%	4.8%
Special Needs Basic Care	\$866 million	\$1,411.44	\$1,254.18	88.9%	3.6%
MSC+	\$290 million	\$1,657.85	\$1,352.03	81.6%	12.2%

Medicaid and Hospitals

- In 2021, Medicaid, both managed care and fee-for-service, paid for 27.7% of inpatient days at Twin Cities area hospitals and 21.6% at hospitals serving Greater Minnesota communities.
- Likely a smaller percentage of overall revenues

Procurement Process and State Oversight of Contractor Performance

- Determining the optimal number of contractors
- Determining the length of the contract term
- Setting payment rates, whether through competitive bid or by state's actuaries -
- Linking MCO selection to state goals and strategies
- Mechanisms for managing market share and the auto-enroll algorithm
- Mechanisms for linking payment, including enhancements and penalties, to plan performance and to improvements in health status

Comparing Minnesota With Other States

- ❖ Michigan on rate setting, premium revenues and margins
- ❖ Arizona on using procurement to move Medicaid toward state goals
- ❖ Ohio on centralizing/carving out PBM and claim processing

Comparing Medicaid Managed Care in Minnesota and Michigan, 2022

Measure	Minnesota	Michigan
Average Revenue PMPM	\$550.25	\$312.30
Average Medical PMPM	\$456.03	\$275.43
Medical Loss Ratio	85.2%	88.2%
Average Underwriting Margin	4.6%	2.8%

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