Medicaid Health Plans:
Adding Value for Beneficiaries and States

Medicaid is a program with numerous challenges, both for its beneficiaries and the state and federal government. In comparison to the general population, Medicaid beneficiaries have much higher rates of poor health, fewer resources, and lower rates of health literacy. Federal and state governments struggle to maintain the robustness of their Medicaid programs, especially during economic downturns when budgets are tight.

As a result of more than 20 years of participating in the Medicaid program, Medicaid health plans understand these broad challenges and are well-situated to meet them. Most importantly, Medicaid health plans understand what Medicaid beneficiaries need to live healthier lives:

- Medicaid beneficiaries need integrated systems of care that promote access to necessary services and improve health outcomes.

- Medicaid beneficiaries benefit from outreach efforts that assist them in making and attending medical appointments and obtaining needed care on an ongoing basis.

- Medicaid beneficiaries with chronic conditions require focused programs that provide tailored clinical and care management strategies and improve quality of life.

- Medicaid beneficiaries often benefit from assistance with non-health related needs that can improve their health and well-being.

Medicaid health plans have been at the forefront of implementing systems and programs in all of these areas. These same fundamental Medicaid health plan attributes not only provide positive results for beneficiaries but also aid States in controlling Medicaid costs and achieving the highest value for their Medicaid investment:

- By offering integrated health care delivery systems, Medicaid health plans promote access to coordinated, quality care and prevent overutilization of services that are both unnecessarily costly and potentially harmful to their members.
• By conducting outreach and health education efforts that encourage Medicaid beneficiaries to receive necessary preventive care, Medicaid health plans can reduce unnecessary and costly hospital stays.

• By helping to manage chronic conditions through patient-centric disease management programs, Medicaid health plans are improving care while also reducing the costs of providing health care to beneficiaries with high health care needs.

• By facilitating access to non-medical services, Medicaid health plans enhance the effectiveness health care service delivery for their members and at the same time reduce costs for states, for example by facilitating access to social services or to services that help reduce or avoid nursing home stays for beneficiaries with long-term health care.

A new AHIP study demonstrates the value of these activities and further emphasizes the importance of full State compliance with federal standards that require Medicaid health plan rates to be established in an actuarially sound manner. Below, specific examples are provided that demonstrate the important contributions that Medicaid health plans make to improving care for beneficiaries that result in cost-savings for states.

Providing Integrated Health Care Delivery Systems

Integrated delivery systems provide for the seamless coordination of health care services across the continuum of care. This means that physician services, hospital care, prescription drugs, and other health care services are integrated and delivered through an organized system whose overriding purpose is to improve quality of life through disease prevention, early detection, prompt treatment, and meeting beneficiaries’ long-term health care needs.

Integrated systems are more effective than the fragmented fee-for-service health care system for two important reasons. First, Medicaid health plans improve beneficiary access to care by emphasizing the role of primary care providers who identify conditions and direct beneficiaries to specialists to meet their needs. These primary care providers also coordinate care, promoting better health outcomes by preventing unnecessary visits to emergency rooms and other hospitalizations that occur when conditions go untreated.

State-funded and independent research has demonstrated the success of the integrated systems of care provided by Medicaid health plans:

• New York Medicaid health plan enrollees are much more likely to receive many critical preventive services than beneficiaries enrolled in FFS Medicaid. For example, 71 percent of women enrolled in Medicaid health plans were screened...
for cervical cancer within the past three years compared to 39 percent in FFS Medicaid.¹

- Infant mortality rates in Rhode Island dropped significantly following the introduction of Medicaid health plans in 1994, from 4.5 deaths per 1,000 births in 1990 to 1.9 per 1,000 in 1999 – an improvement of over 200 percent.²

- A study of preventable hospitalizations among Medicaid participants in California found that those enrolled in Medicaid health plans were up to 38 percent less likely to have been hospitalized for conditions amenable to timely outpatient treatment.³

Innovative state programs are also demonstrating that the integrated health care delivery systems offered by Medicaid health plans can make a difference in improving care provided to beneficiaries with chronic care needs and other vulnerable populations.

- Medicaid health plans participating in the Texas STAR+PLUS program (includes beneficiaries dually eligible for Medicare and Medicaid and beneficiaries eligible for the federal Supplemental Security Income (SSI) program) reduced emergency room visits by 40 percent and inpatient admissions by 28 percent while promoting quality care.⁴

- A Center for Medicare & Medicaid Services (CMS) evaluation of the Minnesota Senior Health Options (MSHO) program found dually eligible beneficiaries had fewer preventable emergency room visits and were more likely to receive preventive services after enrolling in a Medicaid health plan.⁵

### Improving Access through Beneficiary Outreach

Medicaid health plans have recognized the value of outreach and education initiatives in improving beneficiary access to health care by informing beneficiaries about the importance of preventive care and other steps they can take to improve their health and well-being. These programs enable beneficiaries to overcome barriers to effective health care by reminding them of medical appointments, assessing medical conditions, and starting them on treatment regimens that improve their quality of life.

¹ *American Journal of Medical Quality, 2006; 21:185-191*
³ “Preventing Unnecessary Hospitalizations in Medi-Cal: Comparing Fee-for-Service with Managed Care” California HealthCare Foundation (February 2004)
⁴ Texas Health and Human Services Commission, Financial Impact of Proposed Managed Care Expansion in Texas, February 2005
⁵ CMS study cited in presentation by Mark Meiners at AHIP Medicaid Conference, October 21, 2004.
A recent survey\textsuperscript{6} demonstrates how Medicaid health plans target these outreach programs for beneficiaries with specific needs. For example, 95 percent of responding plans said they conduct outreach to pregnant women to promote access to care during the first three months of pregnancy. Medicaid health plans also focus on ensuring young enrollees receive the well-child services they need – 95 percent responded that they provide immunization reminders and almost 90 percent said they issue check-up reminders to parents for their children.

- These outreach programs result in early identification of beneficiary conditions that allow Medicaid health plans to design proactive programs to address their needs. For example, in Texas a Medicaid health plan developed a program that identified high risk pregnancies and focuses on individualized care. Beneficiaries in this program increased their use of prenatal services, resulting in a more than 50 percent reduction in admission rates to a hospital neonatal intensive care unit.\textsuperscript{7}

In designing these outreach programs, Medicaid health plans recognize the diversity in the many populations they serve and have employed additional methods to ensure that outreach is tailored to meet their unique needs. For example, inadequate health literacy can result in poor outcomes when the patient does not understand how to follow the treatment regime such as taking prescribed medications properly. Medicaid health plans have developed “plain language” materials and work with providers to better ensure patients understand the diagnosis and treatment regimen.

Medicaid health plans also work with their provider network to ensure that culturally appropriate services are delivered. The Medicaid health plan survey found that all responding Medicaid health plans provided interpreter services and 95 percent translated health education materials into other languages. The survey also demonstrates that Medicaid health plans ensure that their provider networks and staffs are able to address the unique needs of their enrollees. More than 85 percent of responding Medicaid health plans recruit health care providers from ethnic groups represented by plans’ members and conduct cultural competency training for health plan staff and networks.

There are numerous examples of these Medicaid health plan beneficiary outreach and diversity programs.

- A Medicaid plan in Kentucky created the Cultural and Linguistic Services program in 2000. A program coordinator serves as the main point of contact for plan members and health plan staff on diversity-related issues. The coordinator assesses members’ needs, works to improve cultural sensitivity among plan staff and physicians, and informs members and staff about translator and interpreter services. Often the coordinator accompanies Medicaid members to their doctor’s visits to help promote effective communication. The program coordinator has also created and distributed a tool kit for health care practitioners and social

\textsuperscript{6} AHIP conducted a survey of Medicaid health plan members in October 2008. Respondents have contracts in 23 states and represent 30 percent of all beneficiaries enrolled in Medicaid health plans.

\textsuperscript{7} America’s Health Insurance Plans, “Innovations in Medicaid Managed Care”. (March 2005), p. 40.
service professionals to increase awareness of cultural competency. As part of the initiative the plan developed numerous materials for members with limited English proficiency including plan information in several languages and a quarterly newsletter.\(^8\)

- A health plan in California has established member advisory committees drawn from their enrollees to meet monthly at the health plans office to discuss issues such as access to services, educational programs, grievances and outreach and communications strategies. Committee members regularly review the health plan’s marketing materials, orientation information and member letters for effectiveness, relevance to the target population, and cultural and linguistic appropriateness.\(^9\)

Creating Disease Management Programs for Chronic Conditions

Disease management (DM) has been demonstrated to be an important part of the effective delivery of medical services for beneficiaries with chronic conditions. In a disease management program, care is delivered through a multidisciplinary team of providers that can include primary care physicians, specialist physicians, nurses, therapists, nutritionists, pharmacists, and others to educate individuals about their condition and manage their care. The programs use evidence-based medicine in developing the treatment regimen.

Medicaid health plans develop disease management programs to address many different conditions. Almost 90 percent of the Medicaid health plans responding to the recent survey said they had such programs for diabetes, prenatal/postnatal health, and asthma, and a significant number of plans responded they had programs for other conditions including congestive heart failure, children with special needs, and people with multiple chronic conditions. Examples of these programs include:

- A Medicaid health plan in Virginia which has created a “LifeCoach Model” for patients with diabetes. The LifeCoach, who is a nurse trained in diabetes education, is placed in the offices of primary care physicians with a high number of patients with diabetes for half a day per week. The LifeCoach educates patients about appropriate care, blood glucose self-monitoring, medication utilization, self-management skills, and prevention of long-term complications. They also help patients adhere to meal planning and physical planning goals, conduct telephone follow-up to evaluate day-to-day management issues, and support patients in communication with their physicians. An evaluation of participants found improvements in controlling blood sugar and blood pressure levels, increases in preventive exams such as foot exams, and increases in medication compliance.\(^{10}\)

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\(^{8}\) *Innovations*, p. 57.
\(^{9}\) *Innovations*, p. 59.
\(^{10}\) *Innovations*, p. 21
A Medicaid health plan in Pennsylvania created a disease management and care coordinating program for members with sickle cell disease. Members are provided education about their condition, including how to prevent disease complications and make lifestyle changes to improve health, and an effective plan of care is developed in collaboration with the member, their health care practitioners, and case manager. Follow up phone calls and home visits when appropriate are made for those with moderate to severe conditions. Under the program, member’s use of physician office visits, home care and laboratory services increased by 35 percent, while their emergency room visits fell by 50 percent and their use of inpatient hospital services dropped by nearly 20 percent.  

**Addressing Non-Medical Needs that Impact Beneficiaries Health**

In the design of their care management programs and service delivery networks, Medicaid health plans recognize that a beneficiary’s health is influenced by factors in addition to the medical care they receive. Stable housing arrangements, employment, and adequate nutrition can have a major impact on a person’s health status. To address such circumstances health plans work with community organizations for outreach and providing assistance to their enrollees such as housing agencies, and food programs such as Food Stamps and the Women, Infant and Children (WIC) nutrition program. The survey of Medicaid health plans found that 95 percent interacted with city/county social services agencies and 82 percent offered their enrollees aid in applying for public assistance programs. Similarly, Medicaid health plans recognize the important role community-based organizations can play in a beneficiary’s health and well being. The survey found that 97 percent interact with schools, 89 percent with volunteer organizations such as local members of the American Cancer Society or the American Diabetes Association, and 87 percent with faith-based organizations.

For example, a Medicaid health plan in California has established ten Community Resource Centers (CRCs) in the neighborhoods of Medicaid members. The CRC staff work with Medicaid members and health care practitioners to resolve service-related issues, and they coordinate with community-based organizations to meet the needs of the communities served. These needs include child immunizations, health education programs, and awareness of, and access to, state and federal support programs. Each of the CRCs provide mini grants to provide important services to Medicaid and SCHIP enrollees such as after-school learning programs; the Healthy Start program; offering parents on-site access to social services; health education, and nutritional resources at schools; providing crisis centers for children and adults; and supporting citizen associations.

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11 *Innovations*, p. 73.
12 *Innovations*, p. 60
State Cost-Savings – A Consequence of Medicaid Health Plan Activities to Improve Beneficiary Care

A recent study commissioned by AHIP synthesized 22 studies on savings achieved when states implemented programs using Medicaid health plans.13 The studies provide compelling evidence that Medicaid health plans can reduce state Medicaid expenditures by providing high quality health care.

- **Overall Program Savings.** The report notes that “While percentage savings varied widely (from one half a percent to 20 percent), nearly all the studies demonstrated savings from the managed care setting.”

- **Savings from Programs Focused on Specific Populations.** The beneficiaries who become eligible via enrollment in the Supplemental Security Income (SSI) program generate the most Medicaid expenditures on a per capita basis. The report found that studies in Arizona, Kentucky, Pennsylvania, and Texas showed significant savings when enrolling the SSI population into Medicaid health plans.

- **Savings from Specific Services.** The report revealed that various studies attributed significant savings from two services: California and Ohio experienced substantial drops in inpatient hospitalization while Medicaid health plans in Arizona and Pennsylvania yielded savings in pharmacy drug costs.

These findings are direct consequences of the Medicaid health plan activities described above that promote better health outcomes. Medicaid health plans have a proven record of improving health care access and quality for Medicaid beneficiaries. They do so through activities that promote preventive care in integrated delivery systems that focus on the beneficiary’s well-being. Beneficiaries enrolled in Medicaid health plans are more likely to maintain healthy lifestyles that avoid the use of preventable hospitalizations. Health care is delivered in the most clinically appropriate, cost-effective manner. Beneficiaries are healthier and states realize cost savings.

However, these results are only achievable when states work with Medicaid health plans to establish reimbursement rates that recognize the value of the contributions they make. Federal law requires states to establish payment rates for Medicaid health plans in an actuarially sound manner.14 Full compliance with this federal requirement is essential to ensuring that Medicaid beneficiaries continue to have access to the comprehensive benefits and high quality care offered by private sector health plans. Failure to do so is a “penny wise, pound foolish” approach that could result in poorer health outcomes for Medicaid beneficiaries and higher Medicaid expenditures in the long run.

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14 §1903(m)(2)(A) of the Social Security Act
Conclusion
Research demonstrates that Medicaid health plans provide high quality accessible care to beneficiaries and value to states. Only Medicaid health plans possess the critical attributes that best address the diverse needs of beneficiaries and the value sought by states: integrated networks across delivery settings, improved access to services, disease management programs for chronic conditions, an emphasis on beneficiary outreach, and a focus on providing cost-efficient services. With these attributes, Medicaid health plans are able to ensure beneficiaries receive the right mix of services that provide high quality of care while helping to contain program cost growth.