The Value of Medicaid Managed Care
It’s well established that Medicaid and CHIP (the Children’s Health Insurance Program) are essential parts of American health care. Comprising the largest health care program in the country covering approximately 1 in 4 Americans\(^1\), Medicaid and CHIP together help improve the health and financial security of over 82 million Americans, including more than two million veterans.

But what’s less widely appreciated is the key role Medicaid managed care organizations (MCOs) play in connecting Medicaid and CHIP enrollees with care and services, and transforming state policies and initiatives into programs that actually work. Medicaid agencies in 40 states have chosen to partner with Medicaid MCOs to coordinate care, drive quality, and increase the effectiveness of their Medicaid programs.

More than three-quarters of Medicaid enrollees are served by Medicaid managed care (MMC) programs, which are public-private partnerships between state governments and MCOs. And nearly 80% of Medicaid expansion enrollees are in MMC plans – a testament to the essential role that private plans play in ensuring better outcomes and a better patient experience.\(^2\)

## Medicaid Managed Care Promotes Quality and Innovation

Medicaid MCOs offer state leaders essential tools and program experience that complement the state’s Medicaid mission and extend the capacity of agency employees. States using managed care have seen that Medicaid MCOs improve the effectiveness and performance of their programs, improve quality, and facilitate more efficient and effective Medicaid operations. States partnering with Medicaid MCOs can use a variety of performance and quality monitoring strategies to measure improvement and ensure accountability in ways that are simply not possible in unmanaged fee-for-service programs.

Quality is measured rigorously in managed Medicaid programs and quality performance continues to improve. A review of 30 HEDIS/CAHPS measures in use during a 5-year period from 2014-2019 showed continuous improvements in quality of care received by enrollees of Medicaid MCOs, including significant increases across several measures.\(^3\) Medicaid MCOs improved their performance on 87% of key quality metrics related to patient satisfaction, provision of services, and health outcomes over four years. And 85% of Medicaid MCO enrollees report satisfaction with their MMC benefits.\(^4\)

Key MCO strengths and assets include resources that support innovation. MCOs have a strong track record of introducing new initiatives to engage with members and improve care and outcomes. A few examples: MCOs greatly expanded the use of telehealth and remote monitoring technology during the COVID pandemic. Many MCOs have developed programs focused on reducing childhood asthma by providing members with air filters and hypoallergenic bedding. Some MCOs have even developed transitional housing programs to shelter members without homes following hospitalization. Many MCO innovations focus on meeting social needs that in turn support positive outcomes of enrollees’ health conditions.


\(^2\) [https://www.ahip.org/research-shows-patients-with-medicaid-have-greater-access-to-preventive-care/](https://www.ahip.org/research-shows-patients-with-medicaid-have-greater-access-to-preventive-care/)


Medicaid MCOs Engage on Health Equity and Social Determinants of Health

Medicaid managed care organizations advance health equity by connecting enrollees with person-centered care and community-delivered services that are culturally and linguistically appropriate. MCOs customize many programs based on individual needs and circumstances, and provide care coordination and care management to help people navigate services and manage their treatment plans. MCOs often partner with community leaders to extend outreach, health education, and support services. Many MCOs invest in their own infrastructure and in community-based organizations to address socioeconomic barriers to health, such as food insecurity, housing instability, lack of transportation, and unemployment.

State Medicaid programs and Medicaid MCOs recognize the importance of meeting the basic needs of their enrollees and have used policy levers to mitigate their members’ socioeconomic risk factors. Medicaid MCOs are able to respond to health-related social needs in a variety of ways, ranging from offering services covered under the state Medicaid plan to designing and implementing new programs. One approach involves investing grant funding or savings in infrastructure and service innovations that can improve health outcomes but are not covered as Medicaid or waiver services. Thanks to policy flexibilities and their own private investments, Medicaid MCOs and their community partners are making progress in addressing health-related social needs.

Medicaid MCOs work with community partners to address a variety of needs, ranging from food insecurity, housing instability and homelessness to lack of transportation, social isolation, unemployment, safety, and educational opportunities. Research has demonstrated that many services and interventions that address the health-related social needs of people with Medicaid result in improved health outcomes and significant savings to the Medicaid program as well as the larger health care system by reducing unnecessary health care utilization. For example:

- A Midwest Medicaid MCO launched a program to provide short-term, transitional housing and health care through 50 single-room units for their homeless members. Partnering with local organizations, the program provided members with medical and behavioral health care; recovery-focused services such as case management, peer support, and life skills training, while connecting members with the stability of long-term permanent housing. Members of this integrated program experienced 40% reductions in inpatient stays at hospitals and skilled nursing facilities, resulting in average savings of $872 per member per month ($10,464 in savings per member per year, or more than $500,000 per year total).
- A Medicaid MCO in the Northeast provided weekly delivery of ten ready-to eat meals to dually eligible Medicaid and Medicare members (a covered benefit under the state Medicaid plan). The program achieved savings of $753 per member per month (a 16% reduction) due to fewer inpatient hospital and nursing facility admissions.
- A Medicaid MCO in the Western U.S. implemented a program to connect members who were socially isolated with social workers and volunteer phone pals, who regularly called or visited those members to build relationships. The program realized a 56% increase in member engagement with other programs (e.g., exercise programs), a 21% decrease in hospital admissions, and a more than 3% decrease in emergency department use, as compared with a 20% increase in ED use in a control group.
- Many MCOs provide non-emergency medical transportation as a covered Medicaid service to help members with limited access to transportation get to and from medical appointments. These programs are estimated to save $40 million per 30,000 Medicaid beneficiaries per month ($480 million in savings a year).

“For years, America has struggled to improve health equity for African Americans and other communities of color. As leaders come together to make real progress toward this shared commitment, Medicaid MCOs are a proven valuable partner for creating tailored solutions that work, utilizing insight from deep experience working with people who rely on Medicaid, and building on strong community partnerships to meet people where they are.”

– AHIP, March 2021
Connecting with Medicaid Enrollees During COVID

Over the course of the pandemic, Medicaid MCOs have taken multifaceted approaches to connect members with care, and promote vaccine acceptance, uptake and equitable access. MCOs trained their care managers and member service staff to answer questions on local testing and vaccine availability. MCOs launched education, awareness and outreach campaigns, and worked with state and local government leaders to ensure equity in vaccine strategies and address members’ vaccine hesitancy. They partnered with local governments, community health centers, pharmacies, and hospitals and health systems to optimize allocation and distribution of vaccines.

In a national pilot called the Vaccine Community Connectors initiative, MCOs committed to the vaccination of 2 million seniors aged 65 and over, many of whom are people of color, enrolled in Medicaid, and living in America’s most at-risk, vulnerable, and underserved communities. MCOs used their enrollee data, analytics, and tools like the Social Vulnerability Index (SVI) to help identify the 25% most vulnerable communities. Social index data was combined with other data such as vaccination histories and the prevalence of chronic conditions, to improve the accuracy and efficiency of the effort. MCOs tailored outreach approaches in each community to best meet unique community needs. Some communities were best served by mobile clinics, language assistance or a combination of interventions, while in others, MCOs partnered with ride share services and paid for transportation to vaccine appointments.

Medicaid Managed Care Is Cost Effective

Recent growth in Medicaid spending has been driven largely by higher enrollment, in part due to the COVID-19 pandemic. Enrollment in the comprehensive managed-care model more than doubled from 25.6 million people in 2010 (51% of all people covered by Medicaid) to 66 million people in 2021 (over three quarters of all enrollees).

While enrollment has increased dramatically, managed care organizations have a history of success in effectively controlling saving taxpayers billions of dollars. Since 1999, Medicaid per-enrollee costs have grown slowly and in alignment with enrollment. In some years, Medicaid spending per person even decreased. A study from the Robert Wood Johnson Foundation and Urban Institute found that actual Medicaid spending per enrollee increased at an annual rate of only 1.7%, as compared with per capita national health expenditures (3.1% increase) and the Consumer Price Index (2.1% increase) over the same period.7

Managed care organizations deliver real savings for taxpayers, through care coordination, the use of primary care medical homes, expanded use of generic prescription drugs, and other effective solutions. Across the board, Medicaid health plans deliver significant savings for states. For example:

Medicaid health plans saved the State of Ohio more than $4 billion over the two-year period from 2018 through 2019.8

Medicaid MCOs have achieved large-scale savings in Medicaid prescription drug costs.9 MCOs paid for more than 70% of all Medicaid prescriptions in 2018. MCOs’ net costs per prescription (net of rebates) were about 27 percentage points below the net cost of prescriptions paid in fee-for-service (FFS) settings, yielding net savings in drug spending of $6.5 billion during FFY2 2018.

And in the area of program integrity, Medicaid plans serve key partners in state initiatives, especially in identifying questionable claims practices, and making referrals to law enforcement to investigate fraud and abuse.

Building Successful Partnerships in Medicaid

Like all partnerships, there are certain key elements in building foundations for Medicaid managed care that translate into future success:

• The state articulates a clear vision and defines its expectations for the program.
• Stakeholders in the program make efforts to understand the time required to launch a new program and achieve results.
• MCOs commit to investing in substantial developmental work and implementation tasks for the long-haul.
• Stakeholders commit to collaboration, working together to cultivate change.

Medicaid managed care will continue to grow, having become the preferred model across the nation’s Medicaid programs because it achieves value. Medicaid MCOs offer a demonstrated record of improving health outcomes for the people they serve and improving performance of Medicaid programs, helping states and the federal government realize value for their investments. As MCOs and states work in partnership to evolve their approaches to MMC, the effectiveness and performance of Medicaid will continue to improve.

Patient Story: Amanda Sorrow

Amanda Sorrow relied on her Medicaid Managed Care coverage to treat a brain tumor and trigeminal neuralgia: “It has given me my independence back.”

Visit the Modern Medicaid Alliance for more patient stories.