

# Collective Financial Performance of Medicaid Health Plans: State-Level Analyses

5 Slide Series, Volume 53

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**The Menges Group**

# Introduction

- This edition of our 5 Slide Series tabulates financial outcomes in the capitated Medicaid arena.
- Working with our database of Medicaid MCO financial statements, we tabulated the collective operating income of the health plans in each state for calendar years 2015 and 2016.
  - The MCOs in our current dataset encompass the majority of the overall industry, representing approximately \$135 billion in Medicaid expenditures during each of the two years assessed.
- The table on the following slide summarizes our tabulations.

# Distribution of States by Medicaid MCOs' Collective Operating Gain/Loss

Year	Program-Wide Operating Gain/Loss of Medicaid MCOs	# of States	Percent Distribution of States
2015	Loss >5%	1	3%
	Loss <5%	7	18%
	Gain <5%	25	64%
	Gain >5%	6	15%
	<b>2015 Total</b>	<b>39</b>	<b>100%</b>
2016	Loss >5%	3	8%
	Loss <5%	6	15%
	Gain <5%	27	69%
	Gain >5%	3	8%
	<b>2016 Total</b>	<b>39</b>	<b>100%</b>

# Summary Observations

- Of the 39 states with capitated MCO programs, most are in sound balance regarding their health plans operating viably but not earning excessive margins in a Medicaid environment.
- In 25 states during 2015 and in 27 states during 2016, Medicaid MCOs collectively earned a positive operating margin of less than 5%.
- In general, states with programs that are out of financial balance in a given year adjust their rate-setting accordingly and move into a more optimal position.
- The nationwide percentage operating income across all the Medicaid health plans assessed was a gain of 2.1% in 2015 and a gain of 0.8% during 2016.

# Summary Observations (continued)

- In eight states during 2015 and nine states during 2016, we would consider the Medicaid MCO program as “under-funded” with the health plans collectively experiencing a negative operating margin.
  - During 2016, we would categorize three of these states (Iowa, Minnesota, and New Hampshire) as “severely under-funded” with the MCOs experiencing a collective loss of more than 5%.
- States that remain under-funded for a stretch of consecutive years risk being viewed as poor business partners, forcing MCO exits and beneficiary disruption.
- In six states during 2015, we consider the Medicaid MCO program as “over-funded” with the health plans collectively earning more than a 5% operation margin. This category dropped to three states in 2016 (the District of Columbia, Kentucky, and Maryland).

# 5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements. Our extensive compilation of Medicaid MCO financial statements allows us to conduct a wide range of analyses of the industry's financial dynamics.

Agne Menges, Alex Poulouse and George Shields compiled the information used in this edition.

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