



Analysis: Medicaid Plans Expected to Grow 20% This Year Under ACA Expansion

An analysis from Avalere Health finds that Medicaid managed care enrollment will increase by 20 percent from 2013 to 2014 and by 38 percent from 2013 to 2016. This increase is driven by state decisions to expand the use of managed care, as well as the influx of new Medicaid beneficiaries under the Affordable Care Act.

Thirty-eight states and Washington, D.C., contract with managed care organizations (MCOs) — private capitated health insurance plans — to provide care to some or all of their Medicaid beneficiaries. States opt to use MCOs rather than paying for beneficiaries' services through a state-run fee-for-service (FFS) program for a number of reasons, including budget predictability and the potential for increased care coordination.

“The continuing shift toward Medicaid managed care presents a significant growth opportunity for health plans that specialize in managing these low-income populations,” said Matt Eyles, Executive Vice President of Avalere. “Plans that currently operate in Medicaid could see significant membership growth, and those outside of the Medicaid market until now could gain market share by moving into this space.”

The number of states using MCOs also has grown over the past few years, and other states are expanding MCOs into new regions of the state or using them to serve more complex beneficiaries. The expansion of Medicaid eligibility levels in the ACA — made optional to states by the Supreme Court — also contributes to this shift. Of the 26 states and Washington, D.C., that are expanding Medicaid eligibility levels (up to 133 percent of the federal poverty level) this year, just three of those do not use Medicaid MCOs. Avalere expects that the majority of newly eligible individuals also will be enrolled in MCOs.

Accounting for all of these factors, Avalere projects that 75 percent of Medicaid beneficiaries will be covered by MCOs starting in 2015, up from 63 percent in 2012. This offers a significant opportunity for the health plans that will cover these individuals.

“We are seeing states such as California, Florida and Texas that have long enrolled beneficiaries in managed care, now moving toward statewide MCO expansions,” said Caroline Pearson, Vice President at Avalere. “These changes will expand Medicaid plans' coverage into more rural geographies and will essentially end fee-for-service Medicaid in some states.”

Methodology

Avalere Health's Enrollment Model uses enrollment data and projections from the Congressional Budget Office (CBO), the Urban Institute, the Census Bureau Current Population Survey, and the Centers for Medicare & Medicaid Services' 2011 Medicaid Managed Care Enrollment Report. To estimate the percentage of beneficiaries in MCOs, Avalere accounts for prior trends on enrollment in FFS and MCOs and tracks states' intentions to shift enrollment between these delivery mechanisms. Additionally, Avalere makes assumptions about whether new Medicaid eligibles under the ACA are likely to enroll in FFS or MCOs based on trends in their respective states, and also accounts for state decisions on whether to expand Medicaid eligibility under the ACA. We assume states that are set to expand in 2014 will continue to offer coverage through 2016, but we do not assume any new states opt-into the program in future years. As additional states choose to expand, the portion of enrollees in managed care is expected to further increase. The model's enrollment estimates are end-of-year projections.