

Medicaid managed care plans owned by public companies have higher administrative costs

June 15 2011

A new Commonwealth Fund report finds that Medicaid managed care plans that are owned by publicly traded for-profit companies whose primary line of business is managing Medicaid enrollees spent an average of 14 percent of premiums on administrative costs, compared with an average of only 10 percent spent by non-publicly traded plans owned by groups of health care providers, health systems, community health centers, or clinics. Sampling health plans with at least 5,000 enrollees resulted in an initial sample of 225 Medicaid managed care plans representing 23.8 million enrollees. The numbers of plans reporting quality of care measures was limited and varied by measure. Only 27 percent of the publicly traded Medicaid-only plans reported quality measures and scored lower on these measures compared to non-publicly traded plans; they scored 13 percentage points lower when it came to managing chronic illness, and 11 percentage points lower on a composite score measuring preventive care.

"Managed care plans represent a large piece of Medicaid's future, and plans owned by publicly traded companies will likely be a growing share of this market," said lead author Michael McCue, a professor at Virginia Commonwealth University. "In order to assure that Medicaid provides high quality, efficient health care, it will be crucial that state Medicaid directors responsible for managed care contracts take into account publicly traded plans' commitment to Medicaid and whether they are striking the right balance between providing [high quality care](#) to patients

and increasing earnings."

According to the report, *Assessing the Financial Health of Medicaid Managed Care Plans and the Quality of Patient Care They Provide*, enrollment in Medicaid managed care is on the rise, and the authors anticipate that rise will continue as most people newly eligible for Medicaid under the [Affordable Care Act](#) will likely join managed care plans. In 2009, CMS reported 72 percent of Medicaid enrollees were fully or partially covered by a managed care plan, up from only 55 percent in 2000. From this study sample, the number of enrollees in managed care plans owned by publicly traded companies jumped significantly—from 5.6 million to 9.8 million between 2004 and 2009.

"This report shows us that it is possible for health plans to keep administrative costs down and quality high for Medicaid beneficiaries," said [Commonwealth Fund](#) President Karen Davis. "Millions of people are already covered by [managed care](#) plans and millions more will be added to their ranks when Medicaid is expanded in 2014 under the Affordable Care Act. Now is the time to ensure performance of private contractors to assure that scarce resources are used wisely and patients get the high quality health care they deserve."

Key Report Findings:

- Quality of care data were reported by only one out of four publicly traded Medicaid-only plans. This limited number of plans performed significantly worse than non-publicly traded plans on clinical quality composite measures of [preventive care](#) (11 percentage points lower), including childhood immunization status, and adolescent and child well-care visits, and [chronic illness](#) care (13 percentage points lower), including diabetes care and appropriate use of medications for asthma for children and

adults.

- Provider-sponsored health plans had the lowest administrative cost ratio overall, 8%, compared to 12% for non-provider sponsored plans.
- When looking at measures of patients' experience with their health care plan, non-publicly traded plans scored seven percent higher in overall patient satisfaction than the Medicaid-only publicly traded plans.
- Health plans sponsored by [health care providers](#) reported higher quality than non-provider sponsored plans—scoring eight percentage points higher when it comes to managing chronic illness and eight percentage points higher when it come to managing preventive care.
- More than 50 percent of [Medicaid](#) enrollees in Delaware, Florida, Georgia, Illinois, Indiana, Maryland, Missouri, Nebraska, Nevada, Tennessee, Texas, Washington state, West Virginia, and Wisconsin are enrolled in health care plans managed by publicly traded companies.

More information: The full report will be available at [www.commonwealthfund.org/Conte ... id-Managed-Care.aspx](http://www.commonwealthfund.org/Content/Reports-and-Publications/2011-06-Medicaid-Companies-Higher-Administrative-Costs-for-Managed-Care.aspx)

Provided by Commonwealth Fund

Citation: Medicaid managed care plans owned by public companies have higher administrative costs (2011, June 15) retrieved 25 April 2024 from <https://medicalxpress.com/news/2011-06-medicaid-companies-higher-adminstrative.html>

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