Medicaid health plans try to protect members—and profits—during unwinding

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The federal COVID-19 pandemic protections that have largely prohibited states from dropping anyone from Medicaid since 2020 helped millions of low-income Americans retain health insurance

coverage—even if they no longer qualified—and brought the U.S. uninsured rate to a record low.

It also led to a windfall for the health plans that states pay to oversee care of most Medicaid enrollees. These plans—many run by insurance titans including UnitedHealthcare, Centene and Aetna—have seen their revenue surge by billions as their membership soared by millions.

With states poised to start disenrolling Medicaid enrollees in April who no longer qualify, the insurers hope to retain enrollees who are still eligible and capture those who lose coverage with the Affordable Care Act marketplace plans.

Except for the enrollees themselves, for whom losing coverage could restrict access to care and leave them vulnerable to large medical bills, no one has more at stake than these insurers. The plans have a strong financial incentive to keep their members enrolled because states pay them per member, per month: The more people they cover, the more money they get.

The Biden administration estimates that 15 million of the more than 91 million Medicaid enrollees will fall off the rolls, nearly half because their income exceeds program limits and the rest because they fail to complete the reenrollment paperwork.

Of the people losing eligibility, about two-thirds will enroll in a workplace health plan, health insurers predict, and the other third will be evenly divided between ACA plans and being left uninsured.

The financial ramifications of the so-called Medicaid unwinding for health plans are huge, said Gary Taylor, a securities analyst with Cowen and Co. "It's billions of dollars for these guys," he said of the five largest Medicaid health plans: Centene, UnitedHealthcare, Aetna, Elevance

Health (formerly Anthem), and Molina Healthcare.

Investor-owned companies earn pre-tax profit margins of about 3% on average from Medicaid managed care, slightly below what they make on ACA marketplace business, he said. So moving members to an ACA plan could boost the profits of these companies.

State Medicaid officials say they need the health plans' help during the unwinding to avert a big jump in uninsured residents. The health insurers could help those who lose Medicaid coverage find other sources, such as the government-subsidized plans offered on the ACA marketplaces.

"In Nevada, our managed-care plans are motivated to keep members enrolled," Sandie Ruybalid, deputy administrator of the Nevada state health department division that oversees Medicaid, told a congressional advisory board in January. "Our managed-care plans are innovative, and we lean on them to help us through this."

Ruybalid said her state doesn't have large marketing budgets, as the giant insurers do, to educate enrollees about how to stay enrolled.

One way some companies hope to make up for their lost Medicaid revenue will be by adding customers to their ACA marketplace plans.

Centene—the nation's largest Medicaid health insurer, with 16 million members—expects to lose over 2 million enrollees during the unwinding. But it expects between 200,000 and 300,000 people who lose Medicaid coverage to sign up for a Centene ACA marketplace plan, CEO Sarah London told investment analysts in February.

In 15 of the 25 states where St. Louis-based Centene offers both Medicaid and marketplace plans, the company will reach out to members about their ACA coverage options.

Although state Medicaid programs for years have used private insurers to control their costs and improve enrollees' health, enlisting the companies for eligibility assistance is new.

Health plans are often in a better position than state Medicaid agencies to connect with enrollees because they are more likely to have their current addresses and contact information, state officials said.

"We don't have direct contact with our members all the time, and health plans have more interaction with them," said Chris Underwood, chief administrative officer for the Colorado Department of Health Care Policy and Financing, the state's Medicaid agency. Since the state contracts with health plans to help enrollees find doctors or assist with other care needs, it's not a big step to have the plans help with eligibility, he said.

Colorado health officials will do the initial outreach to Medicaid enrollees and will count on health plans to follow up with emails, calls, and texts to those who don't respond, Underwood said. Health plans will also guide enrollees no longer eligible for Medicaid to the state's ACA marketplace, which will reach out to help them sign up.

AmeriHealth Caritas, which has about 2.8 million Medicaid enrollees nationwide, will target community organizations such as churches, homeless shelters, and food banks to deliver the message about the need to reenroll. It will also email, text, and call enrollees to remind them, said Courtnay Thompson, market president for AmeriHealth Caritas' South Carolina plan, Select Health.

She said strategies to reach enrollees will vary by state. Some will try to reassess the eligibility of all members in six months, while others will take more than a year. Some states will share with the plans their enrollees' enrollment status before they lose coverage, and others won't.

UnitedHealthcare, which has about 8 million Medicaid enrollees, said its call center representatives will remind members to reenroll in Medicaid. The company will also put information about the need to reenroll at its network pharmacies and use online advertising such as on Facebook and Google. And it will work with its medical providers to make sure members understand the changes.

"We are very aware of the historical challenges that individuals face when reenrolling," said Tim Spilker, CEO of UnitedHealthcare's Community & State unit. "We are optimistic with the magnitude of the outreach that we will help increase awareness among individuals about what they need to do.