Millions were booted from Medicaid: The insurers that run it gained Medicaid revenue anyway

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Private Medicaid health plans lost millions of members in the past year as pandemic protections that prohibited states from dropping anyone from the government program expired.

But despite Medicaid's unwinding, as it's known, at least two of the five largest publicly traded companies selling plans have continued to increase revenue from the program, according to their latest earnings reports.

"It's a very interesting paradox," said Andy Schneider, a research professor at Georgetown University's McCourt School of Public Policy, of plans' Medicaid revenue increasing despite enrollment drops.

Medicaid, the state-federal health program for low-income and disabled people, is administered by states. But most people enrolled in the program get their health care through insurers contracted by states, including UnitedHealthcare, Centene, and Molina.

The companies persuaded states to pay them more money per Medicaid enrollee under the assumption that younger and healthier people were dropping out—presumably for Obamacare coverage or employer-based health insurance, or because they didn't see the need to get coverage—leaving behind an older and sicker population to cover, their executives have told investors.

Several of the companies reported that states have made midyear and retrospective changes in their payments to plans to account for the worsening health status of members.

In an earnings call with analysts on April 25, Molina Healthcare CEO Joe Zubretsky said 19 states increased their payment rates this year to adjust for sicker Medicaid enrollees. "States have been very responsive," Zubretsky said. "We couldn't be more pleased with the way our state customers have responded to having rates be commensurate with normal cost trends and trends that have been influenced by the acuity shift."

Health plans have faced much uncertainty during the Medicaid

unwinding, as states began reassessing enrollees' eligibility and dropping those deemed no longer qualified or who lost coverage because of procedural errors. Before the unwinding, plans said they expected the overall risk profile of their members to go up because those remaining in the program would be sicker.

UnitedHealthcare, Centene, and Molina had Medicaid revenue increases ranging from 3% to 18% in 2023, according to KFF. The two other large Medicaid insurers, Elevance and CVS Health, do not break out Medicaid-specific revenue.

The Medicaid enrollment of the five companies collectively declined by about 10% from the end of March 2023 through the end of December 2023, from 44.2 million people to 39.9 million, KFF data shows.

In the first quarter of 2024, UnitedHealth's Medicaid revenue rose to $20.5 billion, up from $18.8 billion in the same quarter of 2023.

Molina on April 24 reported nearly $7.5 billion in Medicaid revenue in the first quarter of 2024, up from $6.3 billion in the same quarter a year earlier.

On April 26, Centene reported that its Medicaid enrollment fell 18.5% to 13.3 million in the first quarter of 2024 compared with the same period a year ago. The company's Medicaid revenue dipped 3% to $22.2 billion.

Unlike UnitedHealthcare, whose Medicaid enrollment fell to 7.7 million in March 2024 from 8.4 million a year prior, Molina's Medicaid enrollment rose in the first quarter of 2024 to 5.1 million from 4.8 million in March 2023. Molina's enrollment jump last year was partly a result of its having bought a Medicaid plan in Wisconsin and gained a new Medicaid contract in Iowa, the company said in its earnings news

release.

Molina added 1 million members because states were prohibited from terminating Medicaid coverage during the pandemic. The company has lost 550,000 of those people during the unwinding and expects to lose an additional 50,000 by June.

About 90% of Molina Medicaid members have gone through the redetermination process, Zubretsky said.

The corporate giants also offset the enrollment losses by getting more Medicaid money from states, which they use to pass on higher payments to certain facilities or providers, Schneider said. By holding the money temporarily, the companies can count these "directed payments" as revenue.

Medicaid health plans were big winners during the pandemic after the federal government prohibited states from dropping people from the program, leading to a surge in enrollment to about 93 million Americans.

States made efforts to limit health plans' profits by clawing back some payments above certain thresholds, said Elizabeth Hinton, an associate director at KFF.

But once the prohibition on dropping Medicaid enrollees was lifted last spring, the plans faced uncertainty. It was unclear how many people would lose coverage or when it would happen. Since the unwinding began, more than 20 million people have been dropped from the rolls.

Medicaid enrollees' health care costs were lower during the pandemic, and some states decided to exclude pandemic-era cost data as they considered how to set payment rates for 2024. That provided yet another win for the Medicaid health plans.

Most states are expected to complete their Medicaid unwinding processes this year.