

# Use of Medicaid MCO Capitation by State – Projections for 2016

**5 Slide Series**

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**The Menges Group**

# Summary of Findings

- This edition projects 2016 Medicaid spending in each state and the percentage of spending paid via capitation to Medicaid managed care organizations (MCOs).
- The use of capitation has increased substantially in recent years.
  - Capitation spending is now approaching half of nationwide Medicaid spending; we estimate that 45% of CY2016 Medicaid expenditures will occur through payments to MCOs, versus 27% during 2010 and 15% during 2000.
  - The recent jump is due primarily to several states greatly expanding their use of capitation (e.g., FL, IL, KA, KY, NJ, NY, OH, SC, TX) and several states newly implementing capitation contracting programs (e.g., IA, LA, MS, NH).
- 12 states do not currently use the capitated MCO model in their Medicaid program.

# National Medicaid MCO Capitation Spending: 2016 Projections

	<b>2011 Actual</b>	<b>2016 Projected</b>	<b>% Change, 2011-2016</b>
Total Expenditure (\$ billions)	\$366.4	\$535.4	46%
Capitation Spending (\$ billions)	\$108.8	\$240.0	120%
Percent Paid Via Capitation	29.7%	44.8%	

- The growth in overall Medicaid expenditures from 2011-2016 is projected to average 7.9% per year; this growth includes per capita cost increases and increases in the covered population (including the large growth occurring in states implementing Medicaid expansion).
- Medicaid spending via capitation is projected to more than double between 2011 and 2016, growing from 30% to 45% of all Medicaid expenditures during this timeframe.

# Top 15 States, Projected Percentage of 2016 Medicaid Expenditures Paid Via Capitation

STATE	% of Medicaid Spending Paid Via Capitation to MCOs, 2011	% of Medicaid Spending Paid Via Capitation to MCOs, 2016	Rank in Medicaid Program Size (in \$\$), 2016	Rank % Capitated 2011	Rank % Capitated 2016
Arizona	85%	85%	11	1	1
Hawaii	83%	84%	40	3	2
Tennessee	84%	84%	10	2	3
Kentucky	15%	71%	18	31	4
New Mexico	62%	68%	33	4	5
Oregon	58%	68%	23	5	6
Michigan	56%	66%	8	6	7
Texas	24%	63%	3	25	8
New Jersey	32%	59%	12	15	9
New York	27%	57%	1	21	10
Pennsylvania	52%	55%	4	7	11
Kansas	25%	53%	35	22	12
Delaware	49%	51%	42	8	13
Iowa	5%	50%	34	35	14
South Carolina	28%	50%	26	20	15

- In Arizona, Hawaii and Tennessee more than 80% of Medicaid expenditures have occurred via capitation for many years. Due to retrospective eligibility and other dynamics of Medicaid coverage and payment that are not conducive to capitation, these three states are approaching “full use” of the capitation model
- In all 15 states in this table, capitation spending is projected to represent at least half of 2016 Medicaid spending
- Iowa’s expenditures were crudely estimated; this state’s MCO program expansion has been announced but not implemented; MCO payments in 2016 could be substantially above or below 50% of Iowa’s total Medicaid spending.

# Projected Percentage of 2016 Medicaid Expenditures Paid Via Capitation – States Ranked #16 - #39

STATE	% of Medicaid Spending Paid Via Capitation to MCOs, 2011	% of Medicaid Spending Paid Via Capitation to MCOs, 2016	Rank in Total \$\$ 2011	Rank in Medicaid Program Size (in \$\$), 2016	Rank % Capitated 2011	Rank % Capitated 2016
Ohio	32%	47%	6	5	14	16
Rhode Island	30%	45%	39	39	17	17
Florida	25%	45%	5	6	23	18
Georgia	45%	45%	14	15	9	19
Massachusetts	39%	44%	9	9	11	20
Wisconsin	43%	43%	22	24	10	21
Maryland	39%	43%	16	16	12	22
New Hampshire	0%	42%	47	48	49	23
Minnesota	38%	40%	15	14	13	24
Virginia	31%	39%	19	22	16	25
California	23%	37%	2	2	26	26
Mississippi	0%	33%	29	31	43	27
Illinois	3%	32%	8	7	36	28
District of Columbia	29%	32%	36	36	18	29
Nevada	22%	31%	43	38	27	30
Indiana	20%	31%	21	17	28	31
Louisiana	0%	29%	24	25	38	32
Washington	24%	26%	18	19	24	33
North Dakota	2%	21%	50	49	37	34
West Virginia	12%	20%	33	32	34	35
Utah	19%	19%	37	37	29	36
Missouri	16%	16%	17	21	30	37
Nebraska	15%	15%	38	41	32	38
Colorado	15%	15%	31	27	33	39

- 12 states increased their use of capitation from 2011-2016 by more than 20 percentage points, led by Kentucky (56 percentage point increase).
- 19 additional states increased their use of capitation (in terms of percentage of total Medicaid spending) during this timeframe
- One state, Connecticut, reduced the percentage of Medicaid spending paid to MCOs between 2011-2016 (discontinuing its full-risk MCO contracting program)
- Eleven states had no Medicaid MCO program throughout this timeframe. In order of program size, these states are NC, AL, AR, OK, ME, AK, ID, MT, VT, SD, and WY

# Methodology and Contact Information

- **DATA SOURCES:** The Menges Group’s tabulations and projections in this report drew upon Medicaid Statistical Information System (MSIS) to establish 2011 baseline costs and use of capitation by major eligibility category. Projections for 2016 took into consideration known Medicaid MCO program expansions. The percentage of Medicaid prescription drug expenditures paid by MCOs as of the fourth quarter of 2014, as tabulated from a separate CMS data file, was used to estimate each many states’ current/recent use of capitation across non-dual eligible Medicaid subgroups. Size of Medicaid expansion population in each state was based on the Urban Institute report “The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis.”

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