

Medicaid MCO Financial Performance Overview, 2015

5 Slide Series, Volume 47

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Introduction

- This edition of our 5 Slide Series looks at Medicaid MCO financial performance during 2015, assessing:
 - Distribution of Medicaid MCOs by size (Medicaid revenue), and the relationship of MCO size to MCO operating margins
 - Distribution of Medicaid MCOs by percentage operating margin
- These figures were tabulated by obtaining hundreds of Medicaid MCO financial statements and creating a master data file of key financial performance indicators. Extensive data have been compiled for calendar years 2011 – 2015; CY2016 financial results are currently being compiled.
- 199 MCOs were included in these tabulations.
 - Many of these Medicaid health plans operate additional lines of business. While data on all lines of business are being captured, only their Medicaid line of business performance statistics are presented in this document.
 - Health plans with less than \$10 million in 2015 Medicaid revenues were excluded from our analyses.

Distribution of Medicaid MCOs by 2015 Operating Margin

2015 Operating Margin on Medicaid Line of Business	Number of MCOs	Percent of MCOs	Collective Operating Margin
5.0% or larger gain	50	25%	7.8%
0% - 4.99% gain	92	46%	2.5%
0% - 4.99% loss	37	19%	-1.7%
5.0% or greater loss	20	10%	-9.4%
Total	199	100%	2.4%

2015 Medicaid MCO Financial Performance by Plan Size Cohort

Revenue from Medicaid Line of Business, CY2015	Number of MCOs	Percent of MCOs	CY2015 Medicaid Revenue (\$ billions)	CY2015 Medicaid Operating Income (\$ billions)	Medicaid Operating Income as Percent of Revenue
\$10 Million - \$199 Million	53	27%	\$5.3	\$0.13	2.4%
\$200 - \$499 Million	50	25%	\$17.5	\$0.41	2.3%
\$500 - \$999 Million	41	21%	\$30.0	\$0.26	0.9%
\$1 billion and above	55	28%	\$96.2	\$2.73	2.8%
Total	199	100%	\$149.0	\$3.52	2.4%

Key Findings From Our Tabulations

- The 199 Medicaid MCOs collectively achieved a 2.4% operating margin on their Medicaid business.
- Across the 199 MCOs, the average (mean) 2015 Medicaid revenue was \$749 million; the average (mean) Medicaid operating margin was a gain of \$17.7 million.
- Extensive variation in financial performance occurred:
 - 71% of the MCOs achieved an operating gain on their Medicaid line of business; these plans' average gain was \$32.7 million
 - 29% suffered a loss; the average loss was \$19.6 million
- There was no clear correlation between a Medicaid MCO's size and it's percent operating income during 2015.

5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements.

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Agne Menges compiled all the data used in this edition.