

Financial Performance of Medicaid-Focused Plans Across Past Several Years

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The Menges Group

Introduction

- This edition of our 5 Slide Series tabulates financial information for Medicaid-focused MCOs, defined here as plans deriving at least 50% of their overall revenue from Medicaid.
- Only Medicaid-focused plans for which we had financial statement data for at least five years during the six-year timeframe 2011-2016 were included in our tabulations.
- 113 Medicaid MCOs met the above criteria and were included in this assessment. On average, these plans were assessed across a 5.6 year timeframe.
- 79% of these plans achieved a positive net income across the multi-year timeframe.
- Across all 113 MCOs, the average net income was \$76 million (\$13 million per plan year), representing 1.5% of revenues.
- 95% of the MCOs assessed averaged a net income (or loss) within 5% of breakeven – large percentage gains or losses for a Medicaid MCO across an extended timeframe are unusual.

Distribution of Medicaid-Focused MCOs by Net Income Corridor;

Plans Operating for at Least 5 Years During 2011-2016 Timeframe

Net Income Corridor	Number of MCOs	Percent of MCOs
Loss of 5% or above	1	0.9%
Loss of 0.1% - 4.9%	23	20.4%
Gain of 0.1% - 4.9%	85	75.2%
Gain of 5% or above	4	3.5%
TOTAL	113	100.0%
Plans with Overall Net Loss	24	21.2%
Plans with Overall Net Gain	89	78.8%

- 79% of the MCOs assessed earned a positive net income across the multi-year timeframe.
- 95.6% of the MCOs assessed averaged a net income (or loss) within 5% of breakeven – large percentage gains or losses for a Medicaid MCO across an extended timeframe are unusual.

Net Income Tabulations

Medicaid-Focused Plans Operating for at Least 5 Years During 2011-2016 Timeframe

Net Income Corridor	Total Revenue	Net Income or Loss	Percent Net Income or Loss	Average Net Income or Loss Per MCO, Across Entire 5-6 Year Timeframe	Average Net Income or Loss Per MCO Plan Year
Loss of 5% or above	\$1,053,303,275	-\$66,608,062	-6.3%	-\$66,608,062	-\$13,321,612
Loss of 0.1% - 4.9%	\$99,796,175,921	-\$1,278,094,645	-1.3%	-\$55,569,332	-\$9,907,710
Gain of 0.1% - 4.9%	\$464,872,593,044	\$9,190,910,322	2.0%	\$108,128,357	\$19,147,730
Gain of 5% or above	\$10,445,402,979	\$700,873,051	6.7%	\$175,218,263	\$31,857,866
TOTAL	\$576,167,475,219	\$8,547,080,666	1.5%	\$75,637,882	\$13,438,806
Plans with Overall Net Loss	\$100,849,479,196	-\$1,344,702,707	-1.3%	-\$56,029,279	-\$10,035,095
Plans with Overall Net Gain	\$475,317,996,023	\$9,891,783,373	2.1%	\$111,143,633	\$19,704,748

Note: Figures shown represent an aggregation of MCO performance across the 2011-2016 timeframe.

Summary Observations

- Medicaid managed care is a fundamentally viable business for the MCOs – 79% of Medicaid-focused plans operating throughout the past 6 years have earned a positive overall net income.
- This is a tight margin business – the aggregate percentage net income across all the plans and years assessed (636 plan years) was a gain of 1.5%.
- In 87 of the 113 plans assessed (76%), the MCO's aggregate net income was within three percentage points of breakeven – with most of these plans earning a positive margin.
- MCO contracts generate large dollar volume – the smallest revenue garnered by any of the 113 Medicaid-focused MCOs across the six year timeframe is \$277 million, the largest is \$30.2 billion, and the average is \$5.1 billion.

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. Our extensive compilation of Medicaid MCO financial statements allows us to conduct a wide range of analyses of the industry's financial dynamics.

Agne Menges and George Shields compiled the information used in this edition.

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