

Optimizing Medicaid  
Managed Care:  
Insights from Various Musicians

Five Slide Series, Volume 52  
September 2017

**The Menges Group**

# Medicaid Managed Care Creates Local Hiring Opportunities

- Many functions MCOs need to fulfill can draw upon the labor pool of currently unemployed persons receiving Medicaid.
  - Leverages Medicaid to pull people off of Medicaid and off of cash assistance
  - Helps MCO serve its members with local staff who truly understand the dynamics of living in poverty
  - Pennsylvania builds this hiring practice in as a requirement in its Medicaid MCO contracting
- For positions that interact with members (outreach workers, call center staff, etc.), creating a cultural match and using knowledgeable local staff is superior -- all other things equal -- to a staff team that doesn't bring these attributes.

*"And the sign said: Long-haired freaky people need not apply. So I tucked my hair up under my hat and I went in to ask him why. He said you look like a fine upstanding young man, I think you'll do. So I took off my hat and said imagine that -- huh, me workin' for you!"*

-- Signs, by 5 Man

Electrical Band, 1971

# Addressing Provider Prices So That The Capitated Model Creates Taxpayer Savings

- Capitated Medicaid MCO programs will create savings of roughly 3% - 6% through the health plans' excellent care coordination and cost management efforts. However, these savings are contingent on the prices negotiated between MCOs and providers remaining at -- or very near -- Medicaid fee-for-service (FFS) levels.
- In many states, the unit prices within the capitated setting are averaging well above Medicaid FFS, creating large-scale net taxpayer costs rather than savings. This negates a key objective of transitioning Medicaid to a capitated model.
- Policymakers can address this by regulating the degree to which capitated pricing extends above FFS pricing and the circumstances in which higher prices are permitted.
  - Being a provider with strong contracting leverage should not constitute a valid reason for price bloat to occur within Medicaid. Conversely, achieving specified quality metrics should often warrant enhanced compensation.
  - MCO/provider price negotiation outcomes need to be looked at more closely; doing so offers a terrific opportunity for policymakers to make a positive difference.

*"I wanna make it better baby.*

*Listen, I want to make it good again."*

-- Make it Better  
by Tom Petty, 1985

# Use The Capitated Model More Fully

- The fee-for-service setting essentially invites people to go where they want for care, lets providers do what they want, and makes the taxpayer fund whatever occurs.
- The capitated model is far more effective at driving quality, achieving cost-effectiveness, and measuring and facilitating access.
- 2017 will be the first year capitation contracting exceeds 50% of nationwide Medicaid spending (48.9% of Medicaid spending occurred via capitation during 2016 and this percentage has risen steadily each year).
- The remaining half of Medicaid's spending represents an exciting policymaking opportunity to improve quality, access, and achieve cost savings.

*"Do you believe you're a victim of a great compromise? 'Cause I believe you could change your mind and change our lives."*

-- Your Life is Now  
by John Mellencamp, 1998

# Our Contact Information

Phone: 571-312-2360  
Website: [www.themengesgroup.com](http://www.themengesgroup.com)  
Email: [jmenges@themengesgroup.com](mailto:jmenges@themengesgroup.com)  
Address: 4001 9<sup>th</sup> Street N., Suite 227  
Arlington, VA 22203

*"This is the end, beautiful  
friend*

*This is the end, my only  
friend, the end"*

-- by The Doors, 1967

Our 5 Slide Series conveys data and/or opinions with the intention of helping inform and improve health policy decision-making involving the Medicaid and Medicare programs. Our company's focus is on the design and operation of coordinated care programs that strive to make optimal use of taxpayer funds to favorably impact the health status of public health program beneficiaries.