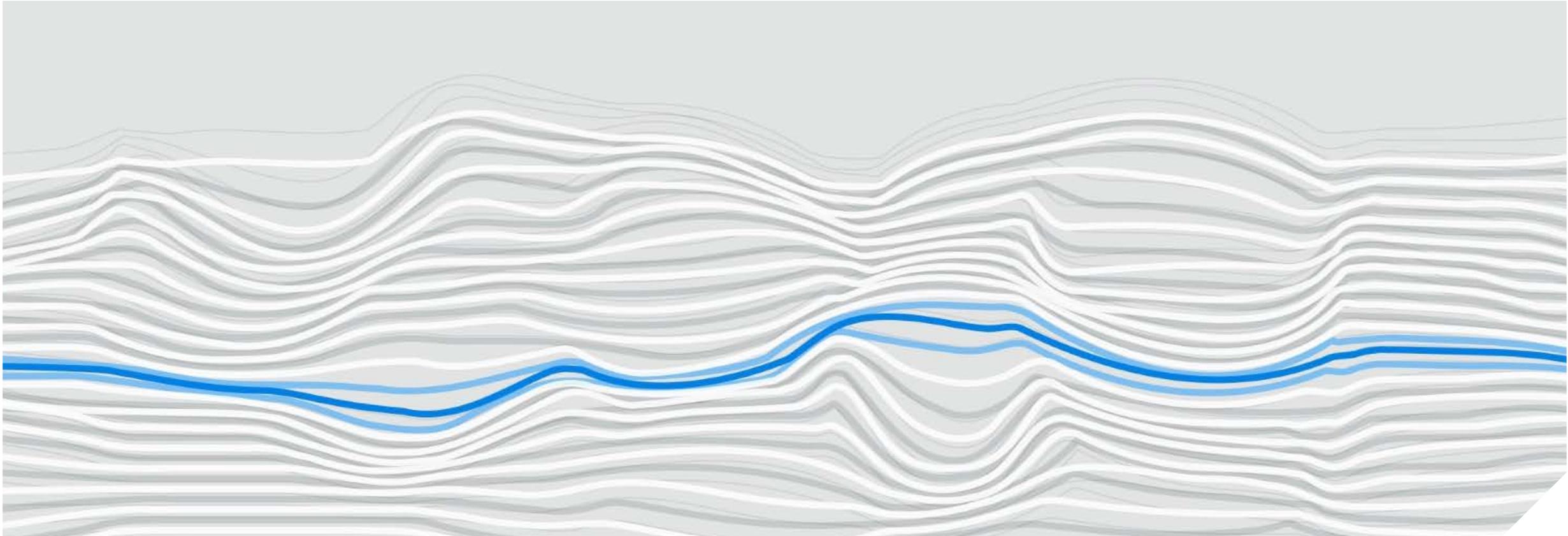


Medicaid managed care financial results for 2018

Evaluating Recent MCO Performance and Trends Using Annual Statements

10 JULY 2019



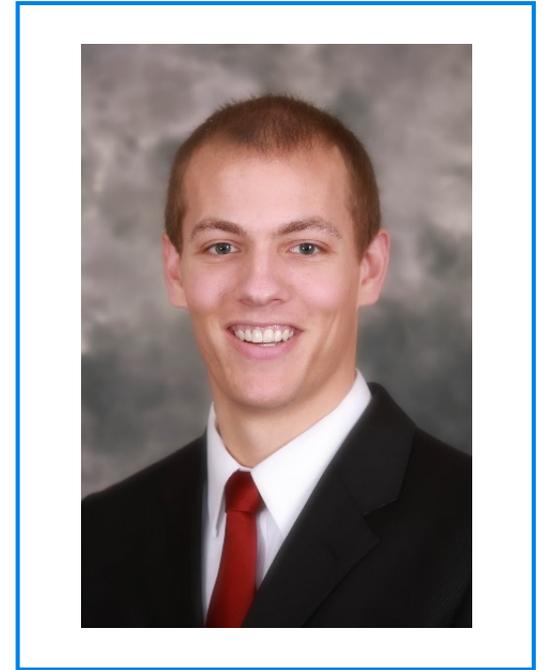
Presenters



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Limitations and qualifications

Limitations

This presentation is intended to facilitate live discussion. Anyone with access to this presentation should consult the full report located at: <http://www.milliman.com/insight/2019/Medicaid-managed-care-financial-results-for-2018/>

This report is intended for informational purposes only. Milliman makes no representations or warranties regarding the contents of this report to third parties. Likewise, third parties are instructed that they are to place no reliance upon this report that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

The views expressed in this presentation are made by the presenters and do not represent the opinions of Milliman, Inc. Other Milliman consultants may hold alternative views and reach different conclusions from those shown.

Qualifications

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The presenters are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.

Agenda

1 Introduction and purpose

2 Methodology of analysis

3 CY 2018 financial results

4 Additional analyses

5 Conclusion and Q&A

Introduction and purpose

Importance of Medicaid MCO financials

The first edition of the report was authored in 2009 covering approximately \$40 billion of Medicaid revenue over 140 reporting entities

- Since 2009 Medicaid enrollment has grown from 50 million to almost 75 million covered lives¹
- Nearly 70% of Medicaid enrollment is through risk-based managed care
- **Report on CY 2018 Medicaid MCO financials encompasses approximately \$180 billion of Medicaid revenue**

Our research provides a critical summary of the financial performance of Medicaid MCOs across the country, and:

- Is the only compilation of Medicaid data of its kind
- Is unbiased and factually presented
- Is used and sourced by states, health plans, providers, advocacy groups, CMS, and policymakers



Intended use of the report



Methodology

Methodology

Utilize annual statements filed with National Association of Insurance Commissioners (NAIC)

- Specific to the Title XIX Medicaid lines of business
- Apply exclusionary metrics to identify appropriate plans
- Limited by the plans that are not required to file with NAIC

Capture main financial performance metrics

- Concentration on most recent calendar year
- Formulas calculated from information directly reported in financial statements

Categorize health plans based on characteristics

- Identify stratifications that have significance
- Continuously reviewing attributes for analysis

Methodology

Administrative analysis

- Limit to Medicaid-focused health plans
- Utilize U&I Exhibit Part 3 - Analysis of expenses

Capture information as reported

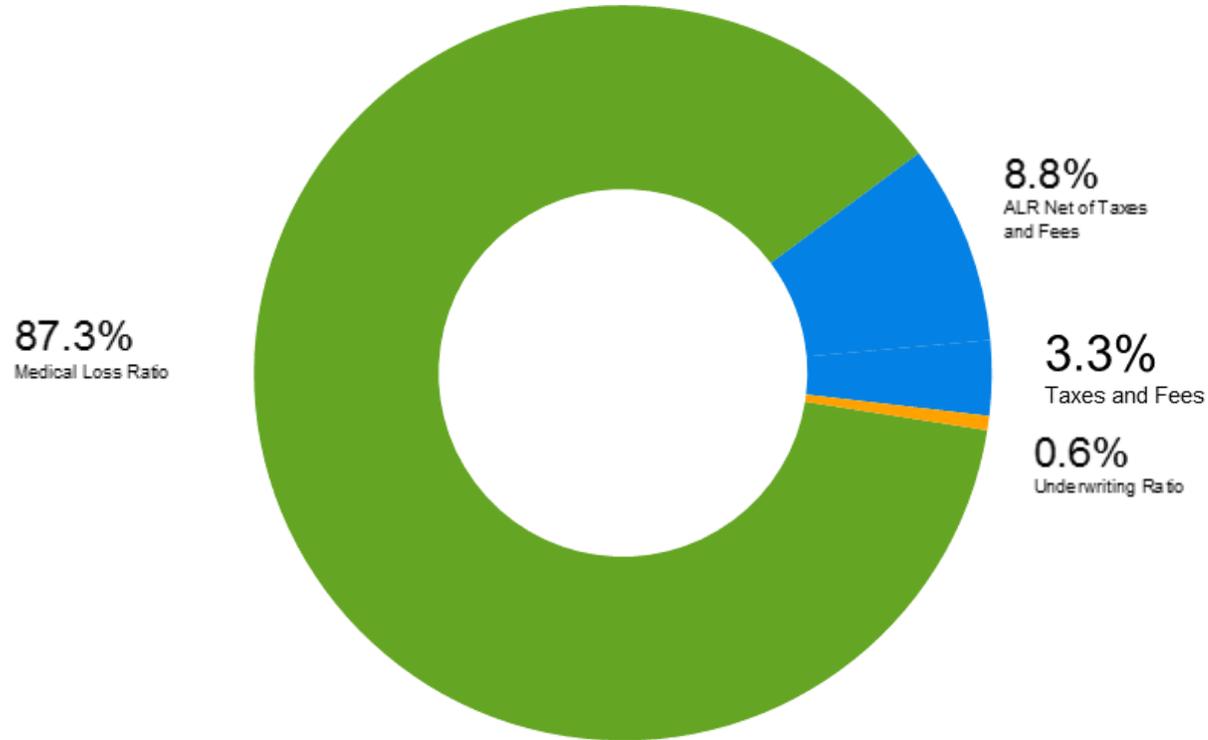
- Do not adjust values
- Do make adjustments for certain attributes using industry knowledge

Caveats

- Different reporting practices
- State directed payments
- Covered populations and benefits

CY 2018 financial results

Calendar year 2018 experience



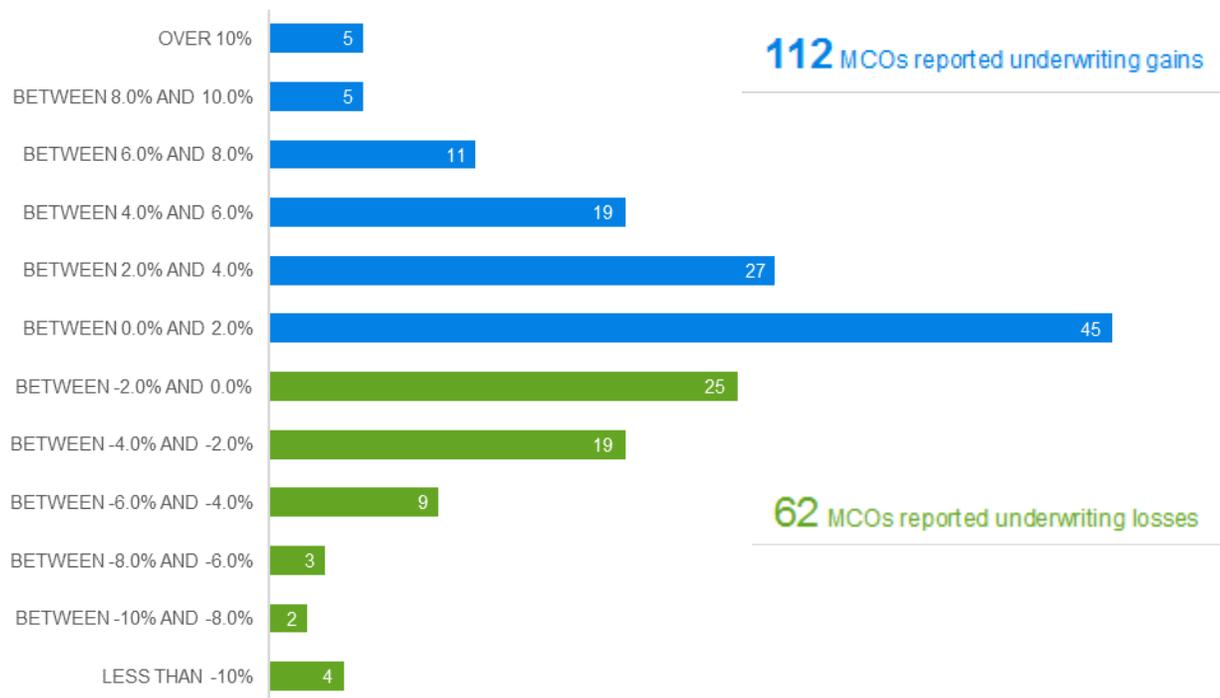
- Compiled statements from 174 MCOs encompassing \$179 billion in revenue
- Aggregate underwriting gains of \$1.1 billion across the analyzed plans

$$\text{MLR} = \frac{\text{TOTAL HOSPITAL AND MEDICAL EXPENSES} + \text{INCREASE IN RESERVES FOR A\&H CONTRACTS}}{\text{TOTAL REVENUE}}$$

$$\text{ALR} = \frac{\text{CLAIM ADJUSTMENT EXPENSES} + \text{GENERAL ADMINISTRATIVE EXPENSES}}{\text{TOTAL REVENUE}}$$

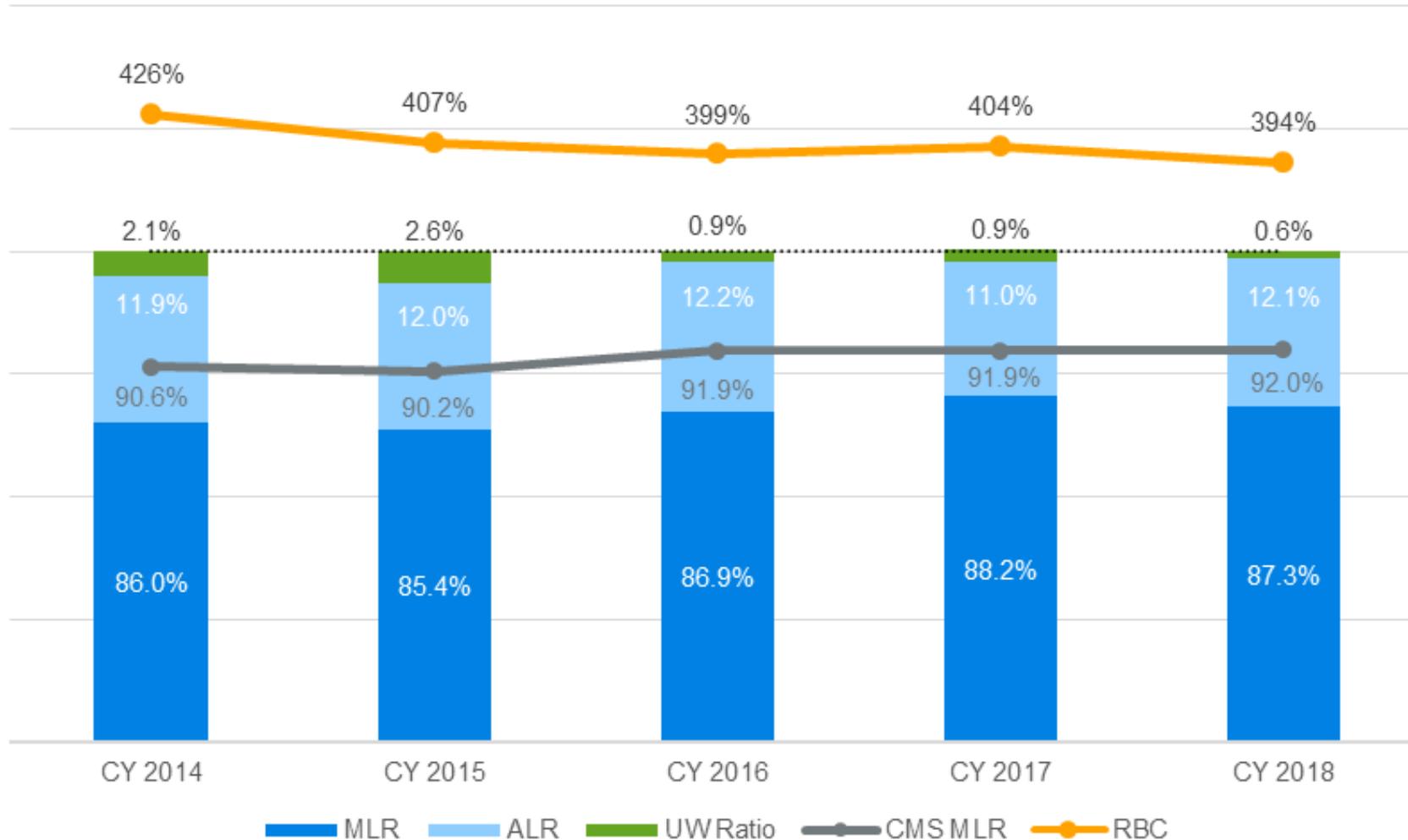
$$\text{UW RATIO} = \frac{\text{NET UNDERWRITING GAIN OR (LOSS)}}{\text{TOTAL REVENUE}}$$

Calendar year 2018 underwriting distribution

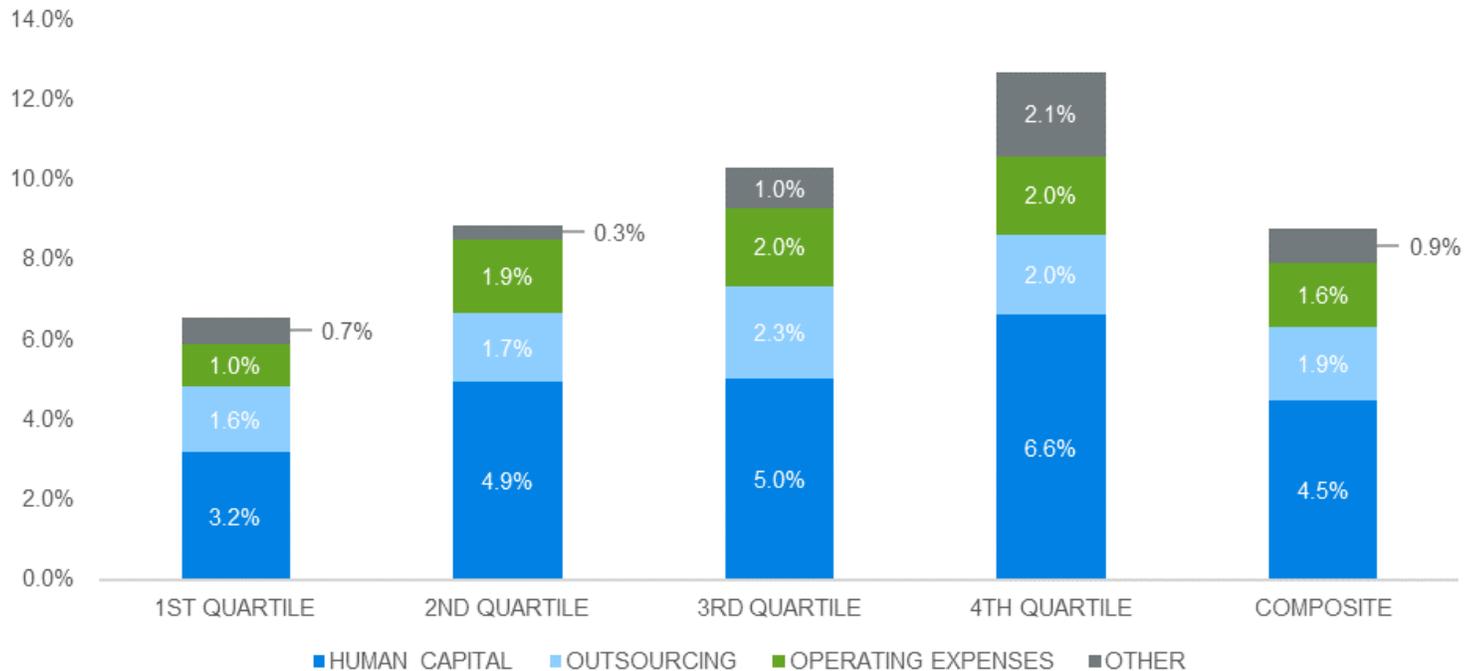


- Wide distribution of results
- Over 60% of MCOs had positive gains
- Largest group within 0-2%

5-year historical results



Calendar year 2018 administrative cost analysis

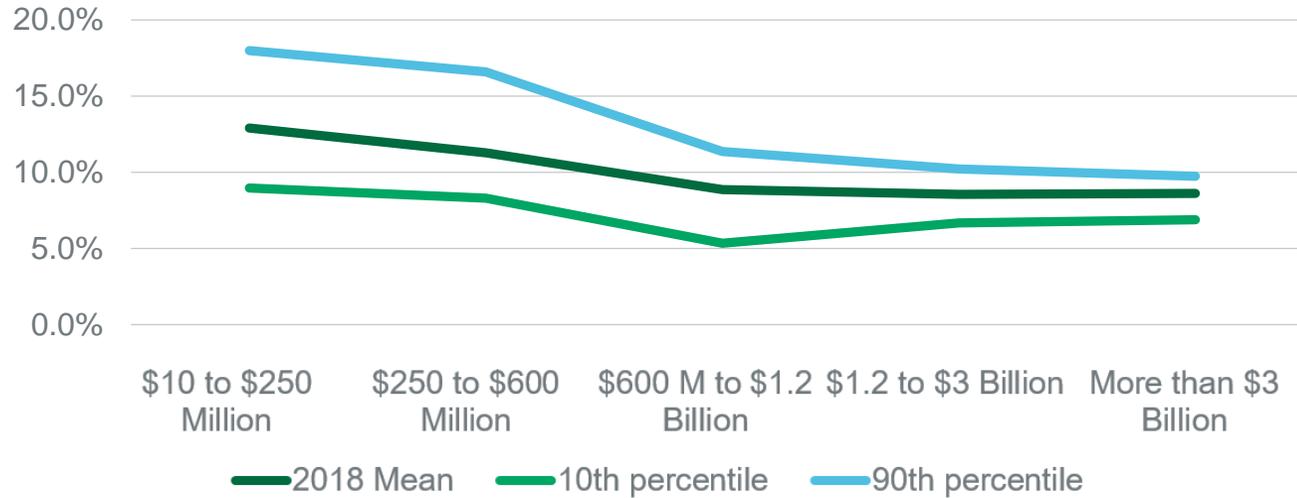


- Review experience net of taxes and fees
- Consistently greater percentage spent on each expense category

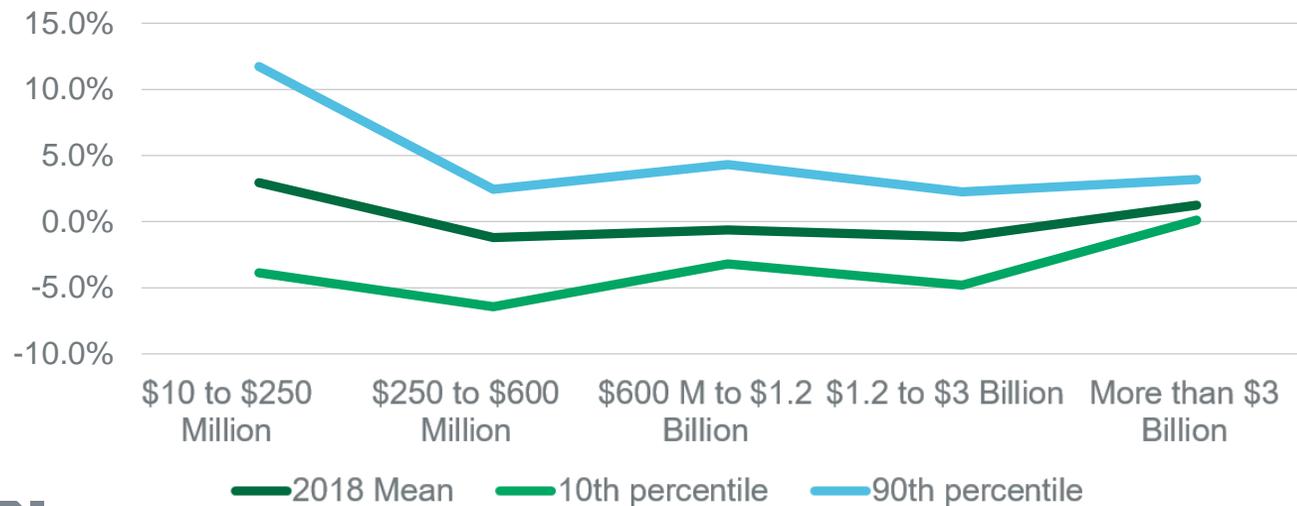
Additional analyses

Corporate level metrics

Analysis of ALR



Analysis of UW Ratio



- Group multiple reporting entities under the parent organization
- Reduces the number of data points
- Highlights convergence for national plans
- UW ratio does not indicate a relationship between MCO size and average performance

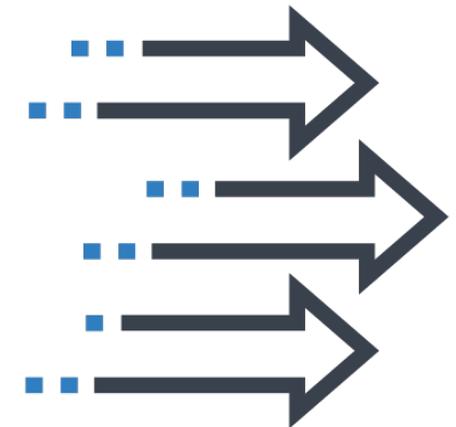
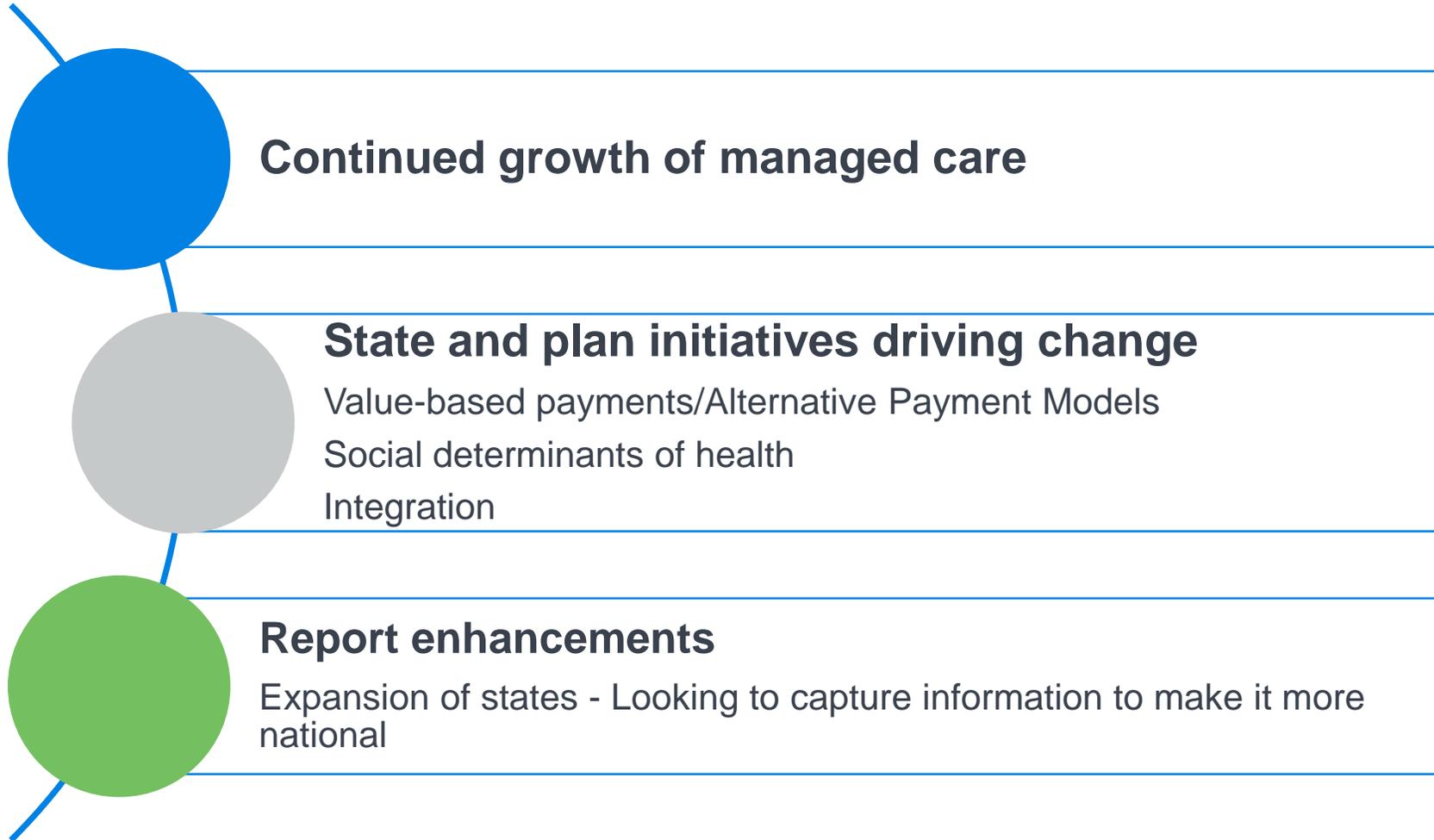
Supplemental information

- State-by-state review
 - Compare metrics across states and regions
- Deeper dive by MCO characteristics
- Study of historical patterns
 - Ebb and flow of financial performance
 - Risk-based capital levels
 - Comparisons across MCO types and structures

✓	CMS Region
✓	Annual Revenue
✓	Revenue PMPM
✓	Medicaid Focus
✓	Multistate Operations
✓	Financial Structure
✓	Gain or Loss
✓	Expansion Status

Conclusion

Future considerations



Current and prior reports

Medicaid financials report covering CY 2018

<http://www.milliman.com/insight/2019/Medicaid-managed-care-financial-results-for-2018/>

- Previously issued reports can be found on Milliman website as well. Prior to CY 2017, administrative analysis was provided as a complementary report.





Thank you

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