

Gaining an Early Read on Medicaid Expansion Population's Costs

Five Slide Series, Volume 12

May 2014

The Menges Group

www.themengesgroup.com

571-312-2360

Summary

- The Medicaid expansion population is largely comprised of non-disabled adults
- We tabulated 2011-2012 costs for Medicaid non-disabled adults, by gender
- Pharmacy costs were specifically assessed
 - With almost no lag time, Rx claims can give Medicaid health plans operating in expansion states a means of projecting their expansion population's overall costs
- We encourage MCOs and States to assess their expansion population's costs by enrollment month throughout 2014
 - How do expansion enrollee costs vary based on their initial enrollment month? Are those coming in more recent months costlier than those enrolling at the outset of 2014?
 - How are the expansion population's costs progressing across their enrollment tenure (e.g., persons' average Month 1 costs versus Month 2, Month 3, etc.)?

Medicaid Costs for Covered Adults (aged and disabled persons excluded)

	Non-Disabled, Non-Dual Eligible Adults		
	Females	Males	Total
2011 Data for 45 States			
Average Covered Persons	7,360,161	2,441,726	9,801,887
PMPM Cost	\$394	\$382	\$391
Pharmacy as % of Total Costs *	16.2%	20.0%	17.2%
2012 Data for 24 States			
Average Covered Persons	1,140,796	266,359	1,407,156
PMPM Cost	\$429	\$449	\$433
Pharmacy as % of Total Costs *	13.5%	19.1%	14.6%
* Pharmacy proportion tabulated only in those states that do not capitate pharmacy costs (20 states in 2011, 15 states in 2012)			

- The average PMPM cost in 2012 of \$433 translates to \$5,108 per person per year
- Females and males had similar overall PMPM costs
- Pharmacy costs represented roughly 15% of overall costs for female adults and 20% for male adults

Source: Menges Group tabulations using CMS MSIS data (available at msis.cms.hhs.org)

Pharmacy Costs Can Offer Early Insight Into Overall Medical Costs

- Pharmacy claims are processed in real time
- Medicaid expansion population has no deductibles to fulfill
- Pharmacy has typically represented 15% - 20% of overall Medicaid costs for adult beneficiaries (non-disabled, non-dual eligible)
- Example estimate:
 - Observed PMPM pharmacy costs during first four months of 2014 for expansion population: \$70.00
 - Rx estimated percentage of total medical costs: 17.5%
 - Projected overall PMPM medical cost: $\$70.00 / .175 = \400.00

Tracking Costs for Expansion Population Requires Assessing Rapidly Evolving Enrollment Dynamics

- Pharmacy costs can be of value in assessing the degree to which newer enrollees are costlier, less costly, or similar in cost to initial expansion enrollees
- Sample construct below may be useful in tracking these dynamics throughout 2014

		Hypothetical Costs from January - April, 2014	
Enrollment Month During 2014	Number of Expansion Enrollees	Pharmacy PMPM	Estimated Overall Medicaid PMPM
January	4,000	\$60	\$343
February	2,000	\$73	\$417
March	3,000	\$73	\$417
April	3,000	\$78	\$446

If cost pattern such as that shown at left materializes, ongoing PMPM costs for expansion population will likely far exceed what they are averaging during early 2014

2011 PMPM Costs for Adults in Expansion States (excluding disabled and dual eligible adults)

State	2011 PMPM Costs			Percentage of Adult Costs Paid Via Capitation
	All Adults	Females	Males	
Arizona	\$498	\$515	\$468	86%
Arkansas	\$165	\$160	\$371	2%
Colorado	\$293	\$322	\$183	14%
Connecticut	\$477	\$485	\$462	33%
Delaware	\$524	\$508	\$556	78%
District of Columbia	\$445	\$486	\$385	80%
Hawaii	\$363	\$369	\$355	90%
Illinois	\$206	\$213	\$177	6%
Iowa	\$212	\$248	\$108	7%
Kentucky	\$594	\$615	\$475	21%
Maryland	\$445	\$515	\$254	80%
Massachusetts	\$431	\$452	\$403	72%
Michigan	\$321	\$337	\$279	81%

State	2011 PMPM Costs			Percentage of Adult Costs Paid Via Capitation
	All Adults	Females	Males	
Minnesota	\$439	\$426	\$465	78%
Nevada	\$293	\$320	\$194	61%
New Hampshire	\$382	\$391	\$337	0%
New Jersey	\$402	\$447	\$259	86%
New Mexico	\$381	\$376	\$399	88%
New York	\$445	\$431	\$467	50%
North Dakota	\$505	\$516	\$419	0%
Ohio	\$423	\$461	\$310	75%
Oregon	\$510	\$545	\$431	83%
Rhode Island	\$387	\$435	\$269	89%
Vermont	\$331	\$362	\$288	0%
Washington	\$354	\$362	\$303	54%
West Virginia	\$506	\$517	\$430	56%

Source: Menges Group tabulations using CMS MSIS data files. California omitted due to large number of partial benefits enrollees.