

# Capitation in Medicaid – Past Trends and Future Growth Projection

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**The Menges Group**

# Summary

- While most Medicaid beneficiaries are enrolled in a coordinated care program, most Medicaid expenditures still occur in the traditional FFS setting.
- Many existing coordinated care programs have focused primarily or exclusively on the TANF population.
- Substantial state variation exists in the use of capitation.
- Rapid growth in use of the capitated model is occurring from 2010-2015.

# While Less Than 30% of National Medicaid Spending Occurs Via Capitation, Use of This Model Has Grown *Every Year* Since 2000

Expenditure statistics contradict an often-held perception that Medicaid is already a coordinated care dominated program, based on the large percentage of beneficiaries who are enrolled in MCOs and other forms of Medicaid coordinated care. According to the Kaiser Family Foundation, 74.2% of Medicaid beneficiaries were enrolled in Medicaid managed care as of July 2011. <http://kff.org/medicaid/state-indicator/medicaid-managed-care-as-a-of-medicaid/>

Year	Total Medicaid Expenditures	Capitation Expenditures	Percent Paid Via Capitation
2000	\$168,442,785,897	\$25,025,861,923	14.9%
2001	\$186,913,784,379	\$29,368,456,447	15.7%
2002	\$213,496,606,630	\$33,368,456,447	15.8%
2003	\$233,205,998,192	\$37,405,402,095	16.0%
2004	\$257,722,354,988	\$42,600,856,112	16.5%
2005	\$274,851,371,756	\$46,420,886,754	16.9%
2006	\$268,954,240,913	\$50,155,349,099	18.6%
2007	\$276,246,429,453	\$58,535,697,150	21.2%
2008	\$296,829,612,488	\$68,130,059,558	23.0%
2009	\$326,024,595,905	\$82,980,754,684	25.5%
2010	\$338,947,788,456	\$92,379,361,999	27.3%
Average Annual Increase, 2000-2010	7.2%	14.0%	

Source: Menges Group tabulations using CMS MSIS data. Currently available 2010 MSIS data sets include all states except Idaho and Missouri. 2009 data were used for these two states. The data are publicly available at: [msis.cms.hhs.gov](http://msis.cms.hhs.gov)

# Existing Medicaid Coordinated Care Programs Have Often Focused on the TANF Population

- For Temporary Assistance to Needy Families (TANF) subgroups, capitation accounted for just over half of 2010 national Medicaid spending (50.2%).
- Across the high-need Medicaid subgroups, dual eligibles and the Medicaid-only Aged/Blind/Disabled (ABD) beneficiaries, capitation contracting has been used much more sparingly, representing only 15.5% of 2010 Medicaid spending.

Eligibility Group	Total Expenditures	Capitation Expenditures	Percent Paid Via Capitation
TANF Non-Duals	\$114,189,061,525	\$57,288,019,153	50.2%
ABD Non-Duals	\$99,348,672,201	\$21,935,614,596	22.1%
Dual Eligibles	\$124,490,456,969	\$12,870,832,318	10.3%
Other	\$919,597,761	\$284,895,932	31.0%
<b>Total, All Medicaid</b>	<b>\$338,947,788,456</b>	<b>\$92,379,361,999</b>	<b>27.3%</b>

Source: Menges Group tabulations using CMS MSIS data.

# Considerable State Variation Exists in Use of Capitation in Their Medicaid Programs

State	Percentage of Medicaid Expenditures Paid Via Capitation	Capitation Dollars	Rank by Percentage of Medicaid Expenditures Paid Via Capitation
Arizona	85.30%	\$8,109,073,006	1
Hawaii	79.10%	\$1,069,995,204	2
Tennessee	69.40%	\$6,291,687,877	3
New Mexico	60.70%	\$1,682,464,093	4
Michigan	54.80%	\$6,240,176,983	5
Oregon	52.10%	\$1,659,743,098	6
Pennsylvania	50.20%	\$7,974,626,248	7
Delaware	45.70%	\$613,327,909	8
Wisconsin	38.90%	\$2,100,268,109	9
Maryland	36.40%	\$2,488,624,866	10
Georgia	35.30%	\$2,459,758,001	11
Massachusetts	34.70%	\$3,836,429,999	12
Minnesota	34.30%	\$2,444,508,407	13
Ohio	32.60%	\$4,712,133,660	14
Virginia	31.50%	\$1,844,786,699	15
Rhode Island	27.90%	\$438,505,919	16
New Jersey	27.10%	\$2,316,687,566	17
South Carolina	26.90%	\$1,368,889,793	18
Kansas	25.00%	\$573,500,033	19
Washington	24.00%	\$1,514,988,688	20
New York	23.70%	\$10,117,717,869	21
District of Columbia	22.50%	\$405,606,847	22
Texas	21.80%	\$4,513,124,518	23
Florida	21.50%	\$3,471,084,275	24
California	20.90%	\$7,237,532,294	25

State	Percentage of Medicaid Expenditures Paid Via Capitation	Capitation Dollars	Rank by Percentage of Medicaid Expenditures Paid Via Capitation
Missouri	20.00%	\$230,844,137	26
Nevada	19.50%	\$254,079,028	27
Indiana	19.40%	\$1,117,285,632	28
Utah	18.50%	\$369,730,828	29
Alabama	16.80%	\$677,272,610	30
Connecticut	15.90%	\$856,950,734	31
Kentucky	15.80%	\$836,568,891	32
Colorado	14.80%	\$485,346,415	33
West Virginia	11.90%	\$319,486,833	34
Nebraska	6.40%	\$101,104,300	35
Iowa	4.30%	\$128,741,042	36
Idaho	2.40%	\$773,940	37
North Carolina	2.10%	\$198,600,197	38
Illinois	2.00%	\$236,596,940	39
Oklahoma	1.30%	\$47,422,005	40
Arkansas	1.00%	\$36,781,155	41
South Dakota	0.60%	\$4,331,708	42
Louisiana	0.10%	\$7,396,532	43
Alaska	0.00%	\$0	44
Maine	0.00%	\$0	44
Mississippi	0.00%	\$0	44
Montana	0.00%	\$0	44
North Dakota	0.00%	\$0	44
New Hampshire	0.00%	\$0	44
Vermont	0.00%	\$0	44
Wyoming	0.00%	\$0	44
<b>Total</b>	<b>27.30%</b>	<b>\$92,379,361,999</b>	

As of 2010, capitation represented more than half of Medicaid spending in only seven states, led by Arizona with 85.3 % of spending paid via capitation. Eight states did not use the capitated model during 2010.

Source: Menges Group tabulations using CMS MSIS data. Currently available. 2010 MSIS data sets include all states except Idaho and Missouri. 2009 data were used for these two states. The data are publicly available at: [msis.cms.hhs.gov](http://msis.cms.hhs.gov)

# Rapid Growth is Occurring From 2010-2015

- We project that Medicaid MCO capitation revenues will nearly triple from 2010-2015. Factors contributing to this growth include: Medicaid MCO program expansions in several states, influx of Medicaid expansion population, dual eligible capitation demonstrations, and general PMPM cost inflation.

Medicaid Capitation Spending Projections (in \$ billions)			
Population Group	2010 Actuals	2015 projected (in 2010 dollars)	2015 projected (in 2015 dollars)
Medicaid Capitation Spending During 2010	\$92	\$92	\$118
Increased Capitation Spending Due to Expanded State Use of MCO Model		\$23	\$29
Increased Capitation Spending Due to ACA Expansion Population Influx		\$31	\$40
Increased Capitation Spending Due to Dual Eligibles Demonstration Initiatives		\$60	\$77
<b>TOTAL</b>	<b>\$92</b>	<b>\$206</b>	<b>\$263</b>

Notes:

- 1) 5% annual inflation factor assumed in deriving figures in right-hand column
- 2) \$23 billion increase in capitation spending from MCO model expansions factors in estimated expansion impacts in California, Florida, Illinois, Kentucky, Louisiana, New York, and Texas as well as elimination of capitated MCO program in Connecticut
- 3) Dual eligibles capitation impacts are based on mid-point estimate of \$40 billion to \$80 billion in overall revenues, including both the Medicaid and Medicare integrated funds. Medicaid funds will represent roughly half of the dual eligible demonstration capitation revenue.