



MCO Cost Savings

Managed Care Organizations (MCOs) have a history of saving states money compared to traditional fee-for-service Medicaid. There are several reasons why MCO programs are more cost effective:

- ❑ MCOs provide disease management, care coordination, and emphasize prevention to keep people healthy and avoid costs from more costly chronic conditions.
- ❑ MCOs can pay for value-added benefits that keep people healthy and reduce long-term health expenditures but are not covered by traditional Medicaid.
- ❑ MCOs negotiate contracts with providers that pay for high value care instead of the volume of services provided.
- ❑ MCOs are better at identifying and preventing fraudulent health care claims from being paid.
- ❑ States can match administrative costs at a higher rate in MCO programs than traditional Medicaid and can gain revenue through taxing MCOs.

The savings potential of MCO programs increases over the first few years of a new program as members see the benefits of better care coordination over time and the MCOs better understand the population.

In the draft MCO rates prepared for SoonerSelect by Mercer, OHCA's Medicaid actuary, the program will result in a 1.1% savings to the state in the first nine months, or about \$23 million. The rates still need approval from the federal government.

Documented program savings from other states is instructive:



Texas saved between \$5.3 and \$13.9 billion through the use of Medicaid managed care between 2009 and 2017, according to an independent program evaluation by Deloitte Consulting.¹



In 2016 and 2017 Ohio saved between \$3.5 and \$4.4 billion through its Medicaid managed care program compared to what it would have paid to through a fee-for-service system, according to the Wakely Actuarial Consulting Group.²



Pennsylvania Medicaid managed care is estimated to have yielded overall Medicaid savings of \$5.0 to \$5.9 billion (\$2.9 billion to \$3.3 billion in State funds) when compared to fee-for-service over 11 years (CY2000 – CY2010), according the Lewin Group.³

¹ <https://hhs.texas.gov/reports/2018/08/rider-61-evaluation-medicaid-chip-managed-care>

² <https://oahp.org/wp-content/uploads/2019/11/OAHP-Value-Report-11.7.2019.pdf>

³ http://www.lewin.com/content/dam/Lewin/Resources/Site_Sections/Publications/MedicaidSavingsPAHealthChoices.pdf