The Impact of Private Industry on Public Health Care

By improving the delivery of health care through evidence-based practices, Medicaid Managed Care Plans (MCPs) help control Medicaid costs. MCPs are incentivized to lower health care costs through strategies that promote preventive care services and care coordination for members with complex conditions, as well as improving population health outcomes and enhancing provider network management.

Private Industry Saves Ohio Taxpayers Dollars

The Ohio Association of Health Plans (OAHP) retained Wakely Consulting Group, Inc. to conduct an evaluation of the programmatic savings that the MCPs have achieved for the State of Ohio from CY 2013 through CY 2015. The report compares MCP capitation rates to the estimated costs that would have been incurred had those same members been covered by traditional fee-for-service (FFS) Medicaid during that time. MCPs achieve programmatic savings by promoting efficient use of the health care system and eliminating wasteful spending by placing an emphasis on preventative care, care coordination to manage chronic conditions, the detection and treatment of serious illnesses early, and partnerships with providers to improve quality outcomes.

Wakely estimates that the capitation rates paid to the MCPs were 8.9 percent ($2.5B) to 11.3 percent ($3.2B) lower in the period from CY 2013 through CY 2015 than the estimated costs had ODM served those same members in the FFS program.[1]

Estimated Savings Relative to Fee-for-Service

Based on no assumed trend differential	CY 2013 – CY 2015
Estimated FFS Costs	$27,741,384,000
Calculated MCO Revenue [1]	$25,282,492,000
Total Dollars Saved	**$2,458,892,000**
Total Percentage Saved	**8.9%**
Based on 0.5% annual trend differential	**CY 2013 – CY 2015**
Theoretical FFS Costs	$28,491,486,000
Calculated MCO Revenue [1]	$25,282,492,000
Total Dollars Saved	**$3,208,994,000**
Total Percentage Saved	**11.3%**

[1] Excludes Health Insuring Corporation Tax (HIC) and Sales and Use Tax.

1. Ohio Medicaid Managed Care Savings Analysis – January 2013 through December 2015, Wakely Consulting Group, Inc.

Managed Care Impact on Pharmacy Costs

Ohio's Medicaid prescriptions are largely paid for by the MCPs. Over 86 percent of all Ohio Medicaid prescriptions were MCP-paid during Federal Fiscal Year (FFY) 2015. In 2011, Ohio Medicaid switched from a "carve-out" model where prescriptions benefits were excluded from managed care, to a "carve-in" model, in which prescription drugs are included in the MCP capitation payments. Within the carve-in model, the Ohio Department of Medicaid (ODM) requires that MCPs use a largely uniform Medicaid preferred drug list (PDL), such that at least 90 percent of the drugs match those on Ohio's FFS Medicaid PDL, with the MCPs reserving latitude to include different drugs for up to 10 percent of their PDL.

With the carve-in of the pharmacy benefit into managed care, Ohio has achieved low net costs per prescription, with the FFY 2015 average of $36.80—which is 9.1 percent below the nationwide average of $40.50. Among all states, Ohio had the 16th lowest net Medicaid costs per prescription during FFY 2015. During FFY 2015 there were six remaining pharmacy carve-out states—Indiana, Iowa, Missouri, Nebraska, Tennessee and Wisconsin. Ohio's Medicaid costs per prescription were 13.3 percent below the collective average of these carve-out states.

Medicaid Prescription Drug Net Costs and Usage, FFY2015

State or State Group	Prescriptions	Post-Rebate Medicaid Expenditures	Post-Rebate Cost Per Script
Ohio	**39,023,162**	**1,435,927,158**	**$36.80**
USA Total	661,915,649	28,805,863,192	$40.50
2015 Carve-Out States (IN, IO, MI, NE, TN, WI)	60,045,125	2,549,035,190	$42.45

Source: Menges Group tabulations using CMS State Drug Utilization data and drug rebate information from the CMS 64 reports. Note that the above table excludes from all jurisdictions three recently introduced high-cost drugs used to treat Hepatitis C – Harvoni, Sovaldi and Viekira Pak. This adjustment controls for variations in use of these drugs across states, which can otherwise distort the cost per prescription comparisons.[2]

2. https://www.themengesgroup.com/upload_file/medicaid_pharmacy_carvein_final_paper_the_menges_group_april_2015.pdf