
REAL SOLUTIONS: Policy Briefs

AMERIGROUP PUBLIC POLICY INSTITUTE

Savings in Medicaid Series

Eliminate Direct Marketing and Sales Models

Issue Defined

A direct marketing and sales model imposes unnecessary oversight burdens for states, which increases costs without delivering additional value. As a result, most states have moved to mandatory enrollment and all those eligible must select a plan option, thereby eliminating the need for direct marketing. Several states have even uncovered abuses in direct marketing and sales enrollment activities. Recent studies show that direct marketing and sales models are:

- An unnecessary administrative expense
- An added compliance risk for those involved
- A duplication of existing state communication
- A source of increased risk for abusers.

Background

Direct marketing activities sometimes present an incomplete or misleading view of plan offerings. Direct marketing and sales presents a number of challenges to states as they look for ways to control costs. Documented problems include confusion when Medicaid beneficiaries do not understand their choices or do not receive adequate information about the benefits. Unfavorable experiences with enrollment into managed care settings provides valuable lessons for states as they move to enroll Medicaid beneficiaries into managed care. For this reason, many states began with, but discontinued, provisions allowing direct marketing by managed care organizations. Many states now mandate enrollment and rely on managed care to handle the process of informing and educating members through health promotion and community outreach efforts.

Medicaid beneficiaries depend on integrated systems of care that not only provide access to necessary services and improve health outcomes but also encourage access to coordinated, quality care. Health care delivery systems should offer positive results for beneficiaries and enable state efforts to contain Medicaid costs.

Recommendations

- Promote marketing activities that educate beneficiaries; assist them in making and attending medical appointments and obtaining needed care on an on-going basis. Work with managed care organizations and community-based organizations to ensure beneficiaries are not subject to unscrupulous marketing and sales tactics.
- Eliminate direct marketing and sales models, and replace them with performance-based auto-assignment enrollment models. Establish a process that channels enrollees to plans that meet specific cost, quality of care and service standards. Performance-based auto-assignment enrollment models provide advantages to the beneficiary, health insurer, and the state and federal government:

- Create an effective and efficient standard enrollment system
 - Reduce administrative cost for states and managed care organizations
 - Promote quality and service through beneficiary-focused outreach activities.
- Use existing community-based organization with state communications channels
 - Pilot use of social media for medical communication from the state.

Outreach and health education efforts that encourage Medicaid beneficiaries to receive necessary preventive care reduce unnecessary and costly hospital stays.

Savings Outlook

Eliminating direct marketing and sales models can save states millions of dollars. For example, states no longer will have to spend time and resources investigating enrollment and marketing abuse. In 1995, Tennessee recouped more than \$1.9 million in payments made for fraudulent enrollments. Taxpayers, by way of the states, will recover the cost-savings associated with eliminating direct marketing and sales spending. A substantial portion of the cost-savings will accrue to the federal government, and this savings can be reinvested in affordable health coverage for all Americans. In addition, health insurers can shift these savings to efforts to improve quality of care for beneficiaries.