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# REAL SOLUTIONS: Policy Briefs

AMERIGROUP PUBLIC POLICY INSTITUTE

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## Savings in Medicaid Series

### Create New Solutions to Generate Revenue

#### Issue Defined

During these tough economic times, state officials across the country face shrinking budgets and an increasing demand for Medicaid services. During the Fiscal Year 2008, Medicaid expenditures represented roughly 21 percent of state budgets. According to reports by the Centers for Medicare and Medicaid-based National Health Expenditures Accounts team, administrative expenditures for public programs have grown at a rapid rate in comparison with expenditures for private health insurance plans.

#### Background

Medicaid administrative costs range from 4 to 6 percent. Through the simplification and standardization of various processes, including enrollment, it is possible to reduce these costs, creating a dramatic savings for the Medicaid system and state governments.

#### Recommendations

Through changes and enhancements to enrollment, there are several ways that states can reduce administrative costs, including:

- *Establishing Full Participation Program through Mandatory Coverage with Beneficiary Choice of Plans.* Voluntary enrollment often leads to the highest cost and most complex Medicaid recipients remaining outside of the managed care program, yet these are the beneficiaries who can benefit the most from having a truly integrated medical home. If a beneficiary can stay enrolled for a minimum period of time through mandatory enrollment – for example, a year – it is to the advantage of the beneficiary, the health plan and the state and federal governments. Mandatory enrollment with an MCO provides program stability and budget predictability; a reduction in the volatility of program costs as variations are due to changes in eligibility rather than utilization; and, a limiting of administrative costs related to marketing and advertising, allowing more dollars to be directed to healthcare delivery.
- *Collaborating with an Enrollment Broker.* By collaborating with an enrollment broker, a managed care organization is able to promote an enrollment process that gives the state's Medicaid beneficiaries information about benefits and the provider network available to them. As a result, beneficiaries are able to make informed choices about the plan that best suits their needs. By working in partnership with a state's enrollment broker, an MCO is able to promote beneficiary selection of a suitable primary care physician PCP at the point of enrollment rather than assigning the beneficiary to a PCP.
- *Using a Standardized Enrollment Form and Promoting Online Enrollment.* By simplifying the process for initial enrollment, more eligible beneficiaries are likely to participate in the program early and in a sustained manner, resulting in increased recertification rates, stable enrollment levels, and the receipt of timely preventive services – all of which lead to lower total program expenditures.

### **Savings Outlook**

Policy Studies, Inc. (PSI) is an organization that provides enrollment broker services, among other programs. According to the PSI web site, their technology system has built-in tools to track and monitor beneficiary status and preferences, process applications from a variety of formats, and notify benefits customers about when they should reapply for benefits. PSI reports on their web site that their Maryland Enrollment Broker program has streamlined processes and increased efficiencies, resulting in annual savings of more than \$1 million for the State of Maryland.