Using Medicaid Managed Care: The Author Replies

In one way, the title of my article, “Desperately Seeking Savings: States Shift More Medicaid Enrollees to Managed Care” (Sep 2011), could be a shorthand response to the letter from Marguerite Burns and Sharon Long. Virtually all states are struggling to recover from the recession and have their eye on Medicaid as a major budget-cutting target. The program represents one-quarter of the expenditures of an average state and serves a low-income population with limited political power.

As Burns and Long note, there is not much rigorous research on the implications of mandating that aged and disabled individuals enroll in managed care. But I would only ask the authors to name a governor or state legislature that has turned to health services research for an answer to a plight as momentous as a budget crisis.

In my article I describe in brief the formula that states generally rely on when they sign contracts with managed care companies to administer their Medicaid programs. States negotiate fixed per beneficiary payments with health plans at rates below what they would have spent in the traditional fee-for-service model. Thus, states shift the risk of managing Medicaid to health plans, usually lowering their own outlays and making them more predictable.

It is clear, as Burns and Long suggest, that states are moving into largely uncharted territory by mandating the enrollment of aged and disabled Medicaid beneficiaries in health plans. But it’s fair to say that the uncoordinated fee-for-service model was no great bargain for these beneficiaries, either.

John K. Iglehart
Health Affairs
BETHESDA, MARYLAND

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