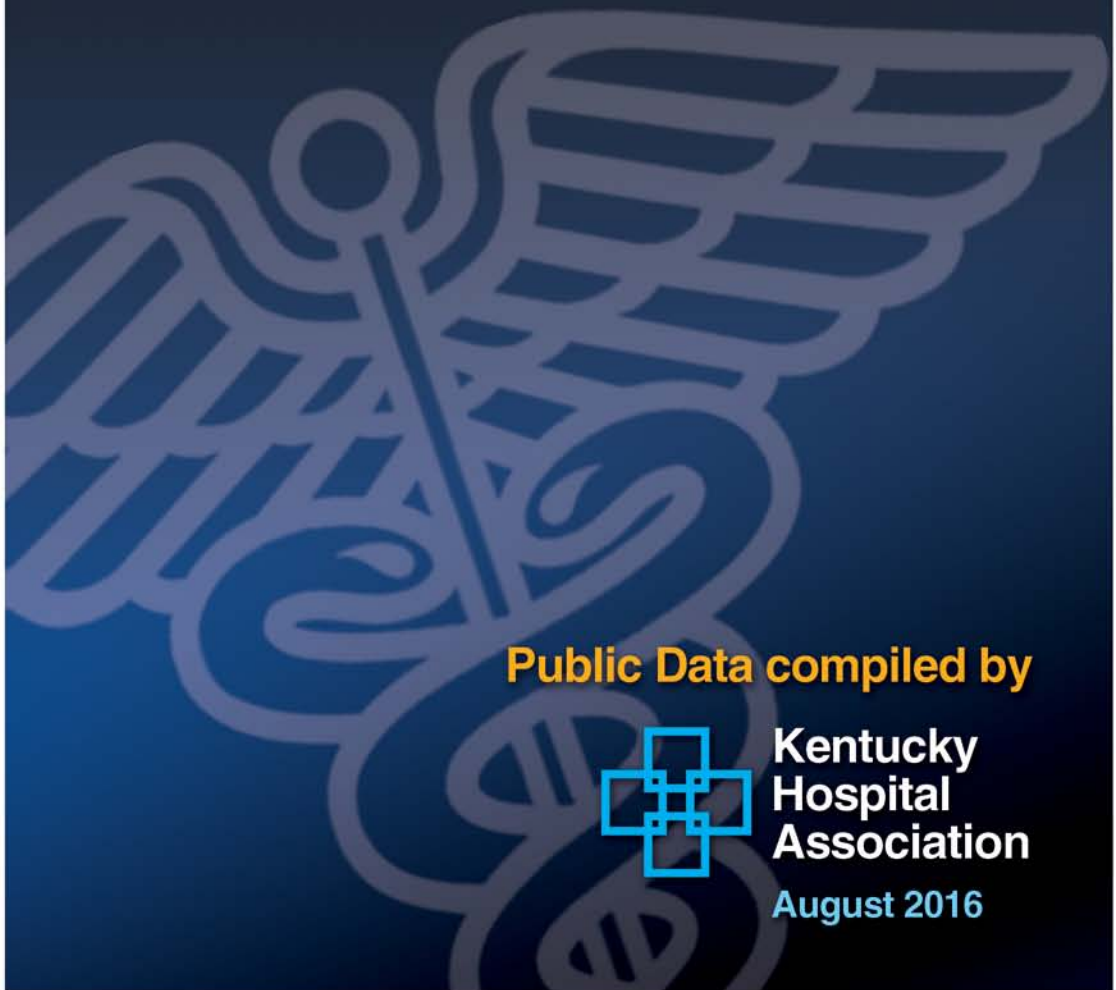




Medicaid  
Managed Care  
Organization (MCO)  
Performance  
Report - 2015



Public Data compiled by



Kentucky  
Hospital  
Association

August 2016



# Medicaid Managed Care Organization (MCO)

## Performance Report - 2015

### Introduction

In November 2011, Kentucky enrolled approximately ninety percent (90%) of the Medicaid population in managed care, through which Medicaid managed care organizations (MCOs) are paid a fixed monthly capitated rate per enrollee and are at financial risk for recipient use and service expenditures. The MCOs are responsible for managing both physical and behavioral health services for their members. In 2015, there were five MCOs operating in all regions of the state and managing care for about 1.2 million Medicaid recipients.

Because the MCOs are risk-bearing entities, they are required to be licensed by the Kentucky Department of Insurance (DOI) as an HMO or insurer and meet the applicable financial solvency requirements. As licensed insurers, the MCOs are also required to file an Annual Statement with the Department of Insurance that details assets, liabilities, revenue and expenses. The Annual Statement is a standard national reporting form so that data may be compared among reporting entities. As part of this filing, MCOs must report information on the number of members, premiums and expenses for health care services for their total business and separately for business in the Commonwealth of Kentucky, broken down by Medicaid, individual, and group plans.



## Medicaid Financial Performance

The information in [Table 1](#) was compiled from each **MCO's 2015 Annual Statement filed with the Kentucky Department of Insurance**. It compares Medicaid premiums earned (capitation payments from the state for Medicaid enrollees) with amounts incurred by the MCO for health care services for their Medicaid members. Using this data, a medical loss ratio can be calculated to determine the percent of premium revenue (capitation payments) used to pay for health care services to enrollees of the MCO. It also illustrates the percent of premium revenue available for administrative costs and profit. MCOs do not report administrative costs specifically for their Kentucky Medicaid business, but administrative costs are reported on line 21 of the Statement of Revenue and Expenses schedule for all business included in the company's Annual Statement. The company's overall administrative cost percentage (derived by dividing their reported administrative costs by net premium income from line 2 of the same schedule) can be applied to their Kentucky Medicaid business to estimate Medicaid administrative costs and the MCO's profits from the Kentucky Medicaid program in 2015.

[Table 1](#) presents Kentucky Medicaid premium revenue, expenses for health care services for Medicaid members, the medical loss ratio, and calculated profits for each MCO in 2015.

**Table 1 - Kentucky Medicaid MCO Medical Loss Ratios and Profits - 2015**

CY 2015 DOI Annual Statement	Coventry	Wellcare	Passport	Anthem MCO	Humana	Total All
<b>Medicaid - Kentucky</b>						
Medicaid Members	270,540	439,782	281,029	92,929	122,881	1,207,161
Medicaid premiums earned	1,373,743,089	2,612,771,872	1,653,065,718	486,845,930	760,395,723	6,886,822,332
Amt incurred for health care services	890,569,854	2,157,266,890	1,512,473,057	351,304,557	615,065,800	5,526,680,158
Difference earned premium -incurred cost	483,173,235	455,504,982	140,592,661	135,541,373	145,329,923	1,360,142,174
Medical Loss Ratio	65%	83%	91%	72%	81%	<b>80%</b>
<b>Medicaid Admin+Profit%</b>	<b>35%</b>	<b>17%</b>	<b>9%</b>	<b>28%</b>	<b>19%</b>	<b>20%</b>
Administrative Cost Percentage	10.6%	8%	6.5%	4.4%	9%	8%
Calculated Medicaid Admin Cost	145,616,767	209,021,750	107,449,272	21,421,221	68,435,615	551,944,625
<b>Profit Percentage</b>	<b>25%</b>	<b>9%</b>	<b>2%</b>	<b>23%</b>	<b>10%</b>	<b>12%</b>
<b>Profit Amount</b>	<b>\$ 337,556,468</b>	<b>\$ 246,483,232</b>	<b>\$ 33,143,389</b>	<b>\$ 114,120,152</b>	<b>\$ 76,894,308</b>	<b>\$ 808,197,549</b>
<b>Excess Profit (Actual -Profit at 2.6%)</b>	<b>\$ 301,839,147</b>	<b>\$ 178,551,164</b>	<b>\$ (9,836,319)</b>	<b>\$ 101,462,158</b>	<b>\$ 57,124,019</b>	<b>\$ 629,140,169</b>

Administrative costs as reported on line 21, Statement of Revenue and Expenses, for all lines of business included in the company's Annual Statement  
 Administrative Cost Percentage= Administrative costs reported on line 21/Net premium income reported on line 2, Statement of Revenue and Expenses  
 2.6% was 2015 US Average Medicaid MCO profit , Milliman Research Report, "Medicaid risk-based managed care: Analysis of financial results for 2015"  
**Source:** 2015 Annual Statements of Medicaid Managed Care Organizations, Kentucky Department of Insurance.

## Findings

- Kentucky MCOs reported \$6.9 billion in capitation payments and \$5.5 billion in payments for Medicaid enrollee health care services, for an 80% combined medical loss ratio. New CMS rules require a medical loss ratio of 85% as a minimum standard; however, individual states may adopt higher requirements.
- The Kentucky MCOs used 20% of their capitation payments for administrative costs and profits.
- The MCOs had a combined 8% administrative cost percentage, based on application of their consolidated administrative cost percentages to Medicaid premiums, resulting in a combined profit margin of 12%.
- **Kentucky's MCO profit margin of 12% was four and one-half times higher than the national average profit margin among all MCOs**, according to a May 2016 report issued by Milliman<sup>1</sup>. This report, compiled from the 2015 annual statement filings, indicated the national average MCO medical loss ratio was 85.4% and the national average MCO profit margin was 2.6%.<sup>2</sup>
- **Not only were the Kentucky MCO profit margins higher than the national average, but Kentucky had the most profitable MCOs in the nation in 2015, according to the Milliman report.**
- The profit margins of the Kentucky MCOs are even more startling when reviewed at the individual plan level. **Coventry had the highest Medicaid profit margin at 25%, followed by Anthem with 23%, Humana with 10%, Wellcare at 9%, and Passport at 2%.**
- Except for Passport, all of the remaining Kentucky MCOs had profit margins exceeding the 75th percentile reported by Milliman for all MCOs nationally.

### Composite CY 2015 Financial Results<sup>3</sup>

	Composite Mean	25th Percentile	50th Percentile	75th Percentile
Underwriting Ratio	2.6%	(0.5%)	2.6%	5.5%

- The Kentucky MCOs had a combined profit of \$808 million in 2015.
- **Taxpayers, which fund the Medicaid program, paid \$629 million more in MCO profits in 2015 than if the Kentucky MCO profits had been equal to the national average for Medicaid MCOs.**

<sup>1</sup> Palmer, J., Pettit, C. (May 2016). Medicaid risk-based managed care: Analysis of financial results for 2015. Milliman.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid, Figure 1, p. 3

## Commercial Financial Performance

**Table 2A** summarizes each MCO's Medicaid loss ratio and profit margin for its Medicaid business. **Tables 2B and 2C** provide data from the DOI Annual Statements illustrating the medical loss ratio and profit margins of each Kentucky MCO that also operates in the individual or group commercial market. In 2015, only Coventry and Humana reported data for individual and group plans.

Coventry and Humana Health Plan both provided insurance in the individual market in Kentucky and other states.

- Coventry had a 34% profit margin for its individual Kentucky market, compared to a -6.4% loss in other states.
- Humana Health Plan showed a -9% loss for its individual Kentucky market and an -8% loss for individual plans sold in other states.

Coventry provides group coverage only in other states, while Humana Health Plan provides group coverage in Kentucky and elsewhere.

- Coventry's group plans in other states showed a 1% profit percentage in 2015, but Humana Health Plan's group plans were more profitable with an 8% margin in Kentucky, and a 9.4% margin in other states.

This data shows the Kentucky MCOs are largely receiving their highest margins on Kentucky's taxpayer funded Medicaid plan as compared to their commercial insurance products.

**Table 2A - Medicaid Financial Performance of Kentucky Medicaid MCOs - 2015**

CY 2015 DOI Annual Statement	Coventry	WellCare	Passport	Anthem MCO	Humana
<b>Medicaid - Kentucky</b>					
Medical Loss Ratio	65%	83%	91%	72%	81%
<b>Medicaid Admin+Profit%</b>	<b>35%</b>	<b>17%</b>	<b>9%</b>	<b>28%</b>	<b>19%</b>
Administrative Cost Percentage	10.6%	8%	6.5%	4.4%	9%
<b>Profit Percentage</b>	<b>25%</b>	<b>9%</b>	<b>2%</b>	<b>23%</b>	<b>10%</b>

**Table 2B - Commercial Insurance Financial Performance  
of Kentucky Medicaid MCOs - 2015**

<b>INDIVIDUAL MARKET</b>	<b>Coventry</b>	<b>WellCare</b>	<b>Passport</b>	<b>Anthem MCO</b>	<b>Humana</b>
<b>Kentucky</b>					
Individual Market members	21,059				13,218
Individual Market member months	199,748				187,486
Individual market premiums earned	46,580,492				58,829,366
Individual market amt incurred for svcs	25,913,164				58,880,718
Difference-earned premium/incurred cost	20,667,328				(51,352)
Individual KY Market MLR	55.6%				100%
Individual KY Market Admin + Profit %	44.4%				-0.1%
Administrative Cost Percentage	10.6%				9%
<b>Profit Percentage</b>	<b>34%</b>				<b>-9%</b>
<b>All States</b>					
Individual market members	209,581				25,897
Individual market member months	2,692,885				356,346
Individual market premiums earned	726,443,601				121,244,194
Individual market amt incurred for svcs	696,221,311				119,949,998
Difference-earned premium/incurred cost	30,222,290				1,294,196
Individual Market, all states, MLR	96%				99%
Individual Market, all states, Admin + Profit %	4%				1%
Administrative cost percentage	10.6%				9%
<b>Profit Percentage</b>	<b>-6.4%</b>				<b>-8%</b>

**Table 2C - Commercial Insurance Financial Performance  
of Kentucky Medicaid MCOs - 2015**

<b>GROUP MARKET</b>	<b>Coventry</b>	<b>WellCare</b>	<b>Passport</b>	<b>Anthem MCO</b>	<b>Humana</b>
<b>Kentucky</b>					
Group KY members					107,359
Group Member months					1,235,481
Group premiums earned					448,691,967
Amt incurred for services					373,368,500
Difference-earned premium/incurred cost					75,323,467
Group Market KY MLR					83%
Group Market KY Admin + Profit %					17%
Administrative Cost Percentage					9%
<b>Profit Percentage</b>					<b>8%</b>
<b>All States</b>					
Group members	159,810				183,999
Group member months	2,417,267				2,189,756
Group premiums earned	857,736,798				747,039,235
Group amt incurred for svcs	758,020,013				609,430,829
Difference - earned premium/incurred cost	99,716,785				137,608,406
Group Market, all states, MLR	88%				82%
Group Market, all states, Admin + Profit %	11.6%				18.4%
Administrative cost percentage	10.6%				9%
<b>Profit Percentage</b>	<b>1.0%</b>				<b>9.4%</b>

Source: 2015 Annual Statements of Medicaid Managed Care Organizations, Kentucky Department of Insurance.

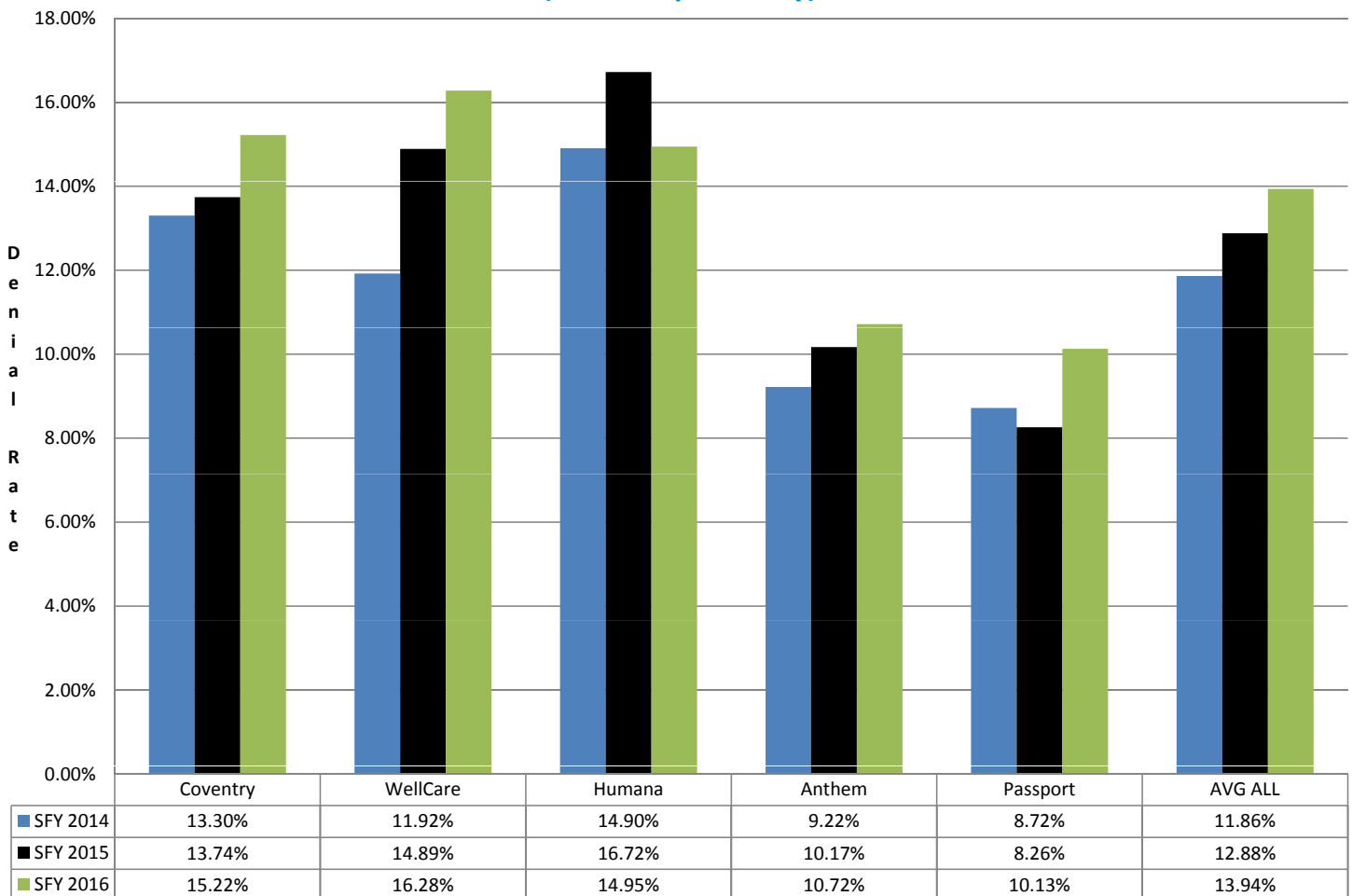
## Medicaid Utilization Review Denial Rates

Table 3 shows Medicaid prior authorization denial rates for the last three state fiscal years by MCO. This reflects the number of preauthorization requests denied by the MCO for all services, exclusive of pharmacy, compiled from monthly MCO Dashboard reports published by the Department for Medicaid Services.

### Findings:

- For the last three years (SFY 2014-2016), Passport Health Plan has consistently had the lowest denial rate at about 9%, followed closely by Anthem with an average denial rate of 10%.
- Humana Health Plan had the highest average denial rate from SFY 2014-2016 at 15.5%, followed by Wellcare at 14.4% and then Coventry/Aetna at 14%.
- In state fiscal year 2016, however, Wellcare had the highest denial rate at 16.3%, followed by Coventry/Aetna at 15.2% and then Humana at 15%. Passport had the lowest denial rate at 10%, followed by Anthem at 11%.

**Table 3 - Medicaid Prior Authorization Denials by Medicaid MCO (excludes pharmacy)**



Source: MCO Dashboard Reports, DMS

The Department for Medicaid Services published MCO ratings on quality and access measures to assist Medicaid enrollees in selecting an MCO. Each MCO was rated on a scale from **one star, “much below average,”** to **five stars, “excellent,”** on preventive care, access to care and getting help when needed.

## Findings:

Passport Health Plan was the highest rated MCO, with six five-star ratings and only a single one-star. Coventry/Aetna and Anthem had the most one-star ratings, and WellCare and Anthem had only a single five-star rating (Anthem was a new plan and lacked ratings in many areas).

	Number of Five Stars “Excellent”	Number of One Stars “Much Below Average”
Passport	6	1
Humana Care Source	3	2
Coventry/Aetna	2	4
WellCare	1	3
Anthem (new plan)	1	4

## 2015 Member’s Guide to Choosing a Medicaid Health Plan



KEY: ★★★★★ Excellent    ★★★★ Above Average    ★★★ Average    ★★ Below Average    ★ Much Below Average

PREVENTIVE CARE							
Health Plan	Childhood Immunizations	Well-Child Visits in the First 15 Months of Life	Well-Child Visits Ages 3 to 6	Adolescent Immunizations	Adolescent Well-Child Visits	Cervical Screening	Prenatal Care
Anthem BCBS Medicaid	New Plan, No Rating	New Plan, No Rating	New Plan, No Rating	New Plan, No Rating	★	★	★
Aetna Better Health of Kentucky*	★★★★	★★	★	★★★★	★★	★	★★★★
Humana - CareSource	★	★★	★★	★★	★	★	★
Passport Health Plan	★★★★★	★★★★	★★★★	★★★★★	★★★★	★	★★★★
WellCare of Kentucky	★★	★★	★	★★★★	★★	★	★★★★

ACCESS TO CARE				
Health Plan	Child Doctor Availability	21 and Under Dental Visits	Adult Doctor Visits	Adult Doctor Availability
Anthem BCBS Medicaid	★★★	New Plan, No Rating	New Plan, No Rating	★★★★★
Aetna Better Health of Kentucky*	★★★★	★★★★	★★★★	★★★
Humana - CareSource	★★★	★★★	★★★	★★★★★
Passport Health Plan	★★★	★★★★★	★★★★★	★★★
WellCare of Kentucky	★★	★★★★	★★★★	★★★

GETTING HELP WHEN NEEDED						
Health Plan	Getting Child Care Quickly	Child Customer Service	Parent Overall Satisfaction with Child’s Health Plan	Getting Adult Care Quickly	Adult Customer Service	Adult Overall Satisfaction with Health Plan
Anthem BCBS Medicaid	★★★	★★	★	★★★★	★★★★	★★★
Aetna Better Health of Kentucky*	★★★★★	★★	★	★★	★★★★	★
Humana - CareSource	★★	★★★★★	★★	★★★	★★★★★	★★★★
Passport Health Plan	★★★	★★★★	★★★★★	★★	★★★★	★★★★★
WellCare of Kentucky	★★	★	★★★	★★★	★★★★★	★★★★

Ratings are compared to NCQA (National Committee for Quality Assurance) national averages and from information submitted by the health plans.

\*Formerly Coventry Cares of Kentucky



**Kentucky  
Hospital  
Association**

2501 Nelson Miller Parkway  
Louisville, Kentucky 40223  
502-426-6220 • Fax 502-426-6226 • [www.kyha.com](http://www.kyha.com)