

# blue paper



## MEDICAID: A BIG MARKET LEADS TO SCALE FOR HEALTH PLANS

### Why it's worth a second look

Currently, \$600 billion health care dollars are spent on Medicaid each year. About half of all pregnancies in the United States are funded by Medicaid. Over 70 million Americans are enrolled in Medicaid. In fact, there are more Americans in Medicaid than in Medicare and the health insurance marketplace (HIM) combined. That makes it a significant segment in the health care marketplace—and a big opportunity to gain new members.

**\$600 BILLION**  
SPENT ON MEDICAID HEALTH CARE COSTS<sup>1</sup>

**1 IN 5** AMERICANS ENROLLED  
IN MEDICAID<sup>1</sup>

**>70 MILLION**  
ENROLLED IN MEDICAID<sup>1</sup>



**Health insurance: A lifetime of options**

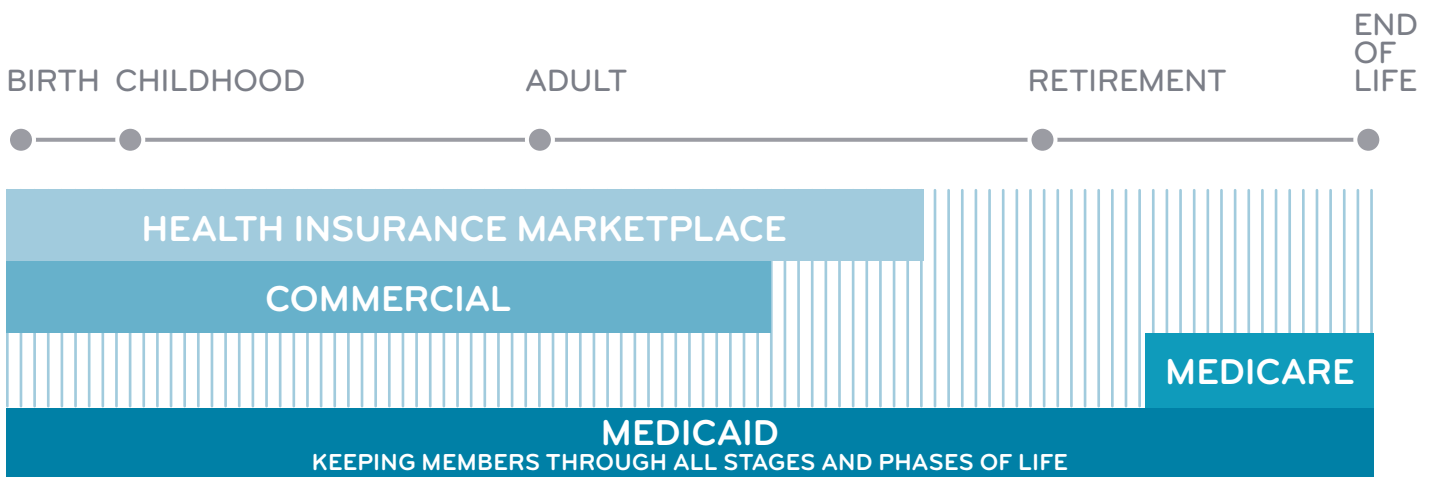
Health insurance has the opportunity to cover a person's entire lifetime—from birth through the senior years. The health insurance industry includes four markets: commercial, Medicare, Medicaid and the HIM. A person may have membership in any or all of these markets throughout his or her life. So it's essential that insurers are there every step of the way.

People carry different health insurance coverage depending on their situation. For example, they may start with commercial coverage through an employer or parent if they are under 26, then move to the HIM if they become self-employed. If they lose a job or become part of the working poor, they may qualify for Medicaid.

For most, Medicaid is a temporary stop for people who qualify due to income level. It fills the gap until members can go back to a commercial plan through an employer, or enroll in an HIM plan or become eligible for Medicare coverage due to a mental or physical disability or simply aging in.

# MEDICAID: A KEY MEMBER RETENTION STRATEGY

MEDICAID IS THE ONLY HEALTH INSURANCE OPTION THAT COVERS EVERY STAGE OF A PERSON'S LIFE.



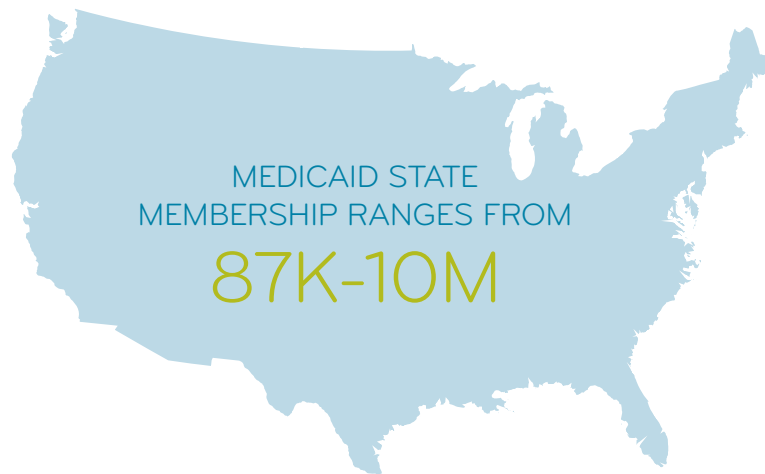


### Staying Blue for life

By offering Medicaid coverage, a health plan positions itself to be competitive in all health plan markets and potentially gain members from other markets. For example, if a member has a positive experience with your Medicaid plan, they may choose one of your commercial, HIM or Medicare plans when they're in that market. If they go back to Medicaid at some point, they may be assigned a plan, or have the option to choose your Medicaid plan. In that case, they could potentially be your member at each stage of their life with the safety net Medicaid provides.

### Instant members mean added profit

Participating in Medicaid can strengthen your relationship with the state and give you more of a say in the regulatory agenda. In addition, with HIM and Medicare, you have to attract members individually. With Medicaid, your state assigns memberships in one typically large membership assignment. This method adds instant scale to your business and awards instant buying power.



**\$7** PER MEMBER  
PER YEAR  
Expected earnings from  
Medicaid membership

Also, when bid correctly, a managed care organization can make a 1 to 4 percent margin on that market, or an estimated \$7 per Medicaid member per year earnings before interest, taxes, depreciation and amortization (EBITDA).<sup>2</sup> It may not compare to commercial margins, but it adds up. For example, if your plan is assigned 500,000 Medicaid members and you get \$7 per member, that's \$3.5 million. Plus, the additional membership can help lower cost of goods sold and other related costs.

FOR MORE INFORMATION

PRIME HAS THE RESOURCES YOU NEED TO GET INTO THE MEDICAID MARKET. TO LEARN MORE, VISIT [WWW.PRIMETHERAPEUTICS.COM](http://WWW.PRIMETHERAPEUTICS.COM).

### REFERENCES

<sup>1</sup> cms.gov

<sup>2</sup> CitiGroup, 2012.