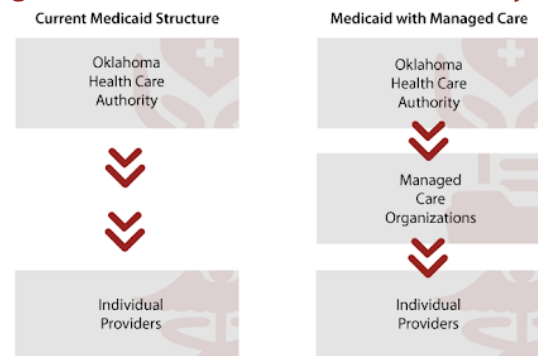


## Privatization could cost more than in-house administration

Oklahoma has tried to privatize Medicaid before, but the OHCA ultimately found that it could administer Medicaid for a quarter of the cost and a quarter of the staff.<sup>1</sup> This time around, the cost of privatizing SoonerCare is largely unknown. In addition to adding unneeded bureaucracy into a system that has worked for decades, **this change will likely cost the state more money than what is currently spent on Medicaid.**

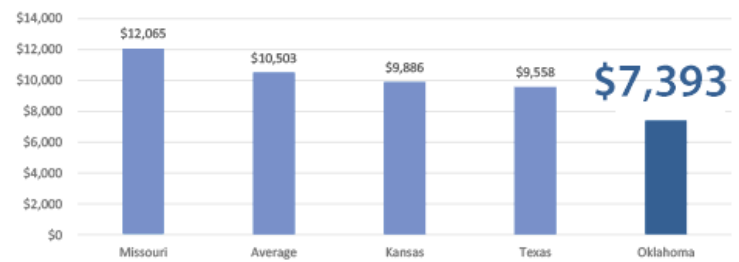
- MCOs turn a profit by cutting provider rates, individual benefits, or administrative costs. At 4 percent,<sup>2</sup> Oklahoma’s administrative cost is already lower than the overhead costs in most states that use privatized managed care.<sup>3</sup> If MCOs can’t make money by cutting administrative costs, they could cut benefits or provider rates, or require more state funding.
- Privatizing Medicaid will require increased funding in the first year. Current payments are made after services are delivered, while capitated managed care payments are made in advance, meaning in the first year of the switch there will be a few months in which OHCA will be paying both types of claims.
- Oklahoma’s cost per enrollee is lower than all non-expansion, managed care states in the region (MO, KS, TX). If Oklahoma’s cost increased to this average, Medicaid could cost an additional \$716 million annually.<sup>4</sup>

### Managed care adds unneeded bureaucracy



Source: OK Policy

### Cost per enrollee vs. surrounding states



Note: MO, KS, and TX included in analysis because they were non-expansion states with more than 70% of Medicaid patients covered by managed care at the time of data collection (2019).

Source: OK Policy analysis of data from the Medicaid and CHIP Payment and Access Commission (MACPAC) and Kaiser Family Foundation

## Managed care could hamstring the economic benefits that Medicaid expansion promises

Medicaid expansion will be a substantial, ongoing investment into the Oklahoma economy. In the first year alone, the state will see 17,000 new jobs in all 77 counties, \$1 billion in new labor income, and \$2.5 billion in new direct and secondary spending,<sup>5</sup> which is expected to generate a return on investment of \$14-18.<sup>6</sup> Other states have experienced “budget savings, revenue gains, and overall economic growth” after the first year of expansion.<sup>7</sup> However, these immense returns will only be fully realized with a Medicaid expansion that is fully funded, accessible, and **efficiently administered.**

<sup>1</sup> Mathematica Policy Research, Inc, “SoonerCare Managed Care: History and Performance” (2009)

<sup>2</sup> OHCA Annual Report (2017)

<sup>3</sup> Health Affairs, “Medicaid Managed Care: Lots Of Unanswered Questions (Part 2)” (2018)

<sup>4</sup> Oklahoma Policy Institute, “Managed care is a bad investment for Oklahoma” (2020)

<sup>5</sup> National Center for Rural Health Works, “The Economic Benefits of State Question 802 (2020-2024)” (2020)

<sup>6</sup> Oklahoma Policy Institute, “No matter how we fund it, Medicaid expansion will be the best investment we’ve ever made” (2020)

<sup>7</sup> Kaiser Family Foundation, “The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review” (2020)