

# PERFORMANCE AUDIT

Work in progress: Audit description

## Assessing Costs in Medicaid Service Delivery Models

Medicaid is a federal/state partnership providing medical and other services to low-income families, older adults, people with disabilities and others who qualify. In Washington, Medicaid is administered by the Health Care Authority (HCA) under its Apple Health umbrella, serving a quarter of Washingtonians – around 2 million people. In FY 2024, Washington’s combined federal/state funding exceeded \$21 billion.

Washington provides health care services to most Medicaid enrollees (85%) under a managed care model. That means the state pays a monthly per-enrollee rate to managed care organizations (MCOs), which then pay providers for services covered in their contracts. The remaining enrollees are served through fee-for-service, in which HCA pays providers directly for services.

In the late 1980s, states began shifting the delivery of Medicaid services from fee-for-service to managed care, which promised more coordinated care, better outcomes and lower costs. Since then, states have had to balance health care costs with access to and quality of care.

Recent changes to Medicaid at the federal level will pose new and greater challenges to state budgets. For example, new work and reporting requirements for enrollees are likely to impose higher administrative costs on states. Furthermore, people who struggle to meet such requirements may lose Medicaid coverage entirely. States that decide to supplement any loss in federal funding or cover health care for people uninsured through the loss of Medicaid coverage will likely experience significant financial strain. In Washington’s challenging financial environment, helping the greatest number of people possible means the state must provide Medicaid services as economically as possible, without sacrificing access or quality.

### Preliminary scope and objectives

Although it is important when shaping Medicaid policy to consider cost, access and quality of care together, this audit focuses specifically on the cost of the managed care model relative to other options. The audit seeks to answer the following questions:

1. To what extent has Washington assessed cost differences between Medicaid managed care and other service delivery models?
2. How have other states assessed cost differences between the managed care model and other options?
3. Are there specific Medicaid populations that may be better served by a model other than managed care?



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