

In Michigan, Medicaid HMO enrollment drops 22% in 12 months, and revenues and profits fall as well

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Based on the analysis in *Michigan Health Market Review 2024*.
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In mid- 2023, states began re-verifying eligibility of Medicaid beneficiaries. More than 25 million were dropped from coverage through what has been called the “Great Unwinding.” Almost all Medicaid recipients in Michigan are in managed care plans, and enrollment in Michigan Medicaid HMOs fell by 508,000 or 22% in the 12 months from June 2023 to June 2024.

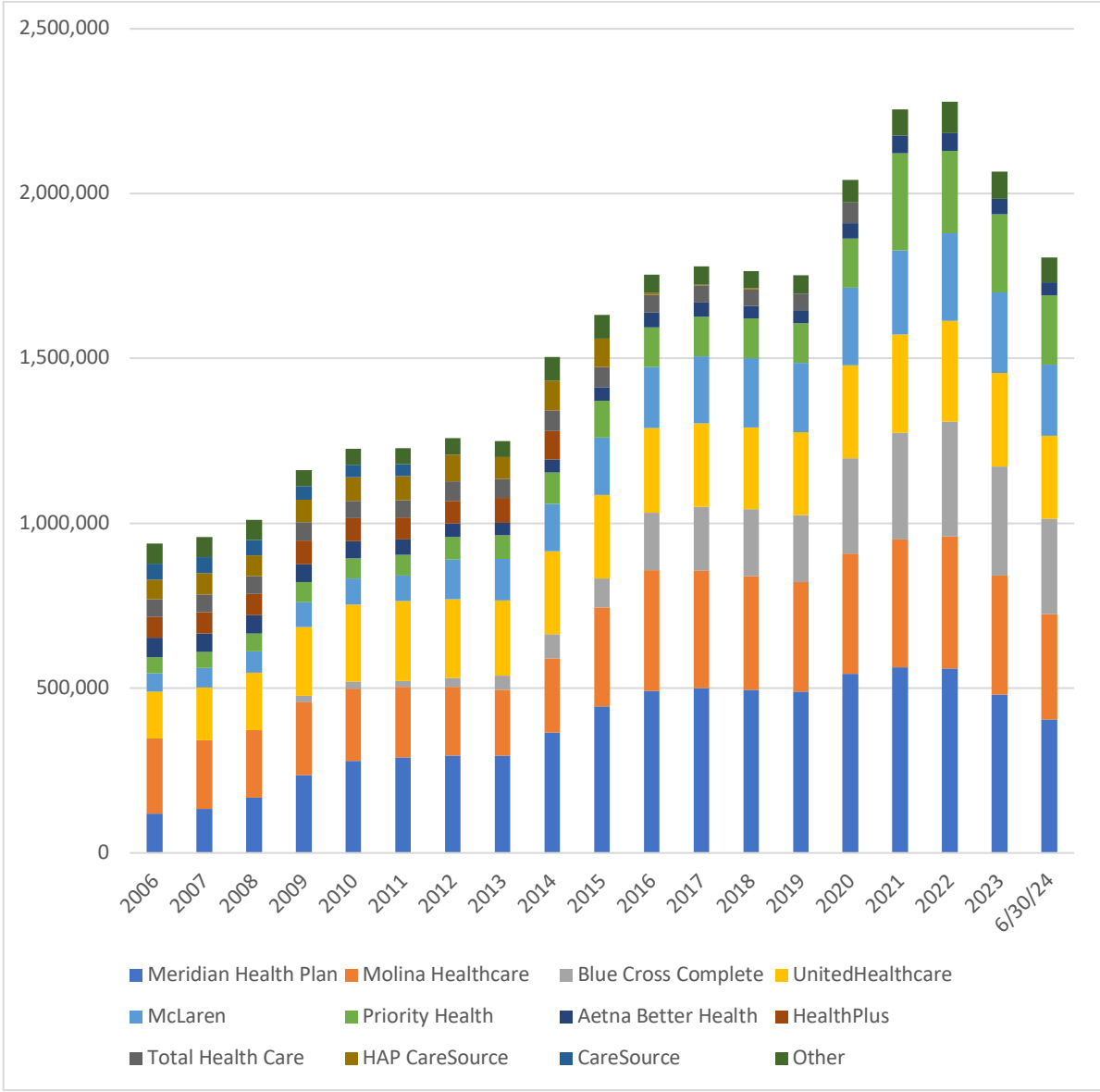
Michigan currently contracts with nine HMOs to manage care for its Medicaid population, and new contracts will take effect October 1, 2024. .Using data from their NAIC quarterly statements, we compared enrollment, revenues, medical expenses and care utilization for those HMOs for the first half of 2023 and the first half of 2024.

Exhibit 1 shows the steady growth of HMO Medicaid enrollment until 2019, then how it grew again in 2020, as Congress required states to guarantee continuous enrollment in exchange for a bump in federal matching funds for Medicaid. Meridian Health Plan, the largest Medicaid HMO, lost 152,000 enrollees, or 27.4% of 556,000 members in the 12 months from June 2023 to June 2024. Molina Healthcare, UnitedHealthcare and Blue Cross Complete all lost more than 60,000 Medicaid members. Overall enrollment dropped from 2.3 million in June 2023 to 1.8 million in June 2024. That is still more than the number of Medicaid HMO enrollees in December 2019. There were 1.75 million HMO Medicaid enrollees in 2019.

The loss of members was followed by a decrease in revenues and profitability. In the first six months of 2023, Medicaid HMOs had combined Medicaid revenues of \$4.67 billion, which dropped by 8.1% to \$4.29 billion in the first six months of 2024. They were strongly profitable in 2023, with average medical loss ratios (on all their lines of business) of 85.8% and average profit

margins of 3.8%. A year later, those HMOs were much less profitable, with an average loss ratio of 89.7% and margins that had dropped to 1.8%.

Exhibit 1
Medicaid HMO Enrollment in Michigan, 2006-June 2024



Source: Based on author’s analysis for *Michigan Health Market Review 2024, Part One* (August 2024).

The simple explanation is that medical expenses increased faster in 2024 than premium revenues. When analyzed on a per member per month basis, the average premium revenue collected by

Medicaid HMOs increased by 9.5% in the first half of 2024, from \$340 to \$372. However, medical expenses increased faster, by 14.6%, from \$291 to \$334 per member per month.

There is reason to believe that many of the persons who lost their Medicaid benefits in the last year were below average users of care, leaving behind a group that were higher utilizers and therefore more expensive. We noted earlier that Medicaid HMO enrollment decreased by 22% between June 2023 and June 2024. That was a steeper decrease than for key measures of utilization. Inpatient hospital admissions for that population decreased by an average of 9.1%, and inpatient days dropped by 9.9%. With the fall in enrollment but a smaller decrease in inpatient utilization, the rates of inpatient utilization increased. On average, enrollees in these plans used 345 inpatient days of care per 1,000 members in the first six months of 2023. That rate increased to 370 days per 1,000 members in 2024. The average decrease for ambulatory visits, physician and other, was 17.2%.