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Medicaid managed care: effects on children's Medicaid coverage and utilization

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Abstract

We use data from the National Health Interview Surveys (NHIS) to measure the effects of the growth of Medicaid managed care on children. We examine both the probability that individual children were Medicaid-covered and their utilization of care. We find that managed care penetration has significant effects on the composition of the Medicaid caseload: Young children are less likely to be covered, while poor school-age children are more likely to be covered. When we examine coverage by race, we find that black children are less likely to be covered where Medicaid managed care organizations (MMCOs) are more prevalent. These lower Medicaid enrollment rates are linked to increases in the numbers of young children who go without any doctor visits in a year. These results suggest that it is important to examine the potential effects of changes in Medicaid on selection into the Medicaid program, rather than focusing exclusively on the effects of managed care on those who are enrolled. In addition, among those enrolled in Medicaid, higher managed care penetration is associated with an increase in the number of black children with chronic conditions who go without doctor visits, but with decreases in the number of Hispanic children and poor teens who go without care.

Keywords: Medicaid managed care; Children; National Health Interview Surveys

The rapid growth of managed care more generally has been accompanied by the growth of Medicaid managed care: Between 1989 and 1994, the period we examine in this study, the fraction of the Medicaid caseload in Medicaid managed care organizations (MMCOs) rose from 6.8% to 24.2%. By 2000 it had reached 56.7% (HCFA, 1989, 1994, 2000). This

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growth started earlier among low-income women and children, though elderly Medicaid recipients have also increasingly been enrolled in managed care.

This paper examines the effects of the growth in Medicaid managed care organizations on children. Specifically, we calculate the fraction of the low-income Medicaid caseload that is in MCOs and ask what effect this measure has on the probability of Medicaid coverage and on the utilization of medical services. Our study differs from previous evaluations of Medicaid MCOs in several respects. First, most previous efforts have examined the effects of MCOs on the utilization of care among Medicaid enrollees in particular plans. In contrast, we examine the effect of Medicaid MCOs on Medicaid coverage and on the utilization of medical care by all lower income children as well as by those who are covered by Medicaid. Thus, we explicitly account for the fact that the growth of Medicaid MCOs may have changed the population that is covered by Medicaid. It is also possible that the growth of both private and Medicaid MCOs has affected the care rendered by non-MCO providers to those without Medicaid coverage.

Second, we use a national sample of data from the National Health Interview Surveys (NHIS). Much of the previous literature emphasizes the differences between types of MCO plans, and focuses on the effects of a particular plan. While we think that this case-study approach is very useful, having a sense of the overall impact of MCOs is likely to prove useful to policy makers. Unfortunately, state identifiers are not available after 1994 in the publicly released data, so we are unable to extend our analysis to more recent years. However, the early 1990s was a period in which MMCOs had been recently introduced in many states, a fact which will aid us in identifying their effects.

Third, we disaggregate our analysis by the age and race of the child, and look for differential effects of MMCOs on the poor and on children with chronic conditions. There are many reasons to expect differences in the effects of managed care between demographic groups. On the demand side, studies indicate that black and Hispanic patients are less satisfied with the care they receive from Medicaid managed care. Minority patients may also be more likely than others to have access to alternative sources of indigent care, such as hospital emergency rooms or public health clinics. On the supply side, managed care organizations are often suspected of "cream-skimming", that is, of systematically selecting the healthiest patients to be enrolled and encouraging the sickest patients to go elsewhere (Leibowitz et al., 1992; Congressional Research Service, 1993). This literature suggests that Medicaid managed care may have different effects on children with chronic conditions than on other children.

We find that the growth of Medicaid Managed Care had significant effects on the Medicaid caseload, shifting it away from black children and young children 2 to 5 years old. These changes appear to have had real effects on the utilization of care by preschool children, increasing the number of these children who received no doctor visits in the preceding year. In addition, we find that among children enrolled in Medicaid, increases in managed care penetration are associated with reductions in the probability that black children with chronic conditions saw a doctor in the previous year, but with increases in the probability that Hispanic children and poor teens had a visit.