



Medicaid Managed Care: Myths and Facts

- Myth** Medicaid managed care is about better coordination of people’s care, which will lead to better health outcomes while saving money.
- Fact** There is no evidence that managed care improves outcomes or saves money. Medicaid managed care is about profits for health insurance companies, which make a profit by denying care.
- Myth** Because their mission is to serve their enrollees rather than to make a profit, not-for-profit managed care organizations should be able to meet all of their enrollees’ health care needs.
- Fact** Not-for-profit managed care organizations, despite their good intentions, face enormous obstacles to meeting their enrollees’ health care needs, including drug and medical equipment suppliers focused on profit, high administrative costs that are intrinsic to the US health care financing system, and the complexity of securing contracts with multiple hospitals and other providers that have their own agendas.
- Myth** Medicaid costs too much because fee-for-service payment leads doctors to provide too much care.
- Fact** There is no evidence that paying doctors fee-for-service leads to higher health care costs. (Doctors are paid fee-for-service in countries that have much lower costs; doctors are paid fee-for-service in areas of the US with both low and high Medicare costs.) Although there is some over-use of health care services in the US system, under-use is a more serious problem for Medicaid enrollees and others. The US spends far more money per person per year on health care than other industrialized countries, but this is due in large part to our profit-driven system and the administrative waste generated by our financing system, not to poor people receiving too much care.
- Myth** Financial penalties for managed care companies that fail to meet certain quality goals will ensure that they provide good service to their enrollees.
- Fact** Financial rewards and penalties are a form of “pay-for-performance” (P4P). The best way to win at P4P is to game the system, and insurance companies are very skilled in that. There is no evidence that P4P improves quality or saves money, and much evidence that it causes harm.
- Myth** Before we can have single-payer health care, we must “reform the delivery system.”
- Fact** Health insurance companies are an insuperable obstacle to reforming the health care system to serve people, not profits. The only just, workable, and sustainable reform is single-payer.

For more details about these facts and myths, including references, email annescheetz@gmail.com. You can also search the websites of Physicians for a National Health Program (pnhp.org) and the Illinois Single-Payer Coalition (ilsinglepayer.org).