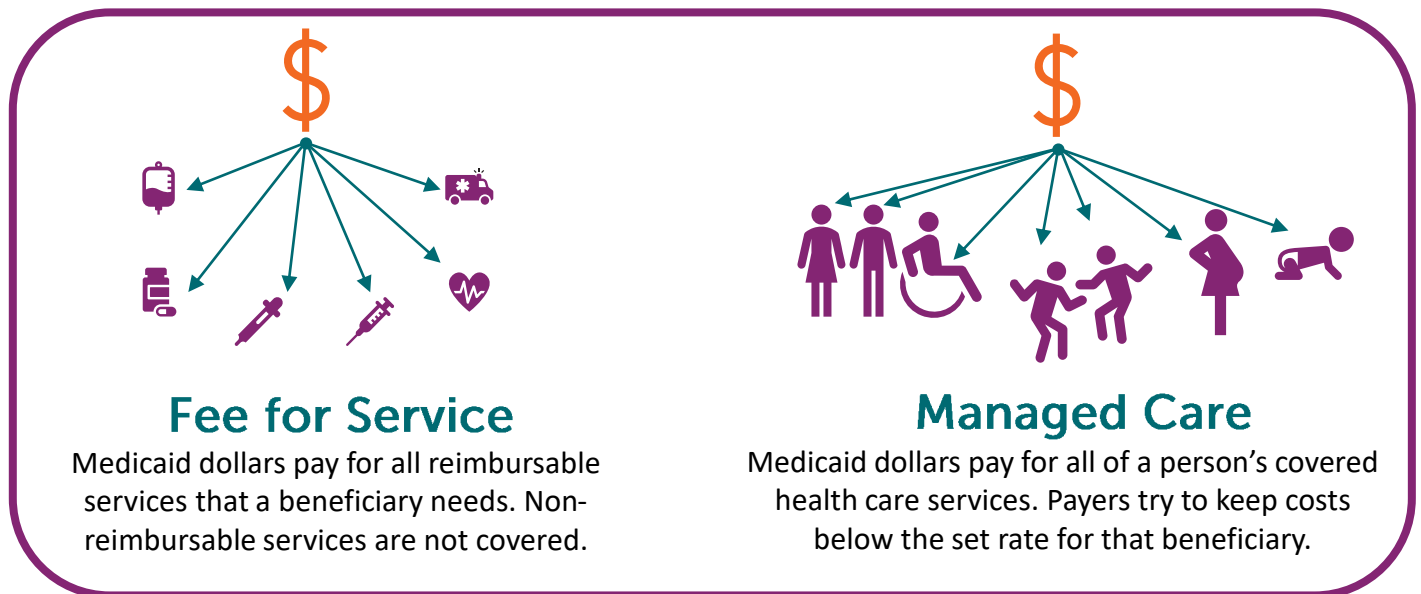


# Medicaid Managed Care and Children

## What is managed care?

Traditionally, Medicaid programs have operated under fee-for-service payments in which health care providers are paid for the services they provide to patients. Managed care approaches instead transfer a set amount of Medicaid dollars to private Managed Care Organizations (MCOs). MCOs insure patients and reimburse providers for health care services.

Managed care tends to promote value over volume. Theoretically this can increase access to lower-cost preventive care and eliminate incentives for unnecessary, costly procedures. MCOs are charged with making decisions about what services to approve or deny (within federal and state requirements for benefits) as they seek to keep costs below the set amount they receive from the state. It is important for state agencies to ensure strong oversight of managed care initiatives to ensure health care is accessible and high-quality.



## Managed care and EPSDT

Since 1967, Early and Periodic, Screening, Diagnostic, and Treatment (EPSDT) has demonstrated how an early investment in preventive care can keep costs low and improve long-term health. In fact, while children make up the majority of Medicaid beneficiaries, they make up less than half of expenditures.

Managed care systems are built on the premise that individual costs can be reduced through health promotion and prevention. Children present a challenge to this premise because EPSDT already keeps costs low while ensuring children have access to the preventive care and treatment that they need. There are opportunities for innovation in pediatric care, however, such as connecting families to unmet needs such as healthy food or safe housing.

While there are limited data about how **alternative payment models** can work for children, pediatric managed care is unlikely to result in short-term clinical cost savings. Instead, experts suggest a different approach to identifying cost savings in pediatric care: first, setting pediatric rates above historic averages, and second tracking health and well-being outcomes across non-clinical domains, such as education and child welfare.

Short-sighted approaches to pediatric managed care can threaten EPSDT. The worst examples include denials of necessary treatment in order to reduce short-term costs. To ensure a high-quality managed care system that truly delivers health, state agencies need to include strong accountability and oversight, stakeholder and family engagement, robust data systems to track key indicators, and transparency for families.