Medicaid Managed Care

Texas awards have MOH gaining at the expense of CNC (again)

Industry Overview

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Major award offers insights into competitive positioning

Late on Thursday, Texas announced awards for the statewide STAR + CHIP Medicaid contracts, slated to go into effect in the 2nd half of 2025. The contract manages >$20b of spending for ~4m patients. While the government did not provide estimates for membership changes, we made our own calculations based on existing county exposure. Of the major MCOs, CNC saw the largest drop in enrollment, which we estimate to be a ~2-3% EPS annualized headwind in 2025. Meanwhile, MOH expanded its presence which we expect to be a 2-3% EPS tailwind. CVS and UNH should see sizable membership gains, while ELV could see some losses, though the financial impacts are <0.5% of EPS given the diversification of the organizations. Finally, we note HUM was added as a new vendor in the state, which is also financially immaterial but puts another stamp of approval on its ability to win Medicaid business organically.

CNC's RFP performance disappoints again

The disappointing performance in Texas is a repeat of what happened in California and a couple of other smaller states. To some degree, membership losses were expected as CNC had above average market share (partially due to the WCG acquisition). However, the losses here (losing 8 of 11 counties) are a little larger than expected. Financially, the impact is still somewhat modest, but hurts sentiment. However, CNC is likely to protest and could regain some membership.

MOH continues to add organic contract wins

Unlike CNC, MOH has been able to consistently add membership in most of the recent RFP reprocurements. In Texas, MOH is going from serving 6 to 7 counties but is likely to gain significant share as CNC (which currently has dominant share) is being removed from the largest county MOH serves (Harris). The continued outperformance at MOH adds confidence in its ability to sustain organic revenue growth going forward.

HUM validates strategy of building business organically

HUM has a small Medicaid business today, but has also shown surprisingly strong results in recent RFPs. HUM was added to 2 smaller counties (from 0), meaning the financial impact is relatively immaterial. However, the continued contract wins validates its strategic decision of growing Medicaid organically rather than acquiring a competitor (as it publicly contemplated a couple of years ago). If HUM performs well in these counties, it is likely to gain more geographies in the next reprocurements (the way MOH did).

Next major contract awards are in FL and GA

The last two major contract awards expected for this year are Florida (another >4m members due March 25th) and Georgia (~2m due between May and June), both of which CNC has above average exposure.

CHIP = Children's Health Insurance Program

MCO = Managed Care Organization

RFP = Request for Proposal

CNC = Centene

CVS = CVS Health

ELV = Elevance

HUM = Humana

MOH = Molina

WCG= WellCare

UNH = United Health Group

TX = Texas

CA = California

FL = Florida

GA = Georgia

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