This paper reviews the major developments during the late 1990s in quality monitoring for Medicaid managed care and offers an assessment of major challenges faced at the year 2000. We highlight the dramatic increase in activities to ensure and improve quality in Medicaid managed care. Prior to these developments, little was known about the actual level of quality of care. Thus, a major accomplishment of the late 1990s is that we now know more about quality, through some key indicators, and that states and plans have implemented activities and structures designed to improve quality. Despite this achievement, there is still a critical gap in our understanding about which activities and structures effectively improve the health of beneficiaries. There are also three operational challenges. First, as state quality assurance and improvement systems become increasingly comprehensive, states are challenged to keep them well coordinated and well targeted to key issues. Second, the dynamics of both plan turnover and enrollment—including steep drops in Medicaid enrollment—present a challenge for measuring and improving quality. A third challenge is to ensure that quality assurance and improvement programs work for enrollees with special health care needs. Finally, devoting sufficient resources to quality monitoring and improvement is a challenge for both states and plans since managed care programs are expected to save money as well as improve quality.

With over half of Medicaid beneficiaries now in Medicaid managed care, ensuring and improving quality and access for managed care enrollees is fundamental to the success of the Medicaid program. In addition, more medically vulnerable beneficiaries with special health care needs now are enrolled in managed care programs, making quality monitoring all the more important. Concerns about quality in Medicaid managed care stem from two main sources: the incentives inherent in capitated managed care for physicians to tend toward undertreatment

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and localized problems in places like Chicago and early scandals in California.\textsuperscript{3,4} Knowing about the quality of care in individual health plans is also central to the concept of value-based purchasing, a paradigm that state Medicaid agencies are working to adopt.\textsuperscript{5,6} In addition, managed care presents an opportunity for improvement because health plans can be held accountable for the health of their enrolled populations; in contrast, there is no locus for accountability in the fee-for-service system.

Spurred by these considerations, state Medicaid agencies increasingly used new tools that became widely available during the late 1990s to assist them in monitoring quality under Medicaid managed care. Federal expectations for quality monitoring also became more specific. As states continue to implement more comprehensive programs and to use the new tools, it is useful to review the major points of progress over the past few years and to assess future challenges. To that end, this paper provides background on the concept of “quality,” reviews the policies that govern and the tools used for the monitoring Medicaid managed care quality in the late 1990s, reports on how these new policies and tools are being implemented, and discusses several major challenges still facing those who seek to ensure and improve the quality of care in Medicaid managed care.

**BACKGROUND: QUALITY**

After reviewing 100 definitions of quality, the Institute of Medicine in 1990 defined quality as “the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge.”\textsuperscript{7} At present, quality monitoring for Medicaid managed care combines two concepts: continuous quality improvement (CQI) and quality assurance.

CQI emphasizes the ongoing improvement of performance and de-emphasizes whether a particular standard of performance has been met.\textsuperscript{8} The major goal of CQI is to improve the overall performance of individuals and the organization. CQI also emphasizes the role of patient preferences and satisfaction in determining health outcomes. While actively supporting CQI, policymakers, advocates, and others still are concerned that a minimum acceptable level of quality be ensured. Thus, current strategies for monitoring managed care quality tend to combine requirements for managed care structures and processes that are believed to be important to ensuring adequate quality with standards that promote and monitor quality improvement as well. Measuring quality is essential both to ensure adequate quality and to assess improvement.

In this paper, we focus on activities aimed specifically at ensuring and improv-