

Rates Update (As of December 6, 2024)

Magellan Behavioral Health of Pennsylvania (Magellan), in collaboration with our county partners, acknowledges that 2024 has been a challenging year. We appreciate your commitment to the PA HealthChoices Program and most importantly, our members.

This email is an update on the current rates guidance received from OMHSAS and Mercer Government Services (Mercer), together with the support of data-based analysis from Magellan and the counties. The rates process remains fluid, and as updates are necessary, we will share additional communications.

For now, it is important for us to share that provider rate increases will not occur in January 2025. In addition, all provider rate increases, and program expansion requests, are temporarily paused due to the current rate packages being offered to our counties from the Commonwealth. Some county-specific program expansions already in progress will continue as planned. Otherwise, we will monitor the Medical spend through Q2 CY2025 and will re-evaluate accordingly. Additionally, we do have the opportunity to request a re-evaluation of our CY2025 Medical capitation rates, through a mid-year adjustment if the Medical spend is materially significant. In the meantime, we encourage all providers to continue to follow our provider rate request process as outlined [here](#), as this information will be used to inform our future processes and strategies.

There are several key facts outlined below that led us to the current situation. It is vitally important we maintain a transparent approach moving forward to achieve positive results for both the PA HealthChoices Program and our members. The key facts include:

- Beginning in May 2023, the Commonwealth began the process of continuous coverage unwinding (CCU), disenrolling members who no longer qualified or did not complete administrative processes to remain enrolled. This CCU process continued through June 2024.
- It was expected that members to be disenrolled were not frequent utilizers of healthcare and as such had lower average costs relative to members that would remain enrolled.
- Capitation rates for CY2024 were developed starting in the spring of 2023, just as the CCU process was beginning, and Mercer actuaries modeled a projected acuity adjustment factor, applying significant judgement, regarding the impact of expected disenrollments on the acuity of the population that would remain in 2024.
- The actual acuity of the population in 2024 has significantly exceeded the level accounted for in the 2024 capitation rates, creating substantial deficits between the behavioral health medical cost of our population in 2024 relative to the 2024 Medical portion of the capitation rates.
- OMHSAS capitation rate revisions from the Fall of 2024 were not only modest relative to the acuity change underfunding in the initial CY2024 rates, but they were also retroactive to only July 1, 2024, instead of January 1, 2024.
- Recent annual utilization trends for the remaining membership that is expected to persist into 2025 have been high and we anticipate a similar scenario will occur in 2025.
- Following our review of the **CY2025** capitation rates from OMHSAS we continue to have concerns around the capitation rate development not sufficiently addressing recent experience in 2024 due to acuity, utilization, and unit cost trends exceeding levels anticipated in rate setting.

Thank you for your continued commitments, and we will communicate future updates as appropriate.