

Overview of BH Capitation Issue February 20, 2025

1. Like every state, PA expanded Medicaid eligibility through COVID with no disenrollment permitted per CMS, and then recently went through a yearlong unwinding period post-COVID. This unwinding now takes people off the rolls who are no longer eligible for Medicaid.
2. Mercer Consulting does the independent actuarial work for OMHSAS for BH HealthChoices. They have acknowledged that there is a problem with last year's (2024) capitation rates given to primary contractors (counties) who in turn contract with Behavioral Health Managed Care Organizations (BH-MCOs) to manage administrative functions and/or assume some or all of the financial risk.
3. They underestimated both the number of people who would be taken off the Medicaid rolls as well as underestimating the acuity of those who would remain enrolled.
4. This double-hit has caused primary contractors to lose literally tens of millions of dollars in each county(ies) contract. Compounding this is the fact that during COVID primary contractors did their best to get the dollars out to the provider community to keep agencies open and solvent. So the perception, or even assertion, that these primary contractors made money during COVID and now are losing some is not an accurate reflection of what has happened (note – while this assertion may be true with PH HealthChoices, BH is a separate issue and managed differently).
5. OMHSAS did a mid-year capitation adjustment effective July 1, 2024 to address the underfunding of the medical spend. This was also only done retroactive to July, while verbally it was stated it would be back to January 2024. The adjusted rates only represented on average 17% of the actual deficit.
6. The public face of this by OMHSAS and DHS has been to highlight the infusion of dollars into the program. Therefore, the public (e.g., providers) believes that dollars will now be available for better rates and more programs. This is far from the fact.
7. Primary contractors have now received their 2025 rates and are stating that they are woefully inadequate, and the losses are not covered and could continue.
8. Primary contractors will have to determine how they will stop the bleeding. Many have been very transparent to the provider community and explained what the issue is, and that there may have to be rate freezes, and certainly no program expansion. There have been anecdotal provider reports of other measures being taken, but until there is objective data gathered, that is unclear.
9. Any additional dollars in 2025 rates and beyond would have to be approved by the legislature. The governor's budget proposed a \$2.5B capitation fix, but the details are unclear at this time.
10. Any amount agreed to by the legislature, however, is again not for new programs or increased rates. It is to fund the actual spend of services going forward and stabilize the program.

This is not “anti-administration,” “anti-OMHSAS,” or “anti-primary contractor/BH-MCO.” Rather, it is an unfortunate situation that we need to develop solutions for without severely negatively impacting the system.