October 2025

Value of Managed Care for Pennsylvania's Medicaid Program

The partnership between Pennsylvania's Department of Human Services (DHS) and the seven MCOs participating in the Physical HealthChoices program has been highly effective in delivering:

- **Strong cost management, shown by per capita cost increases lower than national Medicare trends and those of neighboring states**
- **Excellent quality scores on a large enrollment scale**
- **Programmatic innovations and community investments that exceed DHS' strong set of MCO contract requirements**
- **Robust provider networks that exceed those built under traditional Medicaid structures**
- **A financial model focused on optimally *serving* HealthChoices enrollees, rather than selling to them—the MCOs are operating viably with a modest operating margin.**

Background

The Menges Group was enlisted to assess the impacts of Pennsylvania's Medicaid managed care program on quality, costs, and other important factors.

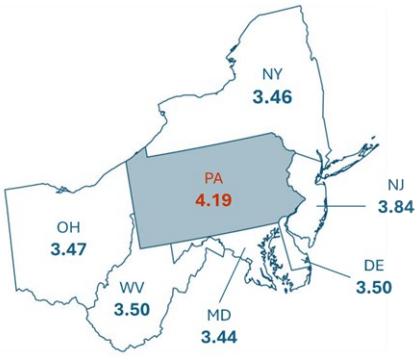
Pennsylvania has widely embraced the managed care model through its Physical HealthChoices program, which serves families and children and has been in operation since 1997. As of July 2025, HealthChoices serves over 2.3 million individuals, ranking 6th in the nation in terms of Medicaid enrollment. From 2013-2024, the share of Medicaid expenditures paid via capitation grew from 48% to 78%, which currently ranks 5th in the nation. Given the size of the program and nearly three decades of continuous operation, HealthChoices offers an extensive body of information for program evaluation.

Exceptional Quality Performance

The National Committee for Quality Assurance (NCQA) is the leading accrediting organization, known for its rigorous criteria and processes for obtaining and maintaining accreditation. NCQA rates health plans on a 1-5 star system based on a combination of quality performance, patient experience, and accreditation status.

In measurement year 2024-2025, Pennsylvania achieved an enrollment-weighted average NCQA score of 4.19 across its Medicaid MCOs, ranking 4th in the U.S.

Pennsylvania delivers a valuable and rare combination of excellent quality scores on a large enrollment scale. Its MCOs collectively serve a larger number of Medicaid enrollees than all three states currently ranked higher: Rhode Island, Minnesota, and Massachusetts.



This strong quality performance has consistently occurred. Across the past nine available years, Pennsylvania's weighted average NCQA rating has been 4.04—well above the typical nationwide average of 3.5.

Additionally, of the 14 Medicaid MCOs nationwide that earned the top rating of 4.5 during 2024-2025 (no plan received a 5.0), four are Pennsylvania health plans—including the two largest Medicaid plans by enrollment.

Pennsylvania also stands out as the only state among its six neighboring states with an average NCQA score above 4.0 across Medicaid plans, further demonstrating its position as a Medicaid quality leader.

Track Record of Strong Cost Management

To evaluate cost trends and management in the program, The Menges Group conducted two key analyses—both demonstrating consistent and effective cost control over time.

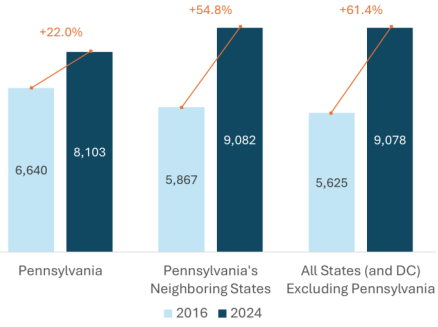
1. Capitation Rate Trends (2018-2025)

HealthChoices capitation payments increased at an average annual rate of 4.2%. In comparison, national Medicare per capita costs rose by 4.6% and national per capita health care costs rose by 5.7% annually during the same period. Pennsylvania's Medicaid managed care costs would have been $3.3 billion higher than actually occurred based on per capita Medicare cost trends, and $13.1 billion higher based on per capita health care cost trends.

2. Medicaid Expansion Cost Trends (2016-2024)

Pennsylvania's Medicaid Expansion per capita costs rose by 22.0% over the 8-year period. In contrast, neighboring states saw a 54.8% increase, and the national average rose by 61.4%. In 2024 alone, Pennsylvania spent $979 less per enrollee than the average of its six neighboring states. If Pennsylvania's spending had matched the regional average, total costs would have been $868 million higher.

Per Capita Cost Trends Among Medicaid Expansion Population



The Menges Group
Strategic Health Policy & Care Coordination Consulting

Programmatic Initiatives and Community Investments

Pennsylvania's Medicaid MCOs are doing far more than simply paying for health services. Through close collaboration with key stakeholders and strategic investments, they improving the health and well-being of hundreds of thousands of Pennsylvanians.

1. Collaborating with DHS to Improve HealthChoices

A strong partnership between DHS and the MCOs has enabled continuous improvements to the HealthChoices program. Key innovations include:

- Expanding patient-centered medical homes to reduce unnecessary emergency department visits;
- Launching a statewide referral system that connects members to community-based resources; and
- Implementing focused strategies to address the opioid crisis.

2. Investing in Communities

MCOs across the Commonwealth have established hundreds of partnerships with community-based organizations (CBOs), providing extensive financial support, sharing actionable data, co-creating community centers, and organizing local health events. These efforts strengthen the capacity of both MCOs and CBOs to serve Medicaid members effectively and align with the goals of DHS, providers, and policymakers.

3. Addressing Social Determinants of Health (SDOH)

Recognizing that health is shaped by more than clinical care, MCOs are implementing targeted initiatives to address key social factors like housing stability, food security, employment support, and transportation.

Innovation Spotlight: One MCO currently employs four housing coordinators who provide education and referrals to state, regional, and local resources for housing needs—including rent and utility assistance, eviction, homelessness, temporary housing, home modifications, and more. In 2023, with just two coordinators, the initiative generated $1.2 million in inpatient savings alongside other positive health outcomes. This strong return on investment supported expansion to four full-time staff. By integrating housing support into the care model, the MCO is improving member well-being and strengthening the sustainability of the Medicaid program.

Provider Partnerships

HealthChoices MCOs play a crucial role in enhancing Pennsylvania's provider delivery system and ensuring members have timely access to high-quality care. Many of these MCOs are owned by or closely affiliated with Pennsylvania's leading health systems.

Through proactive network management, longstanding provider relationships, and innovative expansion efforts, Pennsylvania's MCOs have built robust provider networks that exceed those of traditional Medicaid programs.

To further boost provider capacity and mitigate persistent workforce shortages, MCOs are contracting with specialized providers like physician assistants, doulas, and independent pharmacists, and partnering with health systems to recruit affiliated providers.

MCOs have also adopted strategies to maximize provider capacity, including value-based payment models, expanded community outreach, enhanced provider relations, and tailored rates to meet local needs.

"Our practice has been contracted with [MCO] for the past 10-15 years. We have had the great pleasure of working with many individuals from [the] team. We have never received anything but respect and prompt attention to our clinical, administrative, and financial needs."

—Hanover Family Practice

Value-Added Benefits

Pennsylvania's MCOs offer a wide range of VABs to address member needs that extend beyond traditional clinical care, including:

- **Vision:** 1 routine eye exam per year and 1 or 2 pairs of glasses or contacts annually
- **Telehealth:** Virtual care platform enabling members to connect with emergency room physicians digitally
- **Home Visits:** In-home visits offered for postpartum care, diabetic A1c testing, and well-child visits
- **Nutrition Support:** Assistance with SNAP enrollment, mobile food distributions, and local food referrals
- **Consumer Incentives:** Gift card rewards for completing preventive exams, health screenings, scheduled visits, and more.

Key Takeaways

Pennsylvania's Medicaid managed care program has a longstanding track record of high quality, cost-effectiveness, and thoughtful design. This success is driven by strong leadership from the Commonwealth's Medicaid agency, a myriad of inspiring initiatives and investments from the participating MCOs, broad provider partnerships, deep engagement with community-based organizations, and an openness to adopting new technology. HealthChoices extends far beyond the confines of traditional health coverage and into social determinants of health domains—especially housing and nutrition supports.

Increasingly, Medicaid programs around the country are striving to provide a comprehensive system of health coverage and care coordination. Pennsylvania's managed care program exemplifies what Medicaid can be—and what it can achieve.