Assessment of HealthChoices, Pennsylvania's Medicaid Managed Care Program

Prepared for the Pennsylvania Medicaid Managed Care Organizations (PAMCO)

October 2025

The Menges Group

Strategic Health Policy & Care Coordination Consulting

Pennsylvania's Medicaid Program Embraces Managed Care on a Large Scale

- Pennsylvania's primary Medicaid managed care program, named Physical HealthChoices, currently serves over 2.3 million individuals. Pennsylvania ranks 6th in the nation in terms of total persons covered by Medicaid.
- These persons were enrolled in one of the seven managed care organizations (MCOs) under contract with Pennsylvania's Department of Human Services (DHS).
- Pennsylvania has been among the nation's largest-scale adopters of managed care in Medicaid. From FFY 2013-2024, the share of Pennsylvania Medicaid expenditures paid via capitation increased from 48% to 78%, representing a heightened reliance on a system of care and care coordination for its enrollees. Of the nine states where over 70% of Medicaid expenditures were paid via capitation in FFY 2024, Pennsylvania stands out as having by far the largest Medicaid enrollment.
- Given these statistics, and that HealthChoices has been operating since 1997, an extensive body of information is available to assess the program.

Remaining Slides Summarize HealthChoices Program's Performance in the Following Areas

- Quality
- Cost Management
- State/MCO Partnership Dynamics
- Community Investments
- Provider Partnerships
- Social Determinants of Health

Consistent Achievement of Strong Quality Results

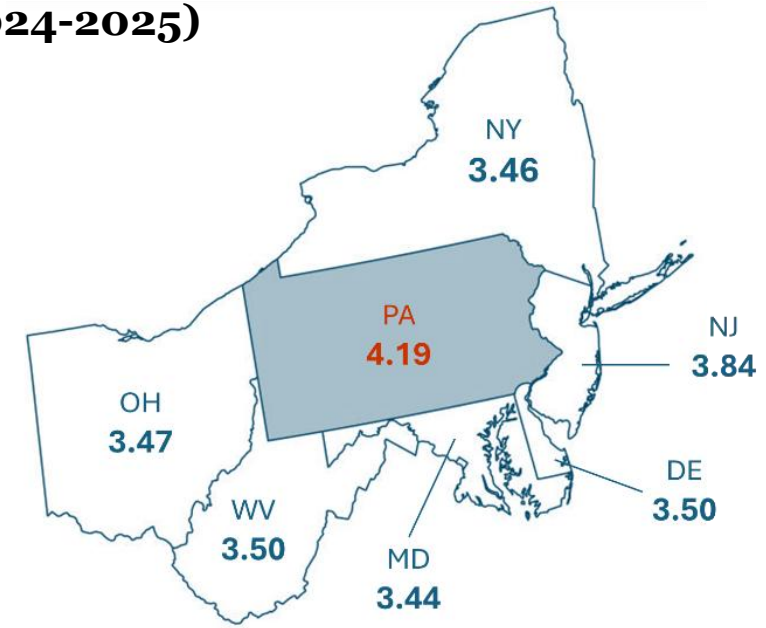
The Menges Group

Strategic Health Policy & Care Coordination Consulting

Pennsylvania's Medicaid MCOs Have Delivered Exceptional Quality Scores

- The National Committee for Quality Assurance (NCQA) is the leading accrediting organization for health plans and produces ratings of all accredited Medicaid plans. Pennsylvania's enrollment-weighted average NCQA score of 4.19 (on a 1-5 scale) for all Medicaid MCOs that reported data in the most recent measurement year (2024-2025) **ranks 4th among all states.**
- Pennsylvania's MCOs deliver a valuable and rare combination of excellent quality scores on a very large enrollment scale. The three states currently ranked higher than Pennsylvania in quality—Rhode Island, Massachusetts, and Minnesota – all have far fewer Medicaid MCO enrollees.

Enrollment-Weighted Average Quality Rating from NCQA for Medicaid MCOs Operating in Pennsylvania and Neighboring States (2024-2025)



NCQA's Average Quality Rating for Medicaid MCOs Operating in Pennsylvania and Neighboring States

- Pennsylvania's Medicaid MCOs have **consistently** delivered strong quality performance. Across the past eight years, Pennsylvania's weighted average NCQA rating has been 4.04, improving to 4.09 across the past five years. These scores are all well above the nationwide average rating of approximately 3.50.
- Of the 14 Medicaid MCOs nationwide that earned the top rating of 4.5 during MY 2024-2025 (no plan received a 5.0), four are Pennsylvania MCOs. These include the nation's two largest 4.5 rated Medicaid plans (in terms of their Medicaid enrollment).

Average NCQA Scores									
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Average (2017-2025)**
4.02	3.88	3.90	4.11	4.06	3.93	4.11	4.14	4.19	4.04

Successful Cost Containment and Cost Trend Management

The Menges Group

Strategic Health Policy & Care Coordination Consulting

Per Capita Costs and Trends for Pennsylvania's Medicaid Expansion Population Have Been Favorable

- We assessed Medicaid Expansion cost trends, as enrollment and costs were publicly available for each state and this population has similar demographics and covered benefits across states.
- Pennsylvania's per capita costs for its Medicaid Expansion enrollees increased by 22.0% across the 2016-2024 timeframe. By comparison, Pennsylvania's neighboring states collectively experienced a 54.8% per capita cost increase during this timeframe, and the nationwide increase was 61.4%.
- Pennsylvania's Medicaid Expansion costs per capita were 13% above the collective figure across the neighboring states in 2016, but were **11% below** the neighboring states as of 2024.
- During federal fiscal year (FFY) 2024, Pennsylvania's Medicaid Expansion expenditures were $979 per enrollee lower than occurred across the six neighboring states. Multiplying this per person differential by Pennsylvania's average Medicaid Expansion enrollment during 2024 (approximately 887,000) indicates that **Pennsylvania's costs were $868 million below** what would have occurred in that year (had Pennsylvania been at the neighboring states' average).

HealthChoices Has Achieved Excellent Financial Balance

Pennsylvania's Medicaid managed care program has achieved an ideal outcome:

1. The MCOs have operated viably when their operating margins are averaged across years (despite occasional losses occurring, including program-wide losses during 2024).

2. The MCOs' percentage operating margin has been modest, befitting a program that serves Pennsylvania's low-income population. Across the 10-year period 2015-2024, the collective operating margin across Pennsylvania's Medicaid MCOs was 2.3%. The five-year averages are:

    - 2.4% across 2015-2019
    - 2.2% across 2020-2024

Overall Per Capita Cost Trends Have Been Managed Well

- Trends in the HealthChoices capitation rate payments were quantified across the 2018-2025 timeframe, with increases averaging 4.20% annually. As a comparison point, national per capita Medicare costs increased by 4.58% annually and national per capita health care costs increased by 5.66% annually from 2018-2023.
- While this may appear to be minor differentials, 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 throughout the 2018-2025 time period.**

Critical Role of Pennsylvania's Department of Human Services (DHS) in the Success of the HealthChoices Program

The Menges Group

Strategic Health Policy & Care Coordination Consulting

DHS Exemplifies How the "Public Side" of a Public/Private Partnership Can Foster Success

DHS' contributions to the HealthChoices program's success are detailed in the full report, grouped into these categories:

- **Contractual Requirements for the Medicaid MCOs**: DHS has established a "high bar" in terms of the volume and nature of the requirements all participating MCOs must meet. Examples include accreditation, value-based purchasing, and staff qualifications (including minimum thresholds for hiring those formerly covered by Pennsylvania Medicaid).
- **Competitive Procurements**: Pennsylvania's Medicaid MCOs must win contract awards through a highly competitive procurement, whereby DHS selects only a handful of top-qualified MCO partners in each geographic region. These procurements push the MCOs to innovate and operate above the "high bar" of contract requirements mentioned above.
- **Collaborative Efforts**: DHS spearheads an array of programs and initiatives that all the MCOs participate in through collaborations both with DHS and with one another. Examples of current areas of collaboration include patient-centered medical homes, community-based care management, opioid use disorder, Hepatitis C, pay for performance (P4P) programs, telephonic psychiatric services, and deployment of community health workers.
- **Ongoing Program Oversight**: DHS also fulfills its regulatory role ensuring that its contract requirements are adhered to by the participating MCOs, implementing corrective actions where appropriate.

Effective Collaboration between DHS and MCOs (Example)

The Telephonic Psychiatric Services (TiPS), nearing its tenth year, exemplifies effective collaboration between DHS and the HealthChoices MCOs. TiPS supports members up to age 21 by facilitating timely behavioral health (BH) interventions during primary care visits. When a primary care provider identifies a need for BH services, they can immediately consult with a BH professional via phone to determine next steps. An MCO executive described the program in the following manner:

"Through TiPS we can support and have open discussions regarding opportunities, strengths and trends with our fellow MCOs. We can discuss ways to provide more innovation to the HealthChoices program and improve the health outcomes of the communities we serve. Also, the TiPS program is designed to help pediatricians with behavioral health issues that can be seen in primary care to help bridge the gap of shortages in the behavioral health provider space."

Myriad of Wonderful Programs within HealthChoices

A Myriad of Wonderful Programs Occur within HealthChoices

- The programs that Pennsylvania's Medicaid MCOs have implemented that go beyond merely "paying for health services" are so vast that adequately capturing them posed a significant challenge in our report
  - Our report includes a small proportion of the programmatic information we received from the MCOs, which still spans dozens of pages.
- The depth of what is taking place within Pennsylvania's Medicaid managed care program is magnificent and collectively touches hundreds of thousands of Pennsylvanians in a positive manner.

Community Investments and Outreach

MCOs across the Commonwealth have established hundreds of partnerships with community-based organizations (CBOs). 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. Examples of the types of support provided by the MCOs include:

- Pennsylvania's Medicaid MCOs provide a large stream of funding to community-based organizations (CBOs), helping these organizations fulfill their missions and, in the process, meeting the shared objectives of many Pennsylvania stakeholders—DHS, MCOs, providers, enrollees, policymakers, etc.
- The Medicaid MCOs all host and/or support a wide array of community health events each year.
- The MCOs hire local community health workers -- and often help other CBOs do the same.
- Many MCOs directly operate community wellness and enrollee support centers, located in low-income neighborhoods.
- MCO staff provide extensive community volunteer hours, in addition to their extensive involvement during regular work hours.

Impact of MCO Community Outreach (Example)

"I feel lucky to have Alma, [my community health worker], she has helped me from transportation to calming me down. When everything is upside down, [she has] been there to support me and doing the best to support me and my family. My children have MA assistance because [she has] supported us. My communication with the doctors is better since I am taking notes. I have SNAP and I have an option to apply for SSD or SSI."

—Member Testimonial

Enduring and Effective Provider Partnerships

Pennsylvania's Medicaid MCOs Team Up Constructively with the Provider Community

- Medicaid MCOs play a crucial role in enhancing Pennsylvania's provider delivery system and ensuring members have timely access to high-quality care. Most of Pennsylvania's Medicaid MCOs are owned by or strongly affiliated with Pennsylvania health systems.
- Through proactive network management, innovative expansion efforts, and longstanding provider relationships, Pennsylvania's Medicaid MCOs have established robust provider networks that exceed those built under traditional Medicaid structures.
- To further enhance provider capacity and mitigate persistent workforce shortages, Medicaid MCOs are taking steps such as contracting with specialized providers like physician assistants, doulas, and independent pharmacists and partnering with health systems to recruit affiliated providers into their networks.
- Additionally, MCOs have adopted proactive, innovative measures to maximize provider capacity, including implementing value-based payments (VBP), increasing community outreach, strengthening provider relations, and offering tailored rates in specific situations.

Pennsylvania's Medicaid MCOs Drive Innovation in Value-Based Care

- DHS requires the Medicaid MCOs to have VBP programs in certain areas (e.g., maternity care, rural health, dental care, etc.) and set target spend requirements for the VBP programs.
- Many HealthChoices MCOs go above and beyond the Department's goals by implementing additional VBP programs and surpassing the target spend requirements for the required programs.
- The VBP programs span a continuum from being highly targeted to influence a specific enrollee subgroup and need, to being nearly all-encompassing across the MCOs' membership. For example, one MCO's VBP program encompasses 94% of their Medicaid enrollees.

In 2023, one MCO distributed $2.7 million dollars of shared savings and quality incentives among five of the six ACOs under contract. All six ACOs achieved additional quality bonuses.

One of the ACOs shared, *"[We] have invested the ACO incentive payments towards the development of an Enterprise Incentive Bonus program for our employees designed to promote quality and closure of care gaps, improve access to care, and enhance operational process improvement efforts."*

Efforts to Assess and Address Social Determinants of Health (SDOH)

HeathChoices MCOs Operate Extensively in the SDOH Arena

- Pennsylvania's Medicaid MCOs support their enrollees' housing, nutrition, employment, and other SDOH needs in many ways, including extensive data capture efforts to discern individual enrollees' SDOH circumstances. The full report contains dozens of specific examples of these SDOH initiatives.
- One example is conveyed below, illustrating a data-driven approach to assessing the program's impacts (in this case, leading to an increased investment).

One Medicaid MCO currently employs four housing coordinators (two in the Lehigh/Capital zone and two in the Southwest zone) who provide education and referral assistance to state, regional, and local resources to address housing needs. This includes issues related to rent and utility assistance, desire for relocation, eviction, homelessness, temporary housing, home modifications, landlord disputes, lead abatement, and basic budgeting skills.

In 2023, with two housing coordinators supporting the program, the initiative demonstrated an inpatient savings of $1.2 million (among other favorable impacts). These results demonstrated a considerable return on investment for the MCO in hiring these community health workers, enabling the MCO to expand the program to four staff. This expansion will broaden the program's expected health and quality of life benefits for the MCO's enrollees – as well as deliver further net savings to the MCO and the Medicaid program.

Concluding Observations

A Few Closing Observations….

- HealthChoices epitomizes a successful public/private partnership.
- HealthChoices also epitomizes what Medicaid can be for those it serves, and the value of a well-designed, expertly implemented system of care and care coordination in the Medicaid arena.
- The program, now in place for decades, has delivered exceptional quality of care and access to care for Pennsylvania's Medicaid population, while managing costs effectively for the Commonwealth's taxpayers.
- The vast programmatic features each MCO has implemented above their (considerable) contractual requirements made all of us involved in preparing this report grateful to have a role in its compilation.
- The staff at DHS and at the HealthChoices MCOs deserve to be proud of what they do and what they have accomplished.