



October 21, 2024

The Honorable Xavier Becerra  
Secretary  
Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

The Honorable Chiquita Brooks-LaSure  
Administrator  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, MD 21244

The Honorable Neera Tanden  
Director  
Domestic Policy Council  
The White House  
1600 Pennsylvania Ave NW  
Washington, DC 20500

**RE: Adjusting Medicaid Capitation Rates to Reflect Post-Unwinding Population Acuity and Utilization**

Dear Secretary Becerra, Administrator Brooks-LaSure and Director Tanden,

The recent Medicaid redeterminations have resulted in a significant loss of coverage for over 25 million individuals, particularly for low-acuity and low-utilization beneficiaries, leaving a covered population that is sicker, higher-need, and higher-cost. Despite this shift, current Medicaid rates in many states fail to reflect post-unwinding acuity and utilization trends. In one state, the actual patient acuity is double what was forecast and claims are triple the current rate assumptions. In another state, inpatient hospital costs per claim increased by 16 percent and utilization per 1,000 members increased by 6 percent. Current capitation rates do not reflect this uptick in utilization and inadequate rate assumptions place several managed Medicaid plans across the country at substantial financial risk.

We appreciate the recent constructive discussions health plans have had with CMS and HHS on the devastating impact inadequate rates will pose to both beneficiaries and health plans' ability to serve them.

The Alliance of Community Health Plans (ACHP) and Association for Community Affiliated Plans (ACAP) represent mission-driven, not-for-profit, regional health plans that have expressed significant concern about the sustainability of managed Medicaid plans if capitation rates are not adjusted to more accurately reflect member acuity and utilization.

**We urge the Administration to continue working work with state leaders to adjust Medicaid capitation rates for 2024 and establish actuarially sound rates for 2025, and to exercise its statutory authority to review and certify adequate state Medicaid**

**capitation rates.** Our members have provided states with updated 2024 data that reflects the true patient acuity and utilization patterns. Plans are confronting significant upticks in utilization across the board, including in prescription drugs and behavioral health services. Some plans have observed a nearly 200 percent increase in utilization of high-cost drugs, such as Glucagon-like peptide-1 (GLP-1). However, rates do not reflect this surge, and many plans have been presented with egregiously low rates that completely negate current costs, acuity and utilization.

Inadequate rates could force managed Medicaid plans to exit the Medicaid program, causing further disruptions to care access following the unwinding. Medicaid serves as the largest line of business for many of our member plans, and these plans cover a significant portion of beneficiaries throughout their states. Some of our member plans serve single regions within their states and are unable to shift risk across markets. Other member plans or their integrated health systems are among the largest employers in the state, making inadequate capitation rates a serious risk to local economies. Severe financial losses to these local companies could result in cuts to the workforce, or worse, entire cessation of operations.

The narrative that health plans retained "excess" rates during the pandemic – or are reaping large profits now – is misplaced. Many ACHP and ACAP member plans were subject to clawbacks, medical loss ratio changes, risk corridors and other factors that reduced their margins when redeterminations were paused. The assumption that health plans have extra money from the pandemic years to cover any losses is simply untrue; rate setting is an annual process that, according to actuarial soundness standards, must be based on current-year actuarial needs.

Managed Medicaid plans are currently experiencing extraordinary pressure related to the unwinding, among other market trends. Left unadjusted, inadequate capitation rates will have significant implications for Medicaid beneficiaries in many states across the country. ACHP and ACAP appreciate your support to ensure the financial viability of the Medicaid program and the health plans partnering with states to deliver high-quality coverage and care to tens of millions of Medicaid beneficiaries. We look forward to continuing our partnership to provide comprehensive coverage and affordable care to all Americans.

Sincerely,



Ceci Connolly  
President and CEO  
Alliance of Community Health Plans



Meg Murray  
CEO  
Association for Community Affiliated Plans