



September 5, 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 & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

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

Dear Secretary Becerra and Administrator Brooks-LaSure,

Health plans delivering comprehensive coverage and care to Medicaid beneficiaries are facing unprecedented challenges. CMS projects national health expenditure growth (5.6%) to outpace that of average gross domestic product (4.3%) growth over the next decade, primarily driven by drastic fluctuations in Medicaid enrollment. More than 25 million beneficiaries and counting have lost coverage from the arduous Medicaid redeterminations process, particularly those with lower acuity and utilization.

Accurate capitation rates are essential to the financial viability and quality of care provided by health plans participating in the Medicaid program to ensure the effective management of patient needs. Beneficiaries maintaining their Medicaid coverage reflect a population with heightened levels of acuity and utilization. The resulting smaller, sicker risk pool presents immediate and significant challenges if Medicaid capitation rates are not adjusted to reflect the new population.

Additionally, there are significant pharmacy cost issues with underestimation of high-cost drug expenditures, including Glucagon-like peptide-1 (GLP-1) drugs, new sickle cell treatments and state adoption of single formularies. For example, in one state, GLP-1 drug utilization has increased by 32 percent since Q4 2023, increasing costs by \$4 per member per month. These costs have not tapered, and this level of utilization is not reflected in the capitation rates. Unfortunately, many states are experiencing similar utilization trend spikes and lack of costs incorporated into rates.

Suppressed service utilization during the COVID-19 pandemic and emerging trends in utilization will also continue to negatively impact FY 2025 rates. Most states experienced the greatest fluctuations in enrollment in the third quarter of 2023. Consumers that remained on Medicaid after redeterminations were observed to have higher utilization than before redeterminations started. In one state, inpatient hospital costs per claim increased by 16 percent and utilization per

1,000 members increased by 6 percent. Current Medicaid rates do not reflect this heightened level of utilization or fluctuations in enrollment.

We strongly urge HHS to immediately provide federal support for states to consider using post-redetermination acuity and utilization data to adjust the capitation rate for this fiscal year and to consider adjustments for FY 2025. While we support modernization efforts of Medicaid capitation rates through standards that ensure alignment, fairness and reflect the true costs of care, this adjustment will help maintain the quality of care and support for Medicaid enrollees, especially those with complex needs, by accounting for the higher demands placed on the system.

ACHP appreciates 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,

A handwritten signature in cursive script that reads "Ceci Connolly".

Ceci Connolly
President and CEO
Alliance of Community Health Plans

CC: Dan Tsai, Deputy Administrator and Director of the Center for Medicaid and CHIP
Rachel Pryor, Counselor to the Secretary, Department of Health and Human Services
Stacy Sanders, Chief Competition Officer, Department of Health and Human Services
Paul Spitalnic, Chief Actuary, Centers for Medicare and Medicaid Services