



February 18, 2026

CCO Capitation Rates Overview

Joint Committee on Ways & Means Human Services Subcommittee

Rochelle Layton, CFO, OHA

Chelsea Guest, CCO Finance Director

Agenda

- CCO Rate Setting Elements
 - CCO Program Financial Indicators
 - CY2026 Rate Process and Lane County transition
 - Health Care Cost Growth Target
 - CY2026 CCO Rates Impact and Future Growth Impact on Budget
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Capitation Rate Setting Elements

What are Capitation Rates?

*OHA expects CCOs to operate within their global budget, which aligns with the Legislature's growth targets at a statewide level when actuarially achievable.
Efficient, high-quality care is rewarded within rate growth limits*

Key highlights about Medicaid capitation rates:

- Monthly fixed payments for OHA to CCOs for OHP member care
- Rates vary by eligibility cohorts (e.g., PCR, ABAD, ACA) and are unique per CCO
- Maternity care is paid via separate case rates
- Capitation rates are separate from Healthier Oregon, Bridge-BHP, and non-Medicaid dental
- More info available on the [OHP Rate Development Website](#) – including rate summaries, contract rate sheets and actuarial certifications

CCO Capitation Rate Key Elements

Note: Figures are CY26 Medicaid rates on projected CY26 caseload

- **Statewide Medical and Services Costs:**

OHA takes claims and financials from the CCOs to reflect the costs of the program from the most recent complete calendar year

- ~\$6.4 B in CY2026

- **Program Changes and Trend:** Adjustments needed to take the historical costs and project it into the upcoming contract year (e.g., CPI, benefits, population changes, etc.)

- ~\$1.3 B in CY2026

- **CCO Admin and Risk Contingency:** OHA pays a tiered admin % reflecting each CCO's size, plus a 2% underwriting margin, Performance Based Reward, and 2% MCO tax

- ~\$1.1 B in CY2026

- **Regional and CCO Specific Factors:** OHA uses member-risk, hospital cost and regional differences to allocate the rates to each CCO that is unique to their cost pressures.

- Budget neutral allocation

CCO Financial Elements - Outside of Rates (matched)

Note: Figures are annualized

- **Quality Incentive Pool:** OHA pays CCOs a incentive payment depending on their metric achievement each year. The percentage is above and beyond the CCO rates and the percentage is determined based on budget.
 - ~\$238 M Projected for CY2025 (3.0% of rates)

- **Risk Corridor Settlements:** OHA offers cost risk protections to CCO and the state for new or emerging programs. Each corridor may result in no payment, a payment to a CCO or a payment from the CCO to OHA.
 - ~\$10M in payments, \$119 M in recoupments (majority for HOP) for CY2024

- **Separate Term Directed Payments:** OHA has separate directed payment programs that pay CCOs when specific services are rendered. (e.g., related to provider tax)
 - ~\$2.2 B projected for CY2026

- **Medical Loss Ratio Rebates:** OHA reviews each CCO's spending on medical and health-related services. If a CCO falls below the annual threshold, it must reinvest the shortfall into approved community projects.
 - CY2024 was ~\$5m from one CCO

Actuarial Soundness and Budget Considerations

Capitation rates navigate between forces that can be in tension with one another

Actuarial soundness

CMS regulations require that rates are projected to provide for all reasonable, appropriate, and attainable costs under the terms of the contract for the time period and the population covered.

Actuarial soundness is not budget driven to achieve the target growth rate

Budget

Medicaid budget has been set based on a fixed annual increase from prior year's cost

Legislature determines the final budgeted inflation

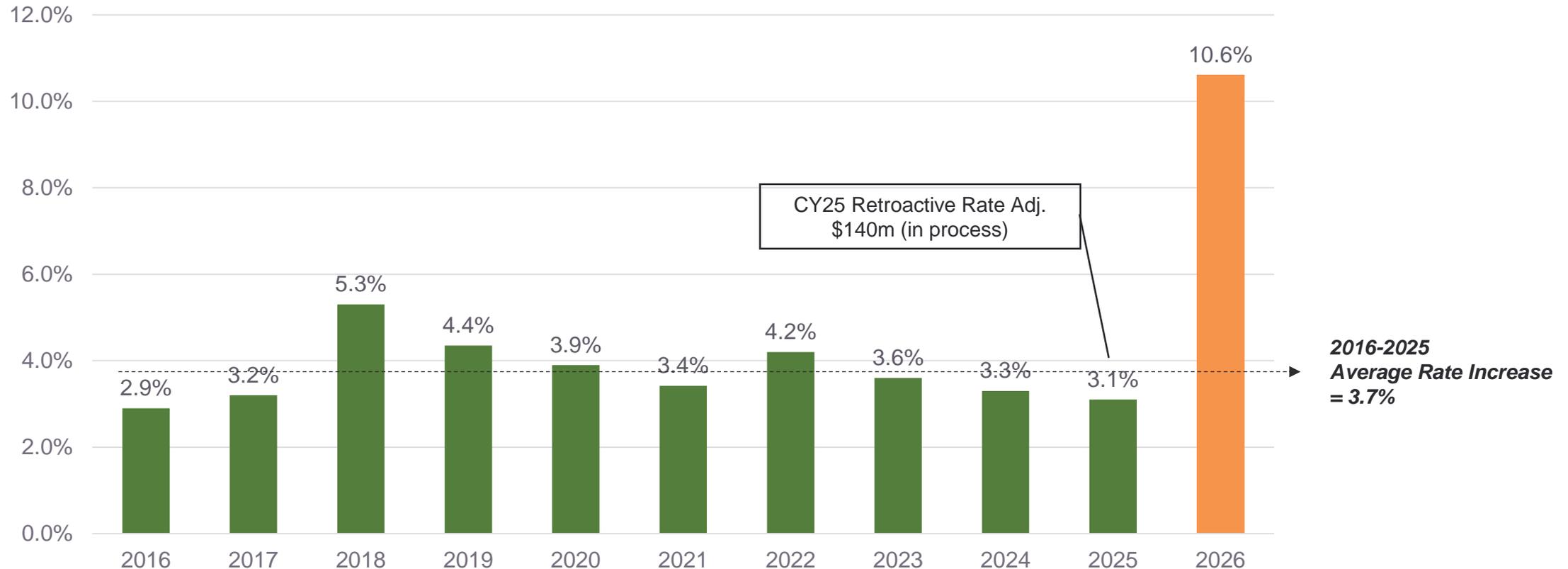


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CCO Program Financial Indicators

Oregon Medicaid Capitation Rates Over The Years

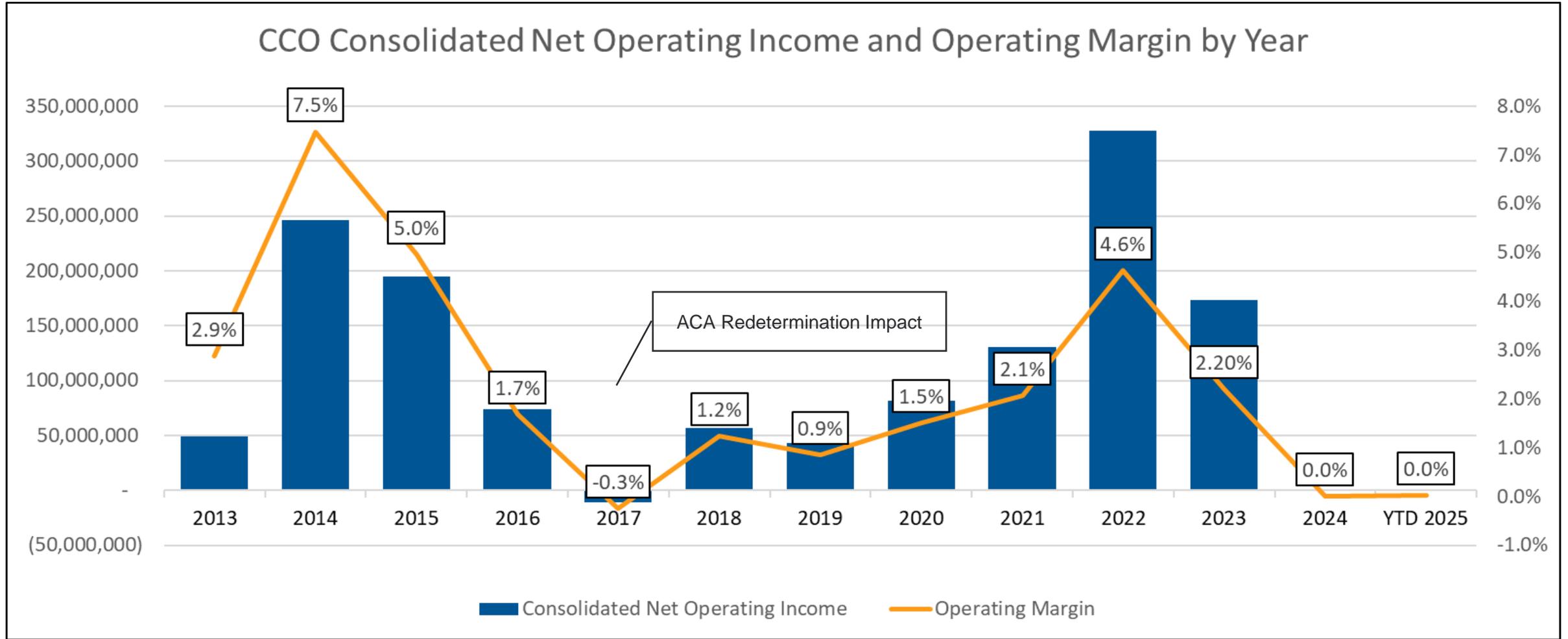
Annualized growth rate has been consistent at a statewide level, with the exception of 2018 and 2026



- The year over year rate increases for Oregon Medicaid's capitation rates has stayed consistent around the 3.4% budget target. 2018's YoY rate increase was due to the ACA redetermination; some other years were impacted by Legislatively-funded benefit improvements. 2026's projected rate increase of 10.6% is well beyond historical levels.
- Chart is in total funds; however, state fund increases targeted 3.4% in most years resulting in slightly different total fund impacts.

CCO Program Financial Performance

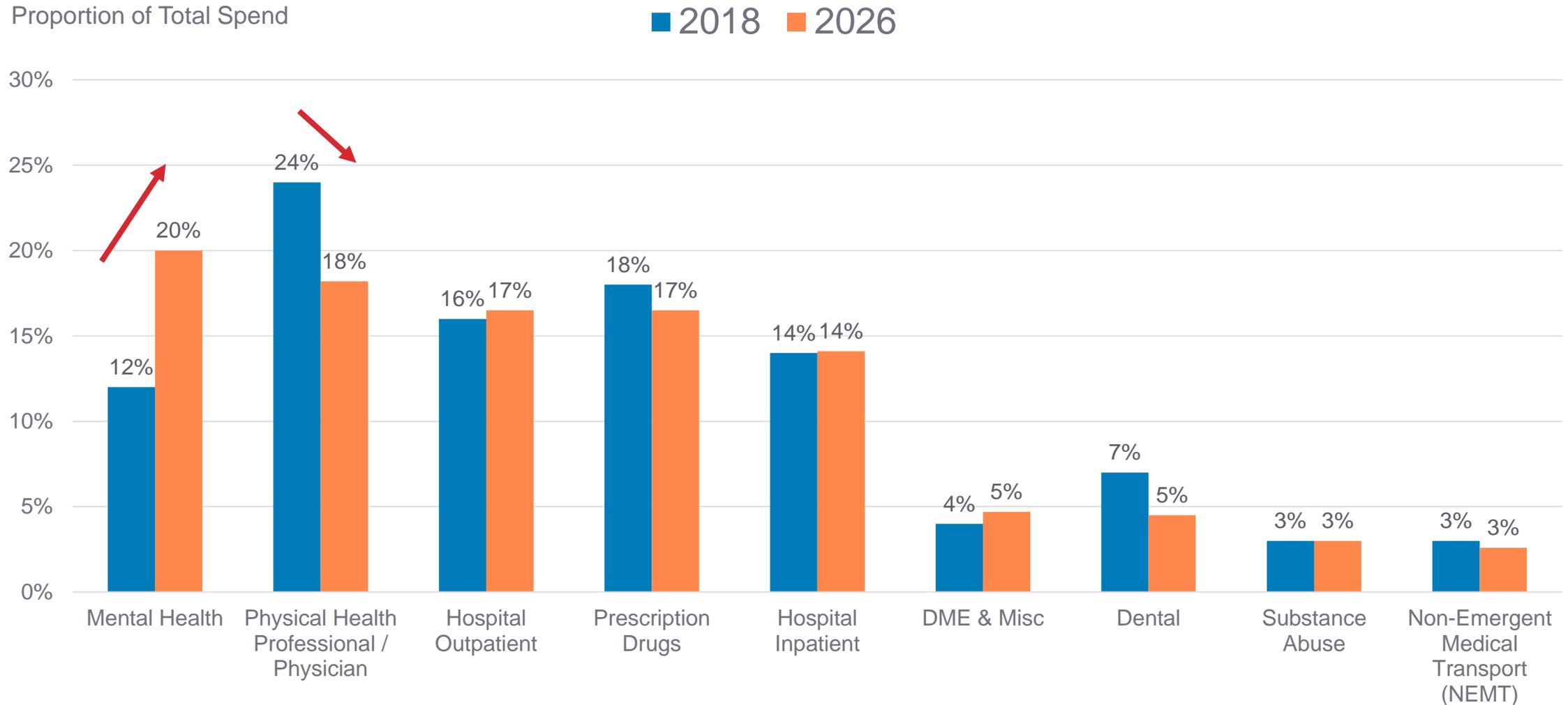
After ACA/PHE redetermination efforts, CCOs have seen dips in profits across the program. In 2024/2025, reduced membership was also accompanied by a surge in utilization in behavioral health.



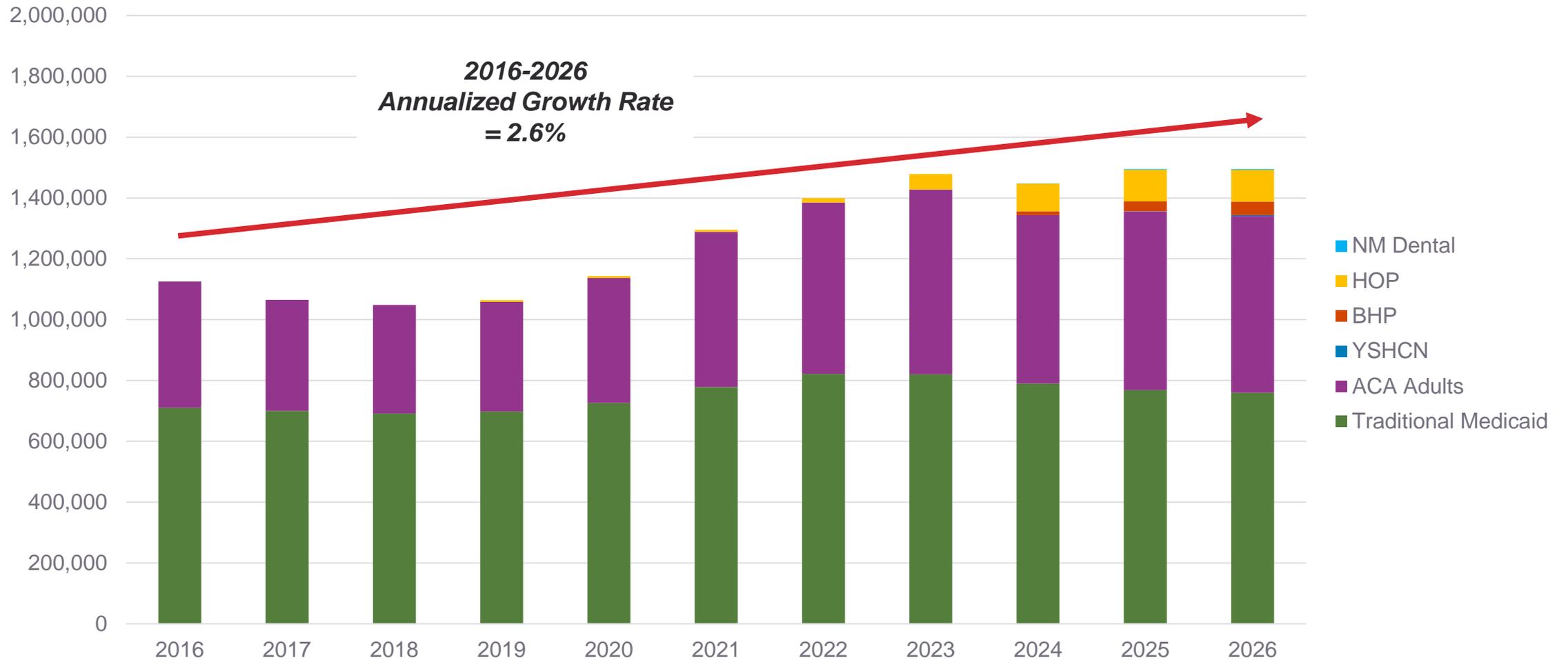
<https://www.oregon.gov/oha/FOD/Documents/Q4%202024%20Public%20Brief.pdf>

Distribution of Service Categories

Since 2018, there has been a shift to more mental health spending and a drop in Physical Health spending as a percentage of the capitation rates.



Medical Assistance Membership Growth



Oregon Medicaid Capitation Rates Over The Years

The statewide average PMPM rate has changed as the population and spending patterns have changed.



- The statewide average Per Member Per Month (PMPM) capitation rates reflect changes to the underlying population over the years. As a result, direct comparisons of these PMPMs year over year are incomplete due to underlying population changes. See slide 4 for annual rates of capitation growth that hold membership constant for each year over year rate increase.



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2026 Capitation Rate Process

CY2026 Capitation Rate Development Timeline



- **May/June 2025 Data & Analysis:** Mercer analyzed 2024 financials/claims (including emerging Q1 2025) to develop CCO capitation rates for CY26.
- **July 2025 Budget Targeting:** OHA selected a point within the actuarially sound range using policy levers to meet budget goals. The 3.4% target did not fall within the actuarial sound rate range.
- **August 2025 Initial Draft & Feedback:** Draft rates (based on 2024 data and Q1 2025) were shared August 1; **CCOs provided significant concern and feedback during CCO 1:1 meetings.**

Key Themes – CCO Feedback in August



- **Escalating Cost Pressures:** Cost growth is accelerating; particularly in behavioral health for 2024 and expanding to both behavioral and physical health in 2025. OHA requested Q2 2025 data from CCOs to validate their concerns and observed the persisting high trends.
- **Urgency for Collaboration:** CCOs requested further partnership with OHA to ensure program sustainability and expressed concern over the short statutory timeline for responding to rate changes and exploring policy changes.
- **Reduced Risk Tolerance:** Declining reserves and capital in 2024 and 2025 have lowered CCOs' appetite for absorbing financial risk.
- **Immediate Cost-Cutting Measures:** Due to 2025 financial pressures, CCOs are already reducing networks and adjusting reimbursement.

In response to feedback, OHA extended the non-renewal deadline, facilitated policy and contract change discussions, which included developing risk mitigation offers

CY2026 Revised Rate & Extended Process



- **August 2025 Updated Trends:** Emerging Jan-Jun 2025 data was submitted by CCOs in mid-August and showed even higher trends, prompting Mercer to revise rate ranges.
- **Sept. 4th Revised Rate Range:** OHA published the updated rates with a significant increase supported by CCO data and draft contract for CCO non-renewal notification (deadline Sept. 18th)
 - OHA received one non-renewal notification from PacificSource-Lane and the member transition to Trillium was processed on 2/1/2026

Average Medicaid Capitation Rates by Cohort

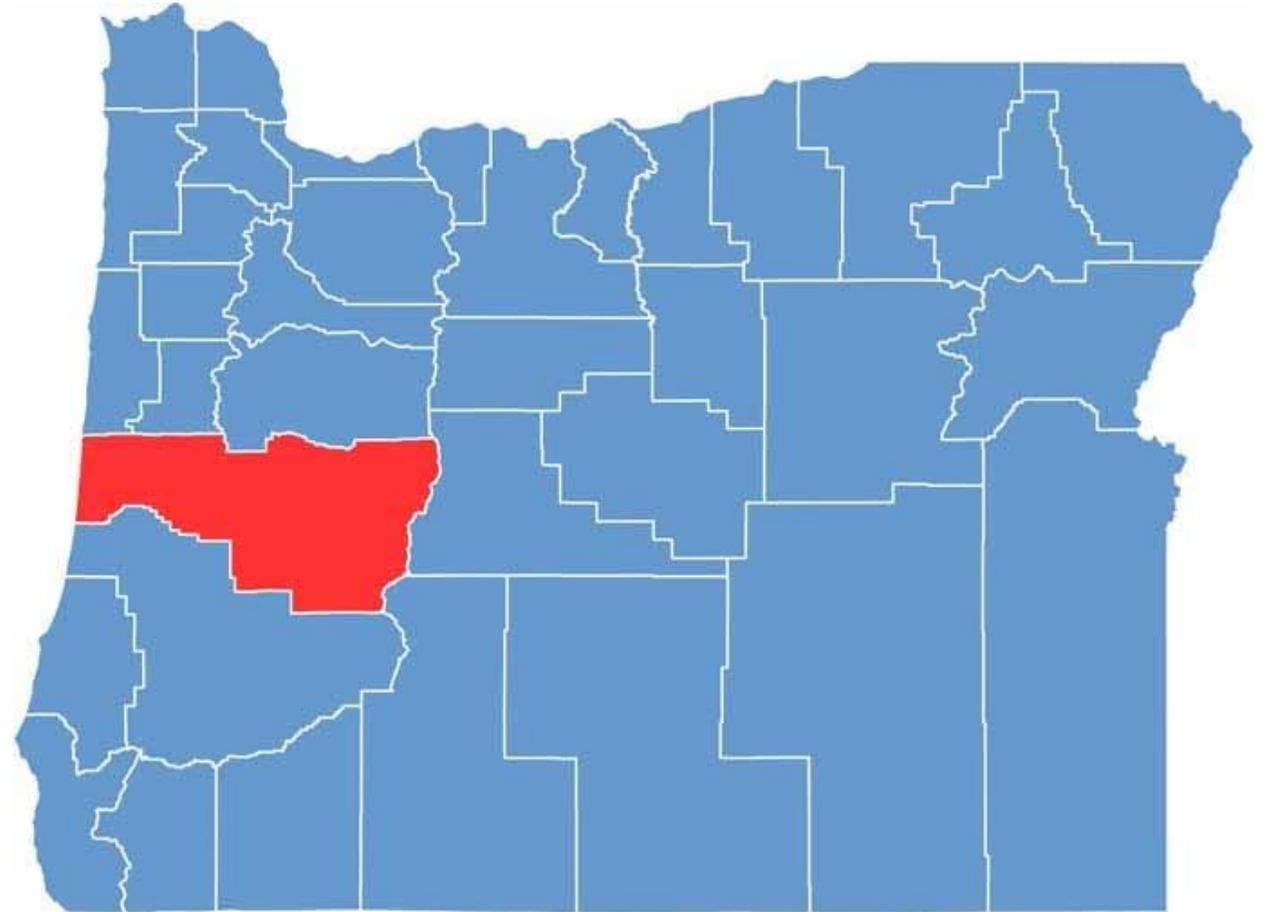
Rate Group	CY26 Caseload Forecast ¹	CY25 Rate Excl. MCO Tax	CY26 Rate Excl. MCO Tax	% Difference
PCR	1,173,763	\$ 561.80	\$ 664.00	18.2%
PWO	176,801	\$ 531.96	\$ 582.31	9.5%
CHILD 00-01	268,082	\$ 1,017.87	\$ 1,083.49	6.4%
CHILD 01-05	1,288,470	\$ 225.03	\$ 248.86	10.6%
CHILD 06-18	3,431,818	\$ 269.05	\$ 302.41	12.4%
DUAL-MEDS	952,206	\$ 313.49	\$ 327.45	4.5%
ABAD & OAA	610,183	\$ 1,641.70	\$ 1,789.66	9.0%
FOSTER	155,362	\$ 824.08	\$ 975.63	18.4%
ACA 19-34	2,929,655	\$ 437.16	\$ 456.70	4.5%
ACA 35-44	1,438,202	\$ 593.81	\$ 680.46	14.6%
ACA 45-54	1,082,666	\$ 795.47	\$ 875.91	10.1%
ACA 55-64	1,038,388	\$ 909.03	\$ 1,002.34	10.3%
YSHCN	37,603	\$ 521.25	\$ 566.36	8.7%
BCCP	844	\$ 1,645.52	\$ 1,793.44	9.0%
Maternity	13,693	\$ 13,257.00	\$ 16,340.04	23.3%
Total	14,597,068	\$ 535.60	\$ 592.41	10.6%

CY26 CCO Comparison – Final Rates

Coordinated Care Organizations	Rate Group	CY26 Caseload Forecast (MM)	CY25 Rate Excl. MCO Tax	CY26 Rate Excl. MCO Tax	% Difference
Advanced Health, LLC	Total	313,450	\$ 579.11	\$ 635.87	9.8%
AllCare CCO	Total	735,046	\$ 507.40	\$ 564.64	11.3%
Cascade Health Alliance, LLC	Total	300,153	\$ 524.00	\$ 577.17	10.1%
Columbia Pacific CCO, LLC	Total	409,769	\$ 632.93	\$ 669.46	5.8%
Eastern Oregon Coordinated Care Org., LLC	Total	829,804	\$ 592.63	\$ 647.91	9.3%
Health Share of Oregon	Total	4,855,390	\$ 513.90	\$ 573.85	11.7%
InterCommunity Health Network, Inc.	Total	919,873	\$ 580.47	\$ 637.71	9.9%
Jackson County CCO, LLC	Total	727,611	\$ 516.95	\$ 592.00	14.5%
PacificSource Community Solutions (Central)	Total	847,509	\$ 626.13	\$ 680.36	8.7%
PacificSource Community Solutions (Gorge)	Total	193,250	\$ 553.05	\$ 619.97	12.1%
PacificSource Community Solutions (Lane)	Total	1,038,622	\$ 517.50	\$ 584.07	12.9%
PacificSource Community Solutions (Marion Polk)	Total	1,613,604	\$ 531.53	\$ 584.00	9.9%
Trillium Community Health Plan, Inc. (Tri-County)	Total	589,325	\$ 446.22	\$ 464.50	4.1%
Trillium Community Health Plan, Inc. (Southwest)	Total	389,508	\$ 503.71	\$ 558.85	10.9%
Umpqua Health Alliance	Total	445,725	\$ 553.19	\$ 606.74	9.7%
Yamhill Community Care	Total	388,428	\$ 544.58	\$ 610.30	12.1%
Statewide	Total	14,597,068	\$ 535.60	\$ 592.41	10.6%

Lane County Transition

- **Notice Received:** OHA received notice that PacificSource made a business decision to not renew its current contract as a CCO in Lane County in 2026; however, there is a process for ensuring CCO coverage for Lane County.
- **Month Extension:** PacificSource agreed to extend their contract into January 2026 to aid in the member transition to Trillium.
- **Member Focused:** OHA worked collaboratively with both PacificSource and Trillium to identify solutions and facilitate a smooth transition for members.



Healthier Oregon & BHP Rate Setting

Healthier Oregon (HOP)

- **Rates Development:** Rates developed by OHA using HOP data.
- **Funding:** Split into Medicaid-eligible (emergency / pregnancy) and state-funded (all other) services. State funds account for ~75% of rates.
- **Risk Mitigation:** Risk corridors settle a portion of difference between revenue and expenditures.
- **CMS note:** Recent CMS guidance states that capitation will no longer be allowed for Medicaid-eligible portion starting in 2027

Basic Health Program (BHP)

- **Rate Development:** Rates developed by Mercer using BHP and Medicaid data.
- **Funding:** Funded through trust fund; revenue provided by federal government based on Marketplace costs.
- **Risk Mitigation:** Retroactive rate adjustments applied to align revenue with realized risk. Risk corridors then settle a portion of difference between adjusted revenue and expenditures.



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Impact and Future Growth

Oregon Health Plan: CCO rates

Cost Drivers

CCO rates for 2026 increased 10.6%, resulting in a **\$155.1 million General Fund need**.

- Cost growth is accelerating; particularly in behavioral health for 2024 and expanding to both behavioral and physical health in 2025.
- Due to 2025 financial pressures, CCOs are already reducing networks and adjusting reimbursement.

Mitigation

- OHA worked with CCOs to mitigate rate concerns by:
 - Refining Behavioral Health Directed Payments to emphasize team-based care.
 - Carving high-cost, low utilization drugs out of CCO rates
 - Lessening administrative burden by reducing CCO reporting requirements.
- To **offset \$63.1 million** of the rates increase, OHA proposes reducing 2025 and 2026 quality incentive pool (QIP) payments.
 - 2025 QIP: Proposal in rebalance to reduce from 3.48% to 3%, to recognize that providers already had agreements in place and minimize impact on providers and this is final payout in 2026
 - 2026 QIP: Proposal to reduce from 4.25% to 2% of CCO rates-there is time for final decision up to late 2026

Oregon Health Plan: Caseload Changes

 Caseloads declined slightly, **reducing General Fund need by \$170.5 million.**

- The 2025-27 biennial average OHP caseload is 1.41 million clients, which is 2.5% lower than the previous forecast. (This does not include impacts of H.R. 1.)
- Declines are largely due to resequenced redetermination dates and the end of the public health emergency unwinding:
 - Caseloads decreased in nearly all categories.
 - The Fall 2025 forecast incorporates data from the first months of redeterminations for clients who received the earliest two-year continuous eligibility.
- Healthier Oregon caseloads declined over 5%, resulting in a \$71.7 million General Fund savings.

Process for setting 2027 CCO rates

OHA is working closely with CCOs to get relevant and up-to-date information to build the 2027 rates.

- **Moving data requests to CCOs earlier.** Want to get information to understand the latest 2025 and early 2026 spend to build the most appropriate rate
- **Current trends and 2024/2025 spend will challenge current 25-27 budget to cover 2027 rates.** National and Oregon spending trends will be challenging to meet currently approved 3.4% budget rates
- **More information available this spring/summer for where 2027 rates will land**

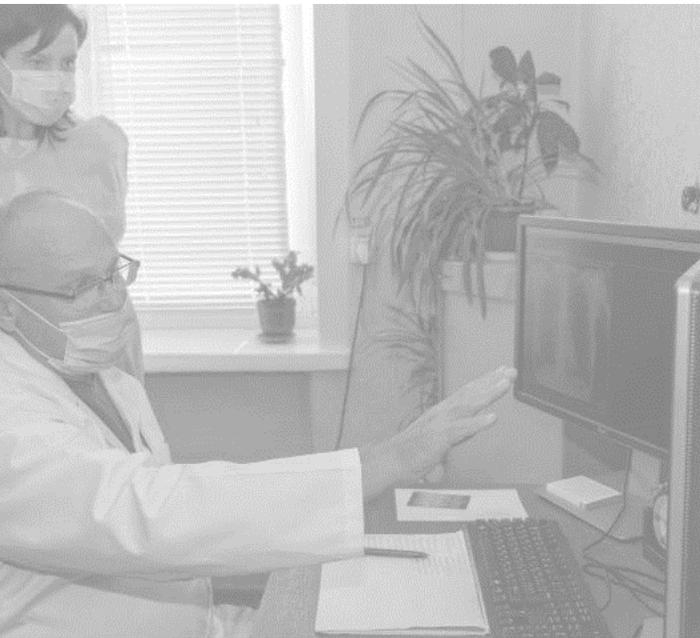
How do CCO rates relate to Statewide Cost Growth Target (CGT)?

CGT is a broad retrospective evaluation; CCO Rates are prospective



- **How it's set:** Based on a formula blending historic Oregon median wage growth and regional CPI-West inflation, minus 1 percentage point to bend the curve. Adopted target for 2026–2030: 3.75% annual growth (OHA decision in January 2026).
- **Who it applies to:** All major health care markets in Oregon: Medicaid, commercial, and Medicare Advantage. Applies to health plans (including CCOs) and provider organizations that meet inclusion criteria for the Cost Growth Target program.
- **How it relates to Medicaid:** CCO rates are set prospectively based on past spending. The CGT for Medicaid trends looks and reports on past spending on Medicaid as part of overall health system cost growth

The CGT program allows acceptable reasons for exceeding the target, including Medicaid-specific pressures such as enrollment shifts, frontline workforce cost increases, and high-cost prescription drug trends.



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