

Ask Questions. Be Informed.



The True Story of Magellan's Role in the MFLC Program

The federal MFLC program, and the important work you do every day as an MFLC Counselor, is well respected and has become a critical part of how the U.S. government supports service members and their families. But the program has not always operated just like it does today.

The MFLC program started out as a pilot program, and it has undergone several changes and adjustments as the U.S. government refined and expanded it.

You might have heard a few “legends” about the early days and Magellan's role in the program. The problem with legends is they often aren't the entire truth. This fact sheet dispels some of the misconceptions about the program's early days and how Magellan employs MFLCs today.

The true story? Magellan has elevated the job of the MFLC Counselor with a variety of benefits, health insurance, retirement and a structured work environment along with competitive compensation, all while winning and retaining parts of the MFLC contract. Read on for more background.

In the beginning

- The MFLC program was initiated with congressional funding to offer “surge counseling” in 2003.
- A company called MHN, which still operates in the MFLC program today, was requested to provide the initial work as a subcontractor.
- About a year later, as troops were being extended in Iraq, MHN was asked to send 20 Counselors to 5 Army bases in Germany for a 30-day stint.
- At the time, the pilot program was called the “Soldier & Family Life Consultant Program.” MHN utilized 15 Counselors as independent contractors—rather than employees—and was paying them \$65 per hour, while team leaders were paid \$75 per hour for 30-day rotations, plus travel, housing and per diem.
- MHN presumably was able to pay these high hourly rates because the assignments were short and they could use a large network of contractors. In addition, when a worker is paid as a contractor, the company doesn't incur the added costs of providing benefits like health insurance, 401K, and PTO, and the employer is not required to withhold taxes, make Social Security and Medicare contributions, pay unemployment taxes or provide coverage for workers' compensation insurance. Significantly, the travel, housing and per diem were reimbursed by the government.
- **As independent contractors, MFLCs were paid a higher hourly rate, but they had no benefits.**
- The MFLC program was successful and growing. By 2006, the program was being implemented at several CONUS locations.

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Success breeds growth

- The U.S. government coordinated meetings and encouraged MHN to expand the program to the Air Force and Marines.
- The government put a high priority on the growth of the pilot program during Operation Enduring Freedom and Operation Iraqi Freedom and the hourly rate being paid to MFLCs continued to be generous.
- MFLCs were still independent contractors without any benefits.
- By 2007—4 years after Congress initially started the pilot program—the first MFLC contract went out for bid.

Growth means competition

- As the success and growth of the MFLC program became apparent, the government put the contract out to bid in 2007.
- MHN reduced the hourly rate for Counselors to \$50 per hour and continued to bill the government for time and materials. The days of making \$65/\$75 per hour as independent contractors were over.
- MHN already had intimate knowledge of the program and was awarded the first MFLC contract, MFLC-1.
- Rotations remained 30 days until the Air Force requested a move to 60 days.
- Many of the rotations were still overseas, and MHN continued to use contracted counselors who did not receive any benefits like health insurance or PTO.
- MHN eventually faced a class-action lawsuit alleging the MFLCs working longer than 3 months should be classified and treated as employees rather than independent contractors.

Magellan enters the field

- Magellan entered the MFLC space in 2012 with a plan to provide Counselors with a more structured work environment and benefits.
- Paid time off, health insurance, and retirement benefits were among many of the offerings Magellan envisioned for MFLCs— all benefits that were not offered by MHN.
- While the evolution Magellan brought to the role was perceived as the right move for the MFLCs, MHN saw it as competition and was critical of Magellan and its operations.
- Given the expenses involved in offering employer-provided benefits and making required payments and contributions on behalf of employees, Magellan simply could not match the compensation rate the MFLCs received as independent contractors.

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This is the true story.

Some people may be interested in talking about “legends” and promise a return to the “good old days.” But the truth is the changes in the MFLC program have been driven by the U.S. government, the courts and free-market competition.

Magellan has elevated the job of the MFLC Counselor with a variety of benefits, health insurance, retirement and a structured work environment along with competitive compensation while winning and retaining parts of the MFLC contract.