DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-25-26
Baltimore, Maryland 21244-1850

State Demonstrations Group

September 27, 2022

Drew Snyder
Executive Director
Division of Medicaid
Mississippi Department of Human Services
550 High Street, Suite 1000
Walters Sillers Building
Jackson, MS 39201-1325

Dear Mr. Snyder:

The Centers for Medicare & Medicaid Services (CMS) approved the Evaluation Design for Mississippi's Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled "Healthier Mississippi" (Project Number 11-W-00185/4), effective through September 30, 2023. We sincerely appreciate the state's commitment to efficiently meeting the requirement for an Evaluation Design, as was stipulated in the approval letter for this amendment dated January 18, 2022, especially under these extraordinary circumstances.

The approved Evaluation Design may now be posted to the state's Medicaid website within thirty days, per 42 CFR 431.424(e). CMS will also post the approved Evaluation Design on Medicaid.gov.

Consistent with the approved Evaluation Design, the draft Final Report will be due to CMS 18 months after either the expiration of the demonstration approval period or the end of the latest rating period covered under the state's approved expenditure authority, whichever comes later.

We look forward to our continued partnership with you and your staff on the Healthier Mississippi section 1115 demonstration. If you have any questions, please contact your CMS project officer, Mr. Julian Taylor. Mr. Taylor can be reached by email at Julian.Taylor@cms.hhs.gov.

Sincerely,

Danielle Daly -S

Digitally signed by Danielle Daly -S
Date: 2022.09.27 05:12:33 -04'00'

Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

cc: Etta Hawkins, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

Managed Care Risk Mitigation COVID-19 PHE

Amendment under the Healthier Mississippi Project

Section 1115 Demonstration

Project Number 11-W-001854

Evaluation Design

July 8, 2022

550 High Street, Suite 1000

Jackson, Mississippi 39201

Website: medicaid.ms.gov

The Mississippi Division of Medicaid responsibly provides access to quality health coverage for vulnerable Mississippians.

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I. Historical Background of the Demonstration and Hypotheses

In March 2020, with the onset of the (novel coronavirus) COVID-19 pandemic, the Mississippi Division of Medicaid (DOM), like other states, began to see a downturn in the utilization of medical services rendered to its beneficiaries. This downturn in services was a direct result of the quarantine of individuals who did not seek medical care and the temporary discontinuance of certain services, such as elective surgeries, by providers. This was in accordance with an executive order from the Governor to shelter in place (Executive Order #1466) 1466.pdf (ms.gov). The decrease in medical services was noted across most service lines. The decreases were more significantly noted in dental, vision, and non-emergency transportation services.

DOM, in concert with its managed care organizations (MCO), also known as coordinated care organizations (CCO), evaluated means to ensure continued care for beneficiaries for essential services including the provision of medications. DOM held weekly meetings with its CCOs to monitor the access to care, discuss collaborative ways to ensure care was being provided and increase opportunities for care through the use of telehealth. Additionally, DOM allowed temporary telehealth flexibilities through the Mississippi state of emergency.

The rating period in which the COVID-19 pandemic originated was July 1, 2019 through June 30, 2020 (SFY 2020). Since the capitation rates paid to the CCOs were determined prior to the beginning of the rating period, the inclusion of medical costs and expenditures from the CCOs for medical services were expected to be at a level in line with historical rates. While a managed care delivery system is set up to allow the CCOs to earn some profit by making people healthier through sound utilization management, the state was facing a situation where CCOs were set to reap an unjustified windfall at a time when provider payments were cratering. While some states apparently allowed managed care organizations to receive a windfall, DOM chose to implement a risk corridor.

For SFY 2020, the state product rate (percentage of medical costs built into the capitation rate) for MississippiCAN was 87.6%. With the significant and immediate downturn in expenditures by the CCOs for medical costs due to the reduction in services associated with the pandemic, DOM saw medical costs expenditure percentages from the CCOs at rates far less than the 87.6% included in the capitation rates. This was indicated in the monthly Cash Disbursement Journal (CDJ) reports that DOM receives from the CCOs. Even though DOM already had a minimum

MLR percentage requirement in the contracts with the CCOs, which would provide for a rebate of premiums for medical costs expenditures below this minimum rate, it was DOM's hypothesis that the significance of the reduction in medical expenditures associated with the pandemic would cause the margins retained by the CCOs to be far in excess of that anticipated by the initial capitation rate calculations and therefore would necessitate additional risk mitigation measures to provide for appropriate risk sharing between DOM and the CCOs.

DOM met with its actuaries and CCOs and prepared documents for submission of a risk corridor for MississippiCAN to cover the period of April 1, 2020 through June 30, 2020. DOM submitted this initial request to CMS on June 26, 2020. See Attachment I (*Clark19 – SFY 2020 Risk Corridor*) for the letter dated June 24, 2020.

After review from CMS of the initial risk corridor submission, CMS requested the state of Mississippi to file a Section 1115 Waiver demonstration request that would cover the periods of April 1, 2020 through June 30, 2020 and July 1, 2020 through June 30, 2021 for its MississippiCAN plan and also to include the period of July 1, 2020 through June 30, 2021 for its CHIP plan.

The Section 1115 Waiver request was filed with CMS on October 27, 2021. CMS approved the request as an amendment to the "Healthier Mississippi" Section 1115(a) Waiver demonstration, (Project Number 11-W-001854) on January 18, 2022 per Attachment II (*CMS MS Risk Mitigation Approval Letter – 1 18 2022*).

II. Demonstration Goals and Evaluation Hypotheses and Research Questions

DOM intends to measure the performance of the demonstration goals through the following quantifiable target percentages. For SFY 2020, the state will be able to show that medical expenditures were less than the MLR capitation inclusion rate of 87.6%, less the risk corridor rate of 1.0%. (For SFY 2020, this was for the period of April 1, 2020 through June 30, 2020 only.) For SFY 2021, the state will be able to show that medical expenditures were less than the MLR capitation inclusion rate of 87.9%, less the risk corridor rate of 3.0%. These percentages were determined by measuring the Medical Loss Ratio (MLR) of the CCOs during the demonstration period compared to the Base Period for capitation rate setting for SFY 2020 (CY 2018). The demonstration will test the hypothesis of DOM, that medical expenditures decreased at a level significantly higher than would otherwise be captured by current risk mitigation calculations (85% Minimum MLR for SFY 2020 and 87.5% Minimum MLR for SFY 2021). As discussed below, the MLR definition for the risk corridor is different than the Federal definition used for the Minimum MLR.

The hypotheses and research questions listed below promote the objectives of Title XIX by:

- Providing payments for medical assistance to low-income aged, blind, and disabled individuals, which are cost effective and efficient; and

- Providing access to needed medical services.

Evaluation Question 1: To what extent did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the CCOs?

Hypothesis 1: The final medical expenditure payments to the CCOs from the state will more accurately reflect the actual costs of providing the medical services rendered than what was originally included in the capitation rates.

Evaluation Question 2: In what ways during the PHE did the demonstration support adding or modifying one or more risk sharing mechanisms after the start of the rating period?

Hypothesis 2: The demonstration will substantiate the necessity and justification of adding the risk corridor after the beginning of the rating period due to the unforeseen occurrence and significance of the PHE on the capitation rates and medical expenditures after the rating period began.

Evaluation Question 3: What problems does the state anticipate would have been caused by the application of section 438.6(b)(1) during the PHE that would have undermined the objectives of Medicaid, and how did the exemption address or prevent these problems?

Hypothesis 3: The objectives of Medicaid to provide for efficient, appropriate payments for medical services that are actuarially sound would not be met without the implementation of the demonstration.

Evaluation Question 4: What were the principal lessons learned for any future PHEs in implementing the demonstration flexibilities?

Hypothesis 4: DOM will learn from this demonstration and be able to document for any future PHEs the means for negotiating appropriate risk mitigation strategies with its CCOs. The lessons learned from this demonstration will also be incorporated into DOM's MLR audit processes, medical expenditure analyses and review of administrative expenditures from the CCOs.

Evaluation Question 5: What retroactive risk sharing agreements did the state ultimately negotiate with the managed care plans under the demonstration authority?

Hypothesis 5: The state will be able to show that it was ultimately able to negotiate agreements with the CCOs that are mutually beneficial and provide appropriate, actuarially sound rates. The tables and accompanying language for SFYs 2020 and 2021, shown in the Methodology section, are included in the contract amendments with the CCOs.

III. Methodology

Evaluation Design

This evaluation will assess the performance of the demonstration goals using a two-sided risk corridor arrangement based on the following:

State Fiscal Year 2020 (April 1, 2020 through June 30, 2020) - MississippiCAN Only

The CCO capitation rates reflect a target medical loss ratio (MLR) which measures the projected medical service costs as a percentage of the total CCO capitation rates. The risk corridor would limit CCO gains and losses if the actual MLR is different than the target MLR. The target MLR for at-risk services is 87.6% for MississippiCAN based on our projected SFY 2020 enrollment distribution, ($390.46 / $445.65 = 87.6%). The MLR definition will be consistent with the rate certification letter and will therefore vary from the Federal MLR definition in a number of ways, including exclusion of quality improvement expenditures. The timeframe for this risk corridor shall be the period of April 2020 through June 2020.

Table 1 summarizes the share of gains and losses relative to the target MLR for each party.

Table 1
Mississippi Division of Medicaid
Proposed Risk Corridor Parameters

MLR Claims Corridor	CCO Share of Gain / Loss in Corridor	DOM Share of Gain / Loss in Corridor
Less than Target MLR -1.0%	0%	100%
Target MLR - 1.0% to Target MLR +1.0%	100%	0%
Greater than Target MLR +1.0%	0%	100%

The risk corridor will be implemented using the following provisions:

- Target MLRs will be calculated separately for each CCO based on their actual enrollment mix.

- The numerator of each CCO's actual MLR will include all services incurred during the period of April through June 2020 with payments made to providers as defined in Exhibit C of the CCO Contract, including fee-for-service payments, sub-capitation payments, and settlement payments.

- Payments and revenue related to MHAP and MAPS will be excluded from the numerator and denominator of each CCO's actual MLR.

- The 85% minimum MLR provision (Federal MLR definition) in the CCO contract will apply after the risk corridor settlement calculation.

- The timing of the risk corridor settlement will occur after the contract year is closed. Runout for the calculation of payments for the calculation period shall be six months. An initial calculation will occur utilizing the six months of runout. A final calculation will occur once the MLR audit has been completed.

State Fiscal Year 2021 (July 1, 2020 through June 30, 2021) – MississippiCAN and CHIP

The CCO capitation rates reflect a target medical loss ratio (MLR) which measures the projected medical service costs as a percentage of the total CCO capitation rates. The risk corridor would limit CCO gains and losses if the actual MLR is different than the target MLR. The target MLR for at-risk services is 87.9% for MississippiCAN based on our projected SFY 2021 enrollment distribution, ($401.56 / $456.83 = 87.9%). The target MLR for at-risk services is 87.4% for CHIP based on our projected SFY 2021 enrollment distribution, ($238.01 / $272.22 = 87.4%). The MLR definition will be consistent with the rate certification letter and will therefore vary from the Federal MLR definition in a number of ways, including exclusion of quality improvement expenditures. The timeframe for this risk corridor shall be the period of July 2020 through June 2021.

Table 2 summarizes the share of gains and losses relative to the target MLR for each party.

Table 2
Mississippi Division of Medicaid
Proposed Risk Corridor Parameters

MLR Claims Corridor	CCO Share of Gain / Loss in Corridor	DOM Share of Gain / Loss in Corridor
Less than Target MLR -3.0%	0%	100%
Target MLR - 3.0% to Target MLR +3.0%	100%	0%
Greater than Target MLR +3.0%	0%	100%

The risk corridor will be implemented using the following provisions:

- Target MLRs will be calculated separately for each CCO based on their actual enrollment mix.

- The numerator of each CCO's actual MLR will include all services incurred during the period of July 2020 through June 2021 with payments made to providers as defined in Exhibit C of the CCO Contract, including fee-for-service payments, sub-capitation payments, and settlement payments.

- Payments and revenue related to MHAP and MAPS will be included in the numerator and denominator of each CCO's actual MLR.

- The 87.5% minimum MLR provision (Federal MLR definition) in the CCO contract will apply after the risk corridor settlement calculation.

- The timing of the risk corridor settlement will occur after the contract year is closed. Runout for the calculation of payments for the calculation period shall be six months. An initial calculation will occur utilizing the six months of runout. A final calculation will occur once the MLR audit has been completed.

Evaluation Period

The evaluation will be conducted for the demonstration period of April 1, 2020 through June 30, 2021 for MississippiCAN and July 1, 2020 through June 30, 2021 for CHIP.

DOM will monitor the progress of the demonstration for the risk corridor calculations quarterly during the actual reporting period with initial collection of any amount due from the CCOs based in the annual MLR report filing. Final calculation of any amount due to or from the CCOs will be based on an external audit of the annual MLR reports, which is expected to occur between twelve to eighteen months after the close of the state fiscal year.

Data Sources

The data will come from annual Medical Loss Ratio (MLR) reports filed by the CCOs on April 1 of the year following the end of the state fiscal year along with encounter data filed by the CCOs into the state's Medicaid Management Information System (MMIS).

Analytic Methods

The state will calculate the target and actual MLRs for the three CCOs participating in the MississippiCAN program and the two CCOs participating in the CHIP program utilizing actual costs by rate cell and region based on the distribution of costs for each CCO in the encounter data. A risk corridor reporting template has been developed to capture the encounter data by rate cell and region for the calculation of the actual and target MLR rates for the demonstration period. See Attachment III for an example of the calculation template.

Anticipated Limitations

The state understands the calculations for this demonstration are based on data supplied by the CCOs for medical services as reported in encounter data and through the annual MLR reports. To the extent that encounter data is not submitted for any services rendered, those services would not be captured in the calculations for this demonstration. DOM currently completes a bi-monthly CDJ to encounters reconciliation process whereby all encounters submitted by the CCOs are reconciled against their cash disbursements. This process will mitigate the limitation of dependence on submitted encounter data. This reconciliation has been in place since March 2016. A contractually required minimum reporting of 98% is incorporated into the encounter's submissions process. From its review, DOM can attest to the CCOs concurrence and exceeding this required encounter's submission rate.

Identification of Significant Effects to Other Changes

The state will isolate the effects of the demonstration from other changes occurring in the State by requesting its actuaries to analyze the medical costs and trends occurring during the demonstration period to those from the Baseline Period utilized for the calculation of capitation rates considering any changes in medical policies and/or benefit changes.

IV. Timeline for Submission

Evaluation Design

This Evaluation Design template is required to be submitted to CMS for review and approval no later than 180 days after the receipt of the demonstration approval letter, or by July 17, 2022.

Final Report

The draft of the Final Report for this demonstration project must be submitted to CMS for review and approval no later than 18 months after either the expiration of the demonstration approval period or the end of the latest rating period covered under the state's approved expenditure authority, whichever comes later. The expected timeframe for this submission is on or before December 31, 2022.