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

January 17, 2023

Adela Flores-Brennan
Medicaid Director
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Dear Ms. Flores-Brennan:

The Centers for Medicare & Medicaid Services (CMS) has approved the Evaluation Design for Colorado Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled, "Colorado Expanding the Substance Use Disorder Continuum of Care" (Project Number 11-W-00336/8). We sincerely appreciate the state's commitment to efficiently meeting the requirement for an Evaluation Design stated in the demonstration's Special Terms and Conditions (STCs) for this amendment, 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(c). CMS will also post the approved Evaluation Design on Medicaid.gov.

Please note that, 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 Colorado Expanding the Substance Use Disorder Continuum of Care Demonstration. If you have any questions, please contact your CMS project officer, Jack Nocito, who may be reached by email at Jack.Nocito@cms.hhs.gov.

Sincerely,

Danielle Daly -S

Digitally signed by Danielle Daly -S
Date: 2023.01.12 10:51:09 -05'00'

Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

cc: Michala Walker, State Monitoring Lead, Medicaid and CHIP Operations Group

1115 Evaluation Design

Risk Mitigation COVID-19 Public Health Emergency 1115 Demonstration

State of Colorado

Department of Healthcare Policy and Financing

COLORADO
Department of Health Care Policy & Financing

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I. General Background Information

A. History

Over the past 20 years, the State of Colorado (Colorado or State), like the rest of the country, has felt the impact of the opioid epidemic and has experienced an increase in the rate of substance use disorder (SUD) diagnosis. Further still, SUD diagnosis is more prevalent in the Medicaid population. To address the impact of the opioid epidemic, the Department of Health Care Policy and Financing (Department), the State's Medicaid agency, created an inpatient and residential substance use disorder (SUD) benefit, authorized as part an 1115 waiver demonstration. The 1115(a) demonstration was approved by the Centers for Medicare and Medicaid Services (CMS) on November 13, 2020, titled "Expanding the Substance Use Disorder Continuum of Care" (Project Number 11-W-00336/8). However, due to the COVID-19 Public Health Emergency (COVID PHE), the rollout of the benefit was delayed.

Originally, the Department's' intention was for the benefit to begin in July of 2020; however, the state legislature delayed the benefit until January of 2021. In addition to the financial uncertainty created by the COVID PHE, it also correlated to a rise in the need for SUD[1] treatment, only exacerbating the need for a more robust SUD continuum of care for Medicaid members. Another unintended effect of the delay in the benefit rollout was a timing misalignment with the contract year and rating period.

B. Purpose

To address the financial uncertainty surrounding the COVID PHE, the effect of the benefit's delay, and an increase in SUD diagnosis associated with the COVID PHE, the Department implemented a retro-active risk corridor to the State's Medicaid managed care contracts for the federal fiscal year 2020, beginning in January of 2021, the new start date of the SUD benefit.

[1] Czeisler MÉ , Lane RI, Petrosky E, et al. Mental Health, Substance Use, and Suicidal Ideation During the COVID-19 Pandemic — United States, June 24–30, 2020. MMWR Morb Mortal Wkly Rep 2020;69:1049-1057. DOI: http://dx.doi.org/10.15585/mmwr.mm6932a1

On February 18, 2022 Colorado received approval from CMS to implement a retro-active risk corridor through an application for an 1115 Managed Care Risk Mitigation COVID-19 PHE demonstration. The risk corridor was approved as an amendment to the 1115(a) "Expanding the Substance Use Disorder Continuum of Care" demonstration and applies to the rating period beginning on July 1, 2020, and ending June 30, 2021.

II. Evaluation Hypothesis and Questions

Research Questions (RQ)	
Hypothesis 1 — The demonstration will facilitate attaining the objectives of Medicaid.	
RQ 1.1	What retroactive risk sharing agreements did the state ultimately negotiate with the managed care plans under the demonstration authority?
RQ 1.2	What problems may 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?
RQ 1.3	What were the principal challenges associated with implementing the retroactive risk mitigation strategies from the perspectives of the Department and Medicaid managed care plans?
RQ 1.4	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 allowed the State to implement a much-needed inpatient and residential SUD benefit during the COVID PHE.	
RQ 2.1	To what extent did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans?

III. Data and Analysis

A. Data and Collection Methodology

The Department plans on utilizing the following sources and methods when answering the hypothesis and questions posed in this evaluation:

- SUD utilization data collected as part of the 1115 SUD demonstration. The utilization data will reflect the rating period prior to the implementation of the new benefit. This data will be collected as part of the encounter data submitted by the managed care plans responsible for administering and providing services under the benefit. The State will look at utilization by ASAM level.

- "Actual" versus "expected" costs associated with the SUD benefit and including MLR reporting data. Comparing actual versus expected costs, and the MLR with and without the risk corridor, will allow the State to

analyze the effectiveness of the risk corridor in ensuring appropriate payments. The managed care entities are required to track costs associated with the SUD benefit as part of the risk corridor calculation, and the Department will be able to draw "actual" and "expected" cost data from their tracking activities.

- Interviews with staff and key stakeholders in the SUD benefit, and surveys sent to managed care plans. Interviews will provide context around the need for a risk sharing mechanism, and surveys will capture concerns with financial risk faced by plans with rolling out a new benefit during a PHE and the benefits of the risk sharing mechanism.

B. Analysis

As part of the 1115 PHE demonstration approval, CMS requested a "simplified" Evaluation Design that does not undertake evaluations that would prove overly burdensome and impractical for data collection or analyses, but rather focuses on using qualitative methods and descriptive statistics to understand how this flexibility helped Colorado respond to the COVID-19 PHE.

Qualitative Analysis

The State will analyze interviews, surveys, and actual vs expected costs to conduct a narrative analysis. The narrative analysis will highlight and categorize the concerns stakeholders had with implementing a new SUD benefit during a PHE, and how a risk sharing mechanism addressed or failed to address those concerns.

Descriptive Analysis

The State will use actual vs expected costs, utilization, and encounter data to provide a descriptive analysis providing a summarizing the impact of the retro-active risk mechanism.

Research Question	Outcome Measure	Source	Analytic Method
Hypothesis 1 — The demonstration will facilitate attaining the objectives of Medicaid.			
What retroactive risk sharing agreements did the state ultimately negotiate with the managed care plans under the demonstration authority?	• Type(s) of risk sharing agreement(s) negotiated with the managed care plans • Terms of negotiated risk sharing agreement(s)	Document Review	Qualitative Analysis
What problems may 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?	Description of how the demonstration authority addressed or prevented problems related to the application of section 438.6(b)(1)	HCPF Stakeholder Interviews	Qualitative Analysis
What were the principal challenges associated with implementing the retroactive risk mitigation strategies from the perspectives of the Department and Medicaid managed care plans?	Description of challenges (if any) related to implementing the risk sharing agreement(s) with the managed care plans	HCPF Stakeholder Interviews	Qualitative Analysis
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?	Benefits/successes of adding a risk sharing mechanism that would not have been realized if the demonstration authority were not in place	HCPF Stakeholder Interviews	Qualitative Analysis
Hypothesis 2 — The demonstration allowed the State to implement a much-needed inpatient and residential SUD benefit during the COVID PHE.			
To what extent did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans?	• MLRs by program prior to the application of the risk corridor, both at an aggregate-level as well as deidentified MCE data. • MLRs by program after application of the risk corridor, both at an aggregate-level as well as deidentified MCE data. • Target MLR by program as calculated during rate development	▪ Actual vs expected costs ▪ Claims and Utilization Data ▪ MLR Reports	Descriptive Analysis

C. Methodological Limitations

HCPF does not anticipate encountering extensive methodological limitations but will work to limit the impact of the limitations described below:

- Qualitative Analysis. Interviews with stakeholders will be the primary source relied upon for qualitative analysis. Due to the nature of

interviews, information gathered could be limited due to an interviewee's experience, expertise, and personal bias. HCPF will work to minimize any bias through the structuring of research questions.

IV. Preparing the Final Report

HCPF will submit to CMS a Final Report for this demonstration 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 Final Report will include all applicable elements required by 42 CFR 431.428.