**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**

November 14, 2024

Ms. Melisa Byrd
Senior Deputy Director and Medicaid Director
Department of Health Care Finance
441 4th Street, NW, 900S
Washington, DC 20001

Dear Ms. Byrd:

The Centers for Medicare & Medicaid Services (CMS) approved the Evaluation Design for District of Columbia's Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled, "Behavioral Health Transformation" (Project No: 11-W-00331/3). 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 April 25, 2024, especially under these extraordinary circumstances.

The approved Evaluation Design may now be posted to the state's Medicaid website within 30 days, per 42 CFR 431.424(c). 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 DC Behavioral Health Transformation section 1115 demonstration. If you have any questions, please contact your CMS demonstration team.

Sincerely,

Danielle Daly -S
Digitally signed by Danielle Daly -S
Date: 2024.11.14 04:53:35 -05'00'

Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

cc: Taneka Rivera, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

# GOVERNMENT OF THE DISTRICT OF COLUMBIA
## HEALTH CARE DELIVERY MANAGEMENT ADMINISTRATION


# Emergency Demonstration Amendment – Behavioral Health Transformation Section 1115(a) Demonstration

## Project Number 11-W-00331/3

## Proposed Evaluation Design

**Initial Submission: September 16, 2022**
**Amended Submission: April 25, 2024**

# 1. Evaluation Elements

## A. General Background

On March 21, 2022, the District of Columbia Department of Health Care Finance (DHCF), obtained approval from the Center for Medicare & Medicaid Services (CMS) to amend the "Behavioral Health Transformation" section 1115(a) demonstration (Project Number 11-W00331/3) on an emergency basis.

This amendment provides expenditure authority to test a Managed Care Risk Mitigation COVID19 Public Health Emergency (PHE) demonstration. This amendment tests whether, in the context of the current COVID-19 PHE, an exemption from the regulatory prohibition in 42 CFR § 438.6(b)(1) promotes the objectives of Medicaid. The expenditure authority is expected to support DHCF in making appropriate, equitable payments during the PHE to help maintain beneficiary access to care and allows DHCF to enter into or modify a risk mitigation arrangement with a Medicaid managed care plan after the applicable rating periods have begun. This amendment applies to the Risk Corridor, as described in the CASSIP contract, for two rating periods: October 1, 2020 to September 30, 2021, and October 1, 2021 to March 31, 2022.

The demonstration amendment is expected to allow DHCF to furnish medical assistance in a manner intended to protect, to the greatest extent possible, the health, safety, and welfare of individuals and providers who may be affected by the COVID-19 PHE. This authority is effective regardless of whether the state substantially complied with the regulation by, for example, submitting unsigned contracts and rate certification documents for CMS review either before or after the effective date of the new regulation but before the start of the rating period.

The approval letter from CMS identifies the following federal areas of inquiry in authorizing the amendment:

- Whether providing this authority results in either increased or decreased payments to plans, given the significant fluctuations in utilization that may occur during a pandemic.
- Whether and how practices under the retroactive risk mitigation arrangements, which must be developed in accordance with all other applicable requirements in 42 CFR § 438, including §§ 438.4 and 438.5, and generally accepted actuarial principles and practices, are sufficient to cover costs under the managed care contract.

- How the implementation of risk mitigation after the start of the rating period, which may not truly address the uncertainty inherent in setting capitation rates prospectively, compares to not allowing retroactive risk sharing during a PHE, which may lead to substantially inaccurate or inequitable payments given the severe disruption in utilization.

DHCF applied for a COVID-19 section 1115 Demonstration Waiver to seek expenditure authority to allow the modification or implementation of the Risk Corridor operated through a managed care contract after the start of the rating period. The Risk Corridor provides aggregate risk protection to the MCO due to the relatively small membership of the plan and the variability in monthly cost. The demonstration provides expenditure authority for the District to add or modify a risk sharing arrangement after the start of the rating period to maintain capacity during the emergency and only applies to contracts and rating periods that begin or end during the COVID-19 PHE.

Consistent with CMS requirements for monitoring and evaluation of section 1115 demonstrations, the District is required to develop an Evaluation Design. The approval letter requires the District to submit a draft Evaluation Design to CMS no later than 180 calendar days after approval of the demonstration. The draft Evaluation Design is outlined below.

## B. Evaluation Questions

The evaluation of the PHE Demonstration will test whether and how the expenditure authority impacted the remittance or recoupment owed under the altered Risk Corridor calculation instructions. The evaluation hypotheses and questions are presented in Table 1 below.

### Table 1: PHE Demonstration Evaluation Objectives and Corresponding Evaluation Questions

| Evaluation Objective | Evaluation Hypotheses and Questions |
|---|---|
| **Furnish medical assistance in a manner intended to protect, to the greatest extent possible, the health, safety, and welfare of beneficiaries receiving Child and Adolescent Supplemental Security Income Program (CASSIP) Services by mitigating the potential negative impacts of the COVID-19 PHE.**<br><br>**Support DHCF efforts to make appropriate and equitable payments during the COVID19 PHE to better maintain beneficiary access to care that would have otherwise been challenging due to the prohibitions at 42 CFR 438.6(b)(1).** | 1. Did DHCF utilize this authority to increase or decrease payments under the contract due to fluctuations in utilization or enrollment due to the COVID-19 PHE?<br><br>2. Did the retroactive nature of the risk adjustment authority result in the sufficient funding under the contract?<br><br>3. Did spending patterns for DHCF change under the contract due to the ability to implement retroactive risk sharing?<br><br>4. Did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans?<br><br>5. What conflicts with the objectives of Medicaid did the application of section 438.6(b)(1) during the PHE create and did the exemption alleviate these problems? |

## C. Evaluation Methodology

Per CMS guidance, DHCF will track relevant revenues and expenditures for contract years affected. Table 2 explores potential data sources and potential analyses that may support the evaluation of each proposed hypothesis.

### Table 2: Evaluation Analysis

| Evaluation Question | Potential Data Source | Potential Analysis | Approach |
|---|---|---|---|
| Did DHCF utilize this authority to increase or decrease payments under the contract due to fluctuations in utilization or enrollment due to the COVID-19 PHE? | Encounter and claims data submitted by MCOs to DHCF; financial reporting from MCOs, document review. | Evaluate impact of flexibility; evaluate utilization of contract services beneficiaries during PHE compared to historic baseline. Compare to historic spending throughout contract periods during the PHE compacted to historic baseline. | Qualitative Analysis |
| Did the retroactive nature of the risk adjustment authority result in the sufficient funding under the contract? | Encounter and claims data submitted by MCOs to DHCF; financial reporting from MCOs, document review. | Compare historic spending throughout contract period during the PHE compacted to historic baseline. | Qualitative Analysis |
| Did spending patterns for DHCF change under the contract due to the ability to implement retroactive risk sharing? | Encounter and claims data submitted by MCOs to DHCF; financial reporting from MCOs, document review. | Compare historic spending throughout contract period during the PHE compacted to historic baseline. | Qualitative Analysis |
| Did the retroactive risk sharing result in more accurate payments to the managed care plan? | Encounter and claims data submitted by MCOs to DHCF; financial reporting from MCOs, document review. | Compare historic spending throughout contract period during the PHE compacted to historic baseline. | Qualitative and Quantitative Analyses |
| What conflicts with the objectives of Medicaid did the application of section 438.6(b)(1) during the PHE create and did the exemption alleviate these problems? | Staff Interviews | Descriptions of actions taken by DHCF to address challenges. Description of how successful the actions were the actions to address the challenges. | Qualitative Analysis |

## D. Methodological Limitations

The CASSIP Risk Corridor calculations may not be completed until after the final evaluation report is required to be submitted. DHCF will discuss with the demonstration team options for

analyses based on preliminary or estimated results, and possible extensions of the timeline for submission.

## E. Evaluator and Evaluation Report

This evaluation will be conducted internally by DHCF staff. Data will be gathered as part of standard DHCF operations and will draw upon the findings from the cost/utilization assessment to describe the extent to which the administrative and program costs related to this demonstration were effective at achieving the objectives of the demonstration. The final evaluation report will be organized based on the structure outlined in CMS' section 1115 demonstration evaluation guidance "Preparing the Evaluation Report." Per CMS guidance, the focus of the report will be on describing the challenges presented by the COVID-19 public health emergency to the Medicaid program, how the flexibilities of this demonstration assisted in meeting these challenges, and any lessons that may be taken for responding to a similar public health emergency in the future.

The final report will be a stand-alone evaluation (not part of the larger Behavioral Health Transformation 1115 demonstration evaluation report) due to the specific, time-limited nature of the authority provided and submitted within eighteen (18) months after either the expiration of the Demonstration approval period or the end of the latest rating period covered under the District's approved expenditure authority, whichever comes later. Per 42 CFR § 431.428, the final report will capture all the requirements stipulated for annual report. If the demonstration lasts longer than one year, the annual report information for each demonstration year will be included in the final report and will adhere to the stipulations of 42 CFR § 431.428.