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

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

State Demonstrations Group

June 2, 2025

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) has completed its review of District of Columbia's Final Report for the 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). This report covers the demonstration period from March 1, 2020 through the end of the PHE. CMS determined that the Final Report, submitted on January 30, 2025, is in alignment with the CMS-approved Evaluation Design, and therefore, approves the state's Final Report.

The approved Final Report may now be posted to the state's Medicaid website within 30 days. CMS will also post the Final Report on Medicaid.gov.

We sincerely appreciate the state's commitment to evaluating the COVID-19 PHE demonstration under these extraordinary circumstances. We look forward to our continued partnership on District of Columbia's 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: 2025.06.02 04:58:56 -04'00'

Danielle Daly
Director
Division of Demonstration
Monitoring and Evaluation

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

Mercer

Government Human Services Consulting

District of Columbia Managed Care Risk Mitigation Coronavirus Disease 2019 Public Health Emergency Demonstration Evaluation Report

Draft Final Report

District of Columbia

January 29, 2025

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Contents

Section 1

Executive Summary

In 2022, the District of Columbia (District) received approval to retroactively enter into or modify a risk mitigation arrangement with a Medicaid managed care plan after the applicable rate setting period had begun. This report presents the findings of the District's evaluation of the demonstration. The evaluation found that the flexibility to enter into or modify a risk mitigation arrangement retroactively supported sufficient funding for the Managed Care Organization (MCO), did not lead to unexpected changes in spending patterns, and helped support more accurate payments to the MCO.

Section 2

General Background Information

On March 21, 2022, the District's 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-W-00331/3) on an emergency basis.

This amendment provided expenditure authority to test a Managed Care Risk Mitigation Coronavirus Disease 2019 (COVID-19) Public Health Emergency (PHE) demonstration. This amendment tested 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 was expected to support DHCF in making appropriate, equitable payments during the PHE to help maintain beneficiary access to care and allowed DHCF to enter into or modify a risk mitigation arrangement with a Medicaid managed care plan after the applicable rating periods had begun, given the uncertainty in how the PHE would impact overall utilization and service delivery. This amendment applied to the Risk Corridor, as described in the Child and Adolescent Supplemental Security Income Program (CASSIP) contract, for two rating periods: October 1, 2020 to September 30, 2021 and October 1, 2021 to March 31, 2022. CASSIP covers children who meet the eligibility requirements for the District's Supplemental Security Income program and choose to enroll in the voluntary managed care program. In addition, the District allows healthy children of CASSIP mothers to remain in the CASSIP through age five years.

Section 3

Evaluation Questions

The primary objective of the demonstration was to test whether and how the expenditure authority impacted the remittance or recoupment owed under the altered Risk Corridor calculation instructions given the significant uncertainty that the PHE could have had on utilization and service delivery. Table 1 below shows the evaluation objectives and questions for the demonstration.

Table 1: Evaluation Objectives and Questions

Evaluation Objective	Evaluation Questions
Furnish medical assistance in a manner intended to protect, to the greatest extent possible, the health, safety, and welfare of beneficiaries receiving CASSIP services by mitigating the potential negative impacts of the COVID-19 PHE.	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? 2. Did the retroactive nature of the risk adjustment authority result in the sufficient funding under the contract? 3. Did spending patterns for DHCF change under the contract due to the ability to implement retroactive risk sharing? 4. Did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans? 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?

Section 4
Methodology

This section provides an overview of the methodology used by the District during its evaluation of the demonstration. While demonstration covered the period of October 1, 2020 to September 30, 2021 and October 1, 2021 to March 31, 2021, the District used Risk Corridor data for two rating periods: October 1, 2020 to September 30, 2021 and October 1, 2021 to September 30, 2022.

Data Sources

The District compiled Risk Corridor calculations to use in its analysis. The Risk Corridor reports use audited financial data supplied by the MCO. Data covered two rating periods: October 1, 2020 to September 30, 2021 and October 1, 2021 to September 30, 2022.

Analytical Methods

Per CMS guidance to conduct a more limited section 1115 evaluation, the District utilized descriptive statistics to analyze Risk Corridor payments during the two rating periods against historical data. Table 2 below shows the proposed analytical approach for each of the evaluation questions.

Table 2: Analytical Approach for Each Evaluation Question

Evaluation Question	Analytical Approach	Analytical Method
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?	Evaluate utilization of contract services by beneficiaries during the PHE compared to historic baseline. Compare historic spending throughout contract period during the PHE compared to historic baseline.	Descriptive statistics
Did the retroactive nature of the risk adjustment authority result in the sufficient funding under the contract?	Compare historic spending throughout contract period during the PHE compared to historic baseline.	Descriptive statistics
Did spending patterns for DHCF change under the contract due to the ability to implement retroactive risk sharing?	Compare historic spending throughout contract period during the PHE compared to historic baseline.	Descriptive statistics
Did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans?	Compare historic spending throughout contract period during the PHE compared to historic baseline.	Descriptive statistics

Evaluation Question	Analytical Approach	Analytical Method
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?	Descriptions of actions taken by DHCF to address challenges. Description of how successful the actions were in addressing the challenges.	Staff interviews

The District made every effort to adhere to the approved Evaluation Design. However, data availability and other considerations resulted in slightly modified analytical approaches. The District did not conduct staff interviews, but discussed the actions and success of the demonstrations in a small group setting. The Risk Corridors were performed on data for the full Federal Fiscal Year (FFY) 2021 and FFY 2022.

Section 5

Methodological Limitations

The District's evaluation focuses primarily on descriptive statistics, which do not allow the District to draw causal inferences. However, the data provides insight into how spending under the Risk Corridor did or did not change as a result of the demonstration.

Section 6
Results

This section provides details on the results of the evaluation per evaluation question.

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?

DHCF was expected to operate the CASSIP normally during the COVID-19 PHE. Therefore, DHCF used the authority under the demonstration to continue to increase or decrease payments due to fluctuations in utilization and enrollment, as would normally be expected. See Table 3 below, which shows enrollment was unaffected.

As the realized medical loss ratio (MLR) for both time periods as shown in Table 4 did not fall below or exceed the threshold that would result in a Risk Corridor payment or remittance, there have been no Risk Corridor-related payments or recoupments made for either year and therefore the capitation rate paid to the MCO throughout each contract year was sufficient to cover the costs of services and provide adequate access to care.

Table 3: Annual Member Months from 2020 to 2022

Year	2020	2021	2022
Annual Member Months for CASSIP	58,904	58,671	60,109

Did the retroactive nature of the risk adjustment authority result in the sufficient funding under the contract?

As DHCF was expected to operate the CASSIP normally during the COVID-19 PHE, there was no expectation that the demonstration would lead to insufficient funding. There is no evidence that there was insufficient funding during the two rating periods. Figure 2 below shows the Risk Corridor payment was $0 for each of the two rating periods (FFY 2021 and FFY 2022), which suggests that the MCO had sufficient funding during the two rating periods.

Table 4: Risk Corridor Payments for October 1, 2020 through September 30, 2021 and October 1, 2021 through September 30, 2022.

Year	FFY 2021	FFY 2022
Target MLR	88.7887%	89.6265%
Actual MLR	87.3257%	88.3726%
Risk Corridor Payment	$0	$0

Did spending patterns for DHCF change under the contract due to the ability to implement retroactive risk sharing?

DHCF was expected to operate the CASSIP program normally during the COVID-19 PHE. Under normal operations, spending fluctuates based on enrollment and capitation rate levels as certified by the District's contracted actuaries. Therefore, although spending changed in

relation to those factors, spending did not change in an unexpected manner related to the demonstration and the capitation rate levels were sufficient to cover the cost of services under the contract.

Did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans?

The retroactive risk sharing implemented involves a retrospective review of MCO expenditures compared to revenues based on a specific MLR target. The MCO and the District split the losses and gains. The MLR target adjusts each year and was adjusted retroactively. Table 5 below shows the prior and amended contract terms for each rating period and the recouped amount.

Table 5: Prior and Amended Contract Terms for Each Rating Period

FFY 2021	Prior Contract Terms	Amended Contract Terms
Aggregate Capitation	$177,689,600	$177,689,600
Total Medical Expense	$155,168,667	$155,168,667
Target MLR	89.0000%	88.7887%
Target Expense	$158,143,744	$157,768,286
Expense Threshold for Remittance	$154,589,952	$154,214,494
Remittance Due	$0	$0

FFY 2022	Prior Contract Terms	Amended Contract Terms
Aggregate Capitation	$179,412,407	$179,412,407
Total Medical Expense	$158,551,421	$158,551,421
Target MLR	89.0000%	89.6265%
Target Expense	$159,677,042	$160,801,061
Expense Threshold for Remittance	$156,088,794	$157,212,813
Remittance Due	$0	$0

Additional funds were not collected from or paid to the MCO, suggesting that funding to MCO was accurate and sufficient.

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?

The District reported that they did not face any challenges with administering the CASSIP during FFY 2021 and partial FFY 2022 (October 1, 2021 to March 31, 2022) contract periods. The program operated as expected, as evidenced by routine oversight and monitoring activities of the program, functions, staff, and performance. The application of an exemption to section 438.6(b)(1) did not create any problems for the District and allowed them to operate the program normally.

Section 7

Conclusions, Learnings, and Policy Implications

The implementation of the retroactive risk sharing for this population supported the District in managing the risk to utilization and cost of services at the MCO level to account for fluctuations in enrollment that resulted from the COVID-19 PHE. Allowing the District to modify the risk sharing agreement after the start of the rating period supported the District in partnering with the MCO to ensure it was able to maintain adequate access to high quality care. Although ultimately no additional funds were collected or paid to the MCO, the ability to react to the unknown risk and partner with the MCO helped support access to care in a time of uncertainty. Additional flexibilities in future emergencies may support other states in ensuring access to care.

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