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

October 17, 2022

Dr. Judy Mohr Peterson
Med-QUEST Division Administrator
State of Hawai'i, Department of Human Services
601 Kanokila Blvd, Room 518
PO Box 700190
Kapolei, HI 96709-0190

Dear Dr. Mohr Peterson:

The Centers for Medicare & Medicaid Services (CMS) has approved the Evaluation Design for Hawai'i's Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled, "Hawai'i QUEST Integration" (Project Number 11-W-00001/9). 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 Hawai'i QUEST Integrations Demonstration. If you have any questions, please contact your CMS project officer, Gavin Proffitt, who may be reached by email at Gavin.Proffitt@cms.hhs.gov.

Sincerely,

Danielle Daly -S

Digitally signed by Danielle Daly -S
Date: 2022.10.17 06:00:51 -04'00'

Danielle Daly
Director
Division of Demonstration
Monitoring and Evaluation

cc: Brian Zolynas, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

Hawai‘i Med-QUEST

Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) Medicaid Section 1115 Demonstration Waiver

Evaluation Design

Introduction:

Hawai‘i Med-QUEST has a risk sharing arrangement, an aggregate gain corridor, between the managed care organizations (MCO) and the State. Under this arrangement, the state and MCOs have agreed to share profits or losses if aggregate covered expenditures fall above or below certain thresholds. Initial parameters proposed for calendar year (CY) 2020 were if a MCO‘s calculated net gain/loss exceeds 3% of revenue for included health care expenses across all populations, the State would share equally in the gain/loss between 3% and 5%; the State would recover/reimburse all gains/losses exceeding 5%. Due to the uncertainty from the public health emergency (PHE) starting in CY 2020, Hawai‘i Med-QUEST applied for a managed care risk mitigation COVID-19 PHE Medicaid Section 1115 demonstration waiver to retroactively adjust the parameters of the aggregate gain corridor. As part of the requirements set forth in 42 CFR §§ 431.424 and 431.428, Med-QUEST developed an evaluation and monitoring design framework. This evaluation design will evaluate the requested exemption from regulatory prohibition in 42 CFR § 438.6(b)(1) in promoting the objectives of Medicaid.

Evaluation Questions:

1) What retroactive risk sharing agreements did the state ultimately negotiate with the MCO‘s under the demonstration authority?
2) What were challenges associated with implementing the retroactive risk mitigation strategies?
    a. How did the state address these challenges?
3) What were the lessons learned from the COVID-19 PHE Medicaid Section 1115 demonstration waiver for any future PHEs?
4) What problems would have been caused by the application of 438.6(b)(1) during the PHE that would have undermined the objectives of Medicaid?
5) What were the effects of these changes to Medicaid MCOs‘ financials?
    a. Did the MCOs avoid material losses as a result of implementing the retroactive risk sharing agreements?

Data Sources & Methods

This evaluation will use a mixture of qualitative and quantitative data and research methods.

Qualitative Data

For the qualitative analyses, the state will collect data through methods such as staff interviews and/or surveys. The data will be collected and categorized using standardized qualitative research methods.

From this, the state will use thematic analytic methods, such as iterative coding, to identify themes and overarching patterns from the interviews and/or survey responses.

Quantitative Data

Actuarial analyses will calculate the CY 2020 managed care aggregate gain share settlements for MCOs under the risk sharing agreements identified in evaluation question #1. The calculation will be consistent with the final CY 2020 contract language.

In order to calculate the gain share settlements, the following assumptions and definitions will be used:

1. Healthcare Revenue: Healthcare revenue includes the full amount of withhold regardless of how much was earned. Revenue covered by the other settlements, supplemental payments, hospital P4P pool, health insurer fees, and premium tax are not included.
2. Healthcare Expenses: Healthcare Expenses include incurred claims for medical, pharmacy, and long-term services and supports as well as other benefit costs including sub-capitation and care coordination/case management. Expenses are net of pharmacy rebates, recoveries, and expenses covered by the other settlements. Expenses for supplemental payments, hospital P4P pool, health insurance fee, and costs for members beyond 15 days in an institution for mental disease are not included.
3. Medical Loss Ratio Assumptions: Based on the administrative and surplus load in the capitation rates, the health care services portion of the capitation revenues for MCOs who participate on all islands is assumed to be 92.25% for Aged, Blind and Disabled (ABD) populations, and 90.0% for Family and Children (F&C) and Expansion populations. MCOs who do not participate on all islands had target Medical Loss Ratios (MLRs) of 92.5% for ABD, and 90.5% for F&C and Expansion populations.

Gain/loss is calculated for each MCO separately and determined across all populations (ABD, F&C, and Expansion). The total net gain/loss is calculated by taking health care revenue and subtracting health care expenses. The gain/loss percentage is then calculated by further dividing by the health care revenue.

The amount of the settlement for each MCO will be calculated using the updated CY 2020 aggregate gain share parameters. The calculation will be consistent with the final CY 2020 contract language. For comparison, simulated actuarial analyses will apply the original aggregate gain share parameters (CY 2019) to the CY 2020 experience. These will be evaluated against one another to determine the effects of the risk sharing agreement identified in evaluation question #1.

Analytic Table:

Evaluation Question	Measure(s)	Data Source(s)	Analytic Approach
#1. What retroactive risk sharing agreements did the state ultimately negotiate with the MCO‘s under the	Type(s) or risk sharing agreements negotiated with the MCOS	Staff interviews and/or survey	Qualitative Analysis

demonstration authority?			
#2. What were challenges associated with implementing the retroactive risk mitigation strategies? #2a. How did the state address these challenges?	Challenges (if any) related to implementation of the retroactive risk mitigation strategies	Staff interviews and/or survey	Qualitative Analysis
#3. What were the lessons learned from the COVID-19 PHE Medicaid Section 1115 demonstration waiver for any future PHEs?	Lessons learned for future PHEs in implementing the COVID-19 PHE Medicaid Section 1115 demonstration waiver	Staff interviews and/or survey	Qualitative Analysis
#4. What problems would have been caused by the application of 438.6(b)(1) during the PHE that would have undermined the objectives of Medicaid?	How the demonstration authority addressed or prevented problems related to the application of 438.6(b)(1)	Staff interviews and/or survey	Qualitative Analysis
#5. What were the effects of these changes to Medicaid MCOs' financials? #5a. Did the MCOs avoid material losses as of a result of implementing the retroactive risk sharing agreements?	Aggregate CY2020 gain/loss amounts with CY2019 and CY2020 risk corridor parameters Comparisons of gain/loss using risk corridor parameters	CY2020 Claims Data	Quantitative Analysis

Limitations:

There are some limitations to this evaluation design. Hawaii will do its best to interview all staff involved in implementing this COVID-19 PHE Medicaid Section 1115 demonstration waiver, but it is possible that due to staff turnover or availability that some staff may not be interviewed. Hawaii will note if key staff

were unable to be interviewed and/or surveyed and if that impacts the ability to evaluate any of the evaluation questions.

There are several additional limitations that are inherent with qualitative research designs. This includes biases, accuracy, and thoroughness of respondents' answers. The skillset of the qualitative interviewer/researcher can impact the quality of the data. Hawaii will be using a semi-structured interview design and/or a structured survey to ensure the use of standardized questions.