

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

April 7, 2023

Elizabeth Matney
Medicaid Director
Iowa Medicaid Enterprise
1305 E Walnut Street
Des Moines, IA 50319

Dear Ms. Matney:

The Centers for Medicare & Medicaid Services (CMS) approved the Evaluation Design for Iowa's Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled, "Iowa Wellness Plan" (Project No: 11-W-00289/7). 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 February 4, 2022, 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.

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 Iowa Wellness Plan section 1115 demonstration. If you have any questions, please contact your CMS demonstration team.

Sincerely,

A solid black rectangular box used to redact the signature of Danielle Daly.

Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

cc: Lee Herko, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

STATE OF IOWA DEPARTMENT OF
Health AND **Human**
SERVICES

EVALUATION DESIGN
Managed Care Risk Mitigation COVID-19
PHE Section 1115 Demonstration

FEBRUARY 2023

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Background Information

In response to the section 1115(a) demonstration opportunity announced to states on March 22, 2020, in State Medicaid Director Letter (SMDL) #20-002, Iowa submitted an 1115 COVID-19 demonstration application to address the COVID-19 public health emergency (PHE). The waiver requested authority for exemption from the regulatory prohibition in 42 CFR §438.6(b)(1) to permit retroactive risk sharing.

Iowa's goal during the Managed Care Risk Mitigation COVID-19 PHE demonstration period is to add a risk-sharing arrangement, specifically a risk corridor, to support Iowa in making appropriate, equitable payments during the COVID-19 PHE to help maintain beneficiary access to care.

CMS determined that Iowa's demonstration promoted the objectives of the Medicaid program and approved the demonstration on February 4, 2022. This approval permitted Iowa to enter into or modify a risk mitigation arrangement with its managed care organizations (MCOs) and prepaid ambulatory health plans (PAHPs), also known as managed care plans (MCPs).

As part of the approval, CMS required the state to monitor and evaluate the impacts of the demonstration. CMS expects Iowa to undertake data collection and/or analyses that are meaningful but not unduly burdensome for the state. Specifically, the state was directed to focus on qualitative methods and descriptive statistics to address evaluation questions that will support understanding the successes, challenges, and lessons learned in implementing the demonstration.

The items approved and subject to evaluation under the approved 1115 demonstration are:

- Capitation rates reflecting health insurance providers fee, Nursing Facility COVID-19 Relief Rate (NF CRR) payments and risk corridor.
- NF CRR payments and risk corridor reconciliation for SFY20 and SFY21.
- Original rate certification for SFY20 and SFY21.
- Original rate certification for the Dental Wellness Plan that includes risk corridor for SFY20 and SFY21.

Table 1 outlines the applicable rating periods.

Table 1: Rating Periods

HealthLink	Dental Wellness Plan
07/01/2019-06/30/2020	
07/01/2020-12/31/2020	07/01/2020-06/30/2021
01/01/2021-06/30/2021	

Evaluation Questions and Hypotheses

This evaluation aims to determine the impact of the exemption on appropriate and equitable payments to an MCP during a PHE.

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

Hypothesis 1: The final medical expenditure payments to the MCPs 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 state will be able to identify the benefits and successes of adding a risk-sharing mechanism that would not have been realized if the demonstration authority were not in place.

Evaluation Question 3: What were the principal lessons learned that could inform future demonstration flexibilities in the face of a PHE?

Hypothesis 3: The state will be able to document for any future PHEs the means for negotiating appropriate risk mitigation strategies with its MCPs. The lessons learned from this demonstration may be incorporated into MLR audit processes, medical expenditure analyses, and review of administrative expenditures from the MCPs.

Evaluation Question 4: What retroactive risk-sharing agreements did the state ultimately negotiate with the MCPs under the demonstration authority?

Hypothesis 4: The state will be able to show the types of negotiated risk-sharing agreements with the MCPs, the terms of the negotiated risk-sharing agreements, and that they are mutually beneficial and provide appropriate, actuarially sound rates.

Methodology

SOURCES OF DATA

The following data will include state fiscal years 2020 and 2021:

1. Risk Corridor contract language
2. Capitation payments
3. Managed Care encounters submitted by the MCP
4. Financial reports submitted by the MCP
5. Year-end settlements

Given the evaluation question's focus on 'more accurate' payments to an MCP, Iowa will utilize available data sets and reports to analyze the associated financial outcomes of the retroactive risk mitigation agreements. Iowa anticipates that the outcomes of risk mitigation will differ with each MCP and overall, the exemption will lead to overall savings in the state's Medicaid program.

DOCUMENT REVIEW

To examine information related to the risk corridor negotiated with the MCPs, the state will conduct a review of relevant documentation (e.g., managed care contracts and financial reports).

STAFF INTERVIEWS

The State will conduct staff interviews to evaluate if the demonstration facilitated attaining the objectives of Medicaid. Interview participants will be selected based on involvement in implementing the risk corridor.

MCO & PAHP MEDICAL LOSS RATIO (MLR) REPORTS

MCOs and PAHPs submit regular medical loss ratio (MLR) reports which provide aggregate revenue, claims costs, and other financial metrics for the purposes of calculating MLRs. The state will examine SFY20 and SFY21 monthly MLR submissions to evaluate, in part, to what extent the risk sharing implemented under the demonstration authority resulted in more accurate payments to the MCOs and PAHPs.

CLAIMS DATA

The state will use claims cost data, collected and validated regularly by the demonstration actuaries, to estimate the unforeseeable impact of COVID-19 on utilization patterns. This forms the basis of the standard 'encounter data' the actuary relies on for rate development.

ANALYTIC METHODS

As part of the 1115 demonstration approval, CMS required Iowa to develop 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 Iowa respond to the COVID-19 PHE. As such, Iowa will use qualitative and descriptive statistics methods to conduct the Evaluation.

QUALITATIVE ANALYSIS

The state will collect qualitative data through methods such as staff interviews and document reviews.

DESCRIPTIVE ANALYSES

For evaluation questions assessing payments to MCPs, the state will calculate standard summary statistics to report findings using claims data and MLR submissions.

Table 2 below outlines the evaluation questions, hypotheses, data sources, and analytic approaches for this evaluation design.

Table 2: Analytic Table

Evaluation Questions	Hypotheses	Data Source	Analytic Approach
I. To what extent did the retroactive risk mitigation implemented under the demonstration authority result in more accurate payments to the MCPs?	The final medical expenditure payments to the MCPs 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.	MLR Submissions and Claims Data	Descriptive analysis

Evaluation Questions	Hypotheses	Data Source	Analytic Approach
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?	The state will be able to identify the benefits and successes of adding a risk-sharing mechanism that would not have been realized if the demonstration authority were not in place.	Staff Interviews	Qualitative analysis
3. What were the principal lessons learned that could inform future demonstration flexibilities in the face of a PHE?	The state will be able to document for any future PHEs the means for negotiating appropriate risk mitigation strategies with its MCPs. The lessons learned from this demonstration may be incorporated into MLR audit processes, medical expenditure analyses, and review of administrative expenditures from the MCPs.	Staff Interviews	Qualitative analysis
4. What retroactive risk-sharing agreements did the state ultimately negotiate with the MCPs under the demonstration authority?	The state will be able to show the types of negotiated risk-sharing agreements with the MCPs, the terms of the negotiated risk-sharing agreements, and that they are mutually beneficial and provide appropriate, actuarially sound rates.	Document Review	Qualitative Analysis

Methodological Limitations

Given the simplified nature of this Evaluation Design, Iowa does not anticipate encountering extensive methodological limitations. However, there are a few limitations the state may encounter, which are described below.

When using interviews, limitations could be bias, dependent on an individual's skill/knowledge of the subject, and time-consuming. Some ways to minimize limitations are creating a scripted interview template and limiting the number of interview questions. Other limitations could be that calculations for this demonstration are based on data supplied by the MCOs 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.

Preparing the Final Report

Iowa 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.