

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

February 9, 2022

Farah Hanley
Chief Deputy for Health
Michigan Department of Health and Human Services
400 South Pine Street
Lansing, MI 48933

Dear Ms. Hanley:

The Centers for Medicare & Medicaid Services (CMS) approved the Evaluation Design for Michigan's Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled "Flint Michigan Section 1115 Demonstration" (Project Number 11-W-00302/5), effective through September 30, 2026. 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 thirty days, per 42 CFR 431.424(e). 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 Flint Michigan Section 1115 Demonstration. If you have any questions, please contact your CMS project officer, Mr. Julian Taylor. Mr. Taylor can be reached by email at Julian.Taylor@cms.hhs.gov.

Sincerely,

Danielle Daly Digitally signed by
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Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

cc: Keri Toback, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

Christine Davidson, Acting State Monitoring Lead, CMS Medicaid and CHIP
Operations Group

Flint, Michigan Section 1115 Demonstration

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

SFY 2022 Proposed Evaluation Design

09/25/2022

1. Evaluation Elements.

A. General Background

The Michigan Department of Health and Human Services (MDHHS) applied to and received approval from The Centers for Medicare & Medicaid Services (CMS) for retroactive approval of SFY 2022 risk mitigation mechanisms for Michigan’s Comprehensive Health Care Program (CHCP). Specifically, MDHHS applied and received CMS’s approval to be exempted from 42 C.F.R. § 438.6(b)(1) in order to add or modify risk mitigation mechanism(s) after the start of the rating period as specified in the state’s contracts with its Medicaid managed care plans. Upon approval, MDHHS will use the following SFY2022 Medicaid Health Plan (MHP) risk mitigation mechanisms:

- Medical Loss Ratio (MLR): SFY 2022 maintains a minimum 85% medical loss ratio standard which Michigan has used in prior years including a financial remittance component if below 85%.
- Healthy Michigan Plan (HMP) Dental Claims Loss Ratio: A minimum utilization threshold of 80% of base utilization included in the dental component of the Healthy Michigan Plan SFY 2022 capitated rates. For (MHPs) which fall below the 80% threshold, a recoupment will be made for unspent benefit expense funding specific to the dental component of the rates.
- MHP COVID-19 Vaccination Initiative:
 - Unspent COVID-19 vaccination administration funding included the SFY 2022 Medicaid Health Plan capitated rates for ages 2 and over may be recouped.
 - Recouped funds will be utilized to create a bonus pool.
 - Medicaid Health Plans who achieve 55% of members aged 16 or over receiving administration of the first COVID-19 vaccine dose (or the single dose in the case of Johnson & Johnson COVID-19 vaccine) can access 30% of the bonus pool.
 - MHPs who achieve 70% of members aged 16 or over receiving COVID-19 vaccine administration, can access the remaining 70% of the bonus pool.

MDHHS sought approval for these risk mitigation mechanisms to result in more accurate payments to MHPs.

MHP Risk Mitigation Mechanism	SFY 2019	SFY 2020	SFY 2021	SFY 2022 Retroactive Request	SFY 2023 (Planned)
Medical Loss Ratio	85% - reporting requirement, not tied to recoupment	Reported, MDHHS implemented a risk corridor.	Reported, MDHHS implemented a risk corridor.	85%	85%
HMP Dental Claims Loss Ratio	Not in effect	Initially 80%, was removed/replaced with risk corridor.	Not in effect/replaced with risk corridor	80%	80%

COVID-19 Vaccination Initiative	Not in effect	Not in effect	Implemented – no MHPs met performance metrics.	Implemented – same terms as SFY21.	Discontinuing
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B. Evaluation Questions

The purpose for implementing these retroactive risk mitigation strategies was to target appropriate payments to the participating managed care health plans for the SFY 2022 time period. The following provides a list of questions that are intended to be examined for purposes of the final report and whether the proposed strategies met their intended purpose.

Evaluation Question 1. How did this demonstration facilitate the objectives of Medicaid?

- 1.1 What were the principal lessons learned for any future PHEs in implementing the demonstration flexibilities?
- 1.2 What problems does the state anticipate would 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?

Evaluation Question 2. How did the authority support making appropriate, equitable payments to help with the maintenance of beneficiary access to care during the PHE?

- 2.1 What retroactive risk mitigation agreements did the state ultimately negotiate with the managed care plans under the demonstration authority?
- 2.2 To what extent did the retroactive risk mitigation implemented under the demonstration authority result in more accurate payments to the managed care plans?
- 2.3 What were the principal challenges associated with implementing the retroactive risk mitigation strategies from the perspectives of the state Medicaid agency and Medicaid managed care plans?
- 2.4 What actions did the state take to address challenges presented by the implementation of retroactive risk mitigation strategies? To what extent were those actions successful in the context of the PHE?
- 2.5 In what ways during the PHE did the demonstration support adding or modifying one or more risk mitigation mechanisms after the start of the rating period?

C. Methodology

This section will detail the proposed methodology for Evaluation Design, including the data sources and methods of analysis.

- **Data Sources**
The State will compile qualitative and quantitative data from multiple sources, including documentation of funding received by and any recoupments from MHPs associated with the

demonstration’s risk mitigation mechanisms. The State plans to incorporate the following:

Staff Interviews: The State will interview staff that have worked to implement the Risk Mitigation Mechanisms, covering both internal processes and efforts in partnership with relevant parties like Medicaid Health Plans. An interview protocol will be developed to ensure consistency in interviews and cover the broad spectrum of processes, partners, and program oversights to provide a comprehensive qualitative analysis. Interviews will include questions targeted to answer specific research questions and gather information on outcome measures.

Medical Loss Ratio (MLR) Reports: The State will review Medicaid Health Plan Risk Corridor and MLR Reports created by Milliman that detail recoupments, encounter data, reported expenses from managed care organizations, vaccine expenditures, and other data relevant to the risk mechanisms.

Dental Utilization & Dental Claims Loss Ratio Reports: The State will review dental utilization summary reports created by Milliman that show the average utilization for the Healthy Michigan population by health plan and incurred during quarterly periods. Additional reports with reported dental benefit expense in the encounter data, the amount of dental benefit expense included in the capitation rates, and the projected amount of recoupment will also be reviewed.

Health Plan Utilization Reports on COVID-19 Vaccination: The State will review reported encounter data and actuarial reports from Milliman on COVID-19 vaccinations, such as the Summary of SFY 2021 COVID-19 Incentive Recoupment by Health Plan. This information may be cross-referenced with other data sources and tracking databases to confirm vaccination among Medicaid beneficiaries.

Document Review: Additional documents will be reviewed as necessary to provide qualitative and quantitative information relevant to the Risk Mitigation Mechanisms. This may involve, as applicable, the incidence and results of any audits, investigations or lawsuits, or any state legislative developments that may impact the demonstration.

- **Analytic Methods**

The State will conduct qualitative and quantitative analysis on data gathered, employing quantitative and qualitative reviews as needed to answer the Evaluation Questions. A qualitative analysis may also be conducted related to staff interviews, with responses categorized and coded as applicable to provide some quantitative measures that may provide additional insights.

<i>Evaluation Question 1. How did this demonstration facilitate the objectives of Medicaid?</i>			
Research Question	Outcome Measure	Data Source	Analytic Approach
1.1 What were the principal lessons learned for any future PHEs in implementing the demonstration flexibilities?	Description of implementation process, including challenges encountered, solutions developed, and successes or opportunities for improvement	Document Review; Staff Interviews	Qualitative

<p>1.2 What problems does the state anticipate would 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?</p>	<p>Description of potential issues from application of section 438.6(b)(1), as well as and how the exemption addressed or prevented these problems (if applicable)</p>	<p>Document Review; Staff Interviews</p>	<p>Qualitative</p>
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<p><i>Evaluation Question 2. How did the authority support making appropriate, equitable payments to help with the maintenance of beneficiary access to care during the PHE?</i></p>			
<p>Research Question</p>	<p>Outcome Measure</p>	<p>Data Source</p>	<p>Analytic Approach</p>
<p>2.1 What retroactive risk mitigation agreements did the state ultimately negotiate with the managed care plans under the demonstration authority?</p>	<p>Details of sharing agreements negotiated with managed care plans for Risk Mitigation Mechanisms</p>	<p>Document Review</p>	<p>Qualitative</p>
<p>2.2 To what extent did the retroactive risk mitigation implemented under the demonstration authority result in more accurate payments to the managed care plans?</p>	<p>Comparison of MLR/DLR/Documents prior to & following implementation of Risk Mitigation Mechanisms</p>	<p>MLR & DLR Reports; Document Review</p>	<p>Quantitative</p>
<p>2.3 What were the principle challenges associated with implementing the retroactive risk mitigation strategies from the perspectives of the state Medicaid agency and Medicaid managed care plans?</p>	<p>Description of challenges faced by State & MCOs regarding implementation of Risk Mitigation Mechanisms</p>	<p>Staff Interviews</p>	<p>Qualitative</p>
<p>2.4 What actions did the state take to address challenges presented by the implementation of retroactive risk mitigation strategies? To what extent were those actions successful in the context of the PHE?</p>	<p>Description of actions taken by state to implement retroactive mitigation strategies; description of successes and/or opportunities for improvement in context of PHE</p>	<p>Staff Interviews</p>	<p>Qualitative</p>
<p>2.5 In what ways during the PHE did the demonstration support adding or modifying one or more risk mitigation mechanisms after the start of the rating period?</p>	<p>Description of costs/benefits related to adding or modifying risk mitigation mechanisms</p>	<p>Staff Interviews</p>	<p>Qualitative</p>

The evaluation period will primarily be focused on state fiscal year 2022. It will also include applicable historical information of associated risk mitigation mechanisms from state fiscal years 2019 through 2021 in order to provide necessary context as applicable.

D. Methodological Limitations

In performing the evaluation of the demonstration, the independent evaluator will rely upon certain data and information provided by MDHHS and the MHPs for this purpose. To the extent

that the data and information provided is not accurate, or is not complete, the evaluation may likewise be inaccurate or incomplete. The models, including all inputs, calculations, and outputs, may not be appropriate for any other purpose.

Further, the risk mitigation mechanisms employed by the state were based on initial projections. Differences between projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for the analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Limitations with the data will be minimized by requiring the health plans to attest to the accuracy of the data, performing an independent review of the submitted information, and engaging in discussions and further analysis to address any discrepancies.

Target and comparison populations may not be suitable for this evaluation, with possible exception of review other state approaches to COVID-19 vaccine administration risk mitigation mechanisms.

2. Attachments.

- A. Independent Evaluator.** As permitted by CMS, an independent evaluator will not be employed for this evaluation.
- B. Evaluation Budget.** Michigan will leverage existing resources and utilize neutral staff that have not been directly involved with implementation, negating the need for an evaluation budget.
- C. Timeline.** See below.

October - January 2023

Anticipated period for MDHHS to incorporate feedback from CMS regarding the demonstration's evaluation design.

August 30, 2023

MDHHS anticipated to have finalized reporting and possible recoupments associated with the demonstration's risk mitigation mechanisms. review of MHP financial performance in SFY22 and MHP recoupments/bonus payments will be provided to CMS.

November 30, 2023

MDHHS anticipates submission of an interim report with any changes to our Evaluation Questions, Methodology, and Evaluation Timeline.

January 31, 2024

MDHHS anticipates submission of a final report.

Within 30 Days of Approval

Within 30 calendar days after CMS approval of Final Report, MDHHS will post the CMS-approved final report to their Medicaid Agency website
