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

January 17, 2025

Sarah Aker
Director, Medical Services
North Dakota Human Services
600 E. Boulevard Avenue, Dept. 325
Bismarck, ND 58505-0250

Dear Director Aker:

The Centers for Medicare & Medicaid Services (CMS) completed its review of North Dakota's Final Report for the Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) amendment to the section 1115 demonstration entitled, "North Dakota Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE)" (Project No: 11-W-00397/8). This report covers the demonstration period from January 2020 to December 2021. CMS determined that the Final Report, submitted on November 18, 2024 is in alignment with the CMS-approved Evaluation Design, and therefore, approves the state's Final Report.

In accordance with STC 16, 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 Managed Care Risk Mitigation COVID-19 PHE demonstration under these extraordinary circumstances. We appreciated our partnership on the North Dakota Managed Care Risk Mitigation COVID-19 PHE demonstration and look forward to working with you on any future demonstrations. If you have any questions, please contact your CMS demonstration team.

Sincerely,

Danielle Daly -S

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Date: 2025.01.17 05:14:50 -05'00'

Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

cc: Ashli Clark, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

North Dakota Managed Care Risk Mitigation COVID-19 PHE Section 1115(a) Demonstration Final Report

(Project Number 11-W-00397/8)

Evaluation Question 1:
What PHE Demonstration flexibilities were implemented by the State?

Response
The PHE Demonstration allowed flexibility in modifying the MLR risk corridor within the Medicaid Expansion program, making sure that the dollars paid to the MCO were efficient spending of taxpayer dollars.

Evaluation Question 2:
What retroactive risk sharing agreements did North Dakota ultimately negotiate with the managed care plans under the demonstration authority?

Response
The state established an MLR risk corridor with the MCO for the Medicaid Expansion program for CY20 and CY21, as detailed in the rate certifications submitted to CMS as well as the managed care contracts.

Pursuant to 42 CFR § 438.8(c) and (j), the State may elect to mandate a minimum MLR, that must be at least 85%, and may require the MCO to provide a remittance for a MLR reporting year if the MLR does not meet the minimum standard as set by State. For CY20, the State has elected to mandate a MLR threshold of 95.8% and the comparable figure for CY21 was 95.7%. The following adjustments were incorporated when the MLR calculation was performed and provided to CMS:

A. The credibility adjustment.
B. Federal/state income taxes.

Monies were received from the MCO to achieve the targeted MLR threshold, as noted in our response to Question 3 below.

Evaluation Question 3:
To what extent did the retroactive risk sharing implemented under the demonstration authority result in more accurate payments to the managed care plans?

Response
The risk mitigation implemented by the State of North Dakota resulted in more accurate payments to the Medicaid Expansion MCO. The purpose of the risk mitigation arrangements was to address uncertainty associated with the COVID-19 Public Health Emergency and its impact on capitation rates.

Each risk mitigation arrangement was described in the MCO contracts and rate certification letters. The capitation rates were developed in accordance with CMS guidance, 42 CFR 42 §438.4, the rate development standards in 42 CFR §438.5, and generally accepted actuarial principles and practices. Risk corridors were evaluated based on MCO claims and financial data.

The risk corridors resulted in more accurate payments for CY21 as demonstrated by the results of the MLR risk corridor evaluations and shown in the following table:

Metric	CY20	CY21
Medical Expenses (MLR Numerator)	$280,175,769.74	$308,475,590.31
Revenue (MLR Denominator)	$292,542,319.88	$387,804,805.63
Unadjusted MLR %	95.8%	79.5%
Credibility Adjustment	1.3%	1.1%
Adjusted MLR %	97.1%	80.6%
MLR Remittance Threshold	95.8%	95.7%
MLR Reconciliation Payment	**$0.00**	**$58,387,755.82**

Evaluation Question 4:
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?

Response
The demonstration supported modifying the MLR risk corridor within the Medicaid Expansion program. Absent this authority, the State of North Dakota would not have been able to adjust its payments to its MCO to account for the significant changes in utilization observed during the COVID-19 PHE. This authority allowed the State of North Dakota to make appropriate payments to the managed care plan and ensure that taxpayer dollars are used in an efficient manner.

Evaluation Question 5:
What 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?

Response
The uncertainty associated with the COVID-19 PHE introduced significant challenges around establishing actuarially sound capitation rates. Without the flexibility to modify the MLR risk corridors under this demonstration authority, North Dakota would not have been able to manage the financial risk, resulting in excessive capitation rates for CY21.

Evaluation Question 6:
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?

Response
Though discussions with internal staff as well as the managed care plan, the State did not encounter any notable challenges with implementing the MLR risk corridor.

Evaluation Question 7:
What were the principal lessons learned for any future PHEs in implementing the demonstration flexibilities?

Response
CMS' willingness to provide flexibility around 42 CFR 438.6(b)(1) was key to our ability to address this unforeseen emergency. If faced with a similar situation in the future, allowing states to have that same level of flexibility will ensure appropriate rates as well as adequate access to care for beneficiaries.