

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 16, 2025

Stacie Weeks
Medicaid Administrator
Nevada Department of Health and Human Services
1100 East William Street, Suite 101
Carson City, NV 98710

Dear Administrator Weeks:

The Centers for Medicare & Medicaid Services (CMS) completed its review of Nevada's Final Report for the Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) section 1115 demonstration entitled, "Nevada Managed Care Risk Mitigation COVID-19 Public Health Emergency Section 1115 Demonstration" (Project No: 11-W-00384/9). This report covers the demonstration period from January 2020 to December 2021. CMS determined that the Final Report, submitted on January 9, 2025 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 look forward to our continued partnership on Nevada's other section 1115 demonstrations. If you have any questions, please contact your CMS demonstration team.

Sincerely,

**Danielle
Daly -S**

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Danielle Daly -S
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Danielle Daly
Director
Division of Demonstration Monitoring and Evaluation

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

Nevada COVID-19 Section 1115a Demonstration Final Report

Nevada Department of Health and Human Services
Division of Health Care Financing & Policy
December 27, 2024



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Executive Summary:

CMS approved expenditure authority for the state to add or modify a risk sharing arrangement after the start of the rating period to maintain capacity during the COVID-19 PHE. The Demonstration helped the state to furnish medical assistance in a manner intended to protect, to the greatest extent possible, the health, safety, and welfare of individuals and providers who were affected by COVID-19. The Demonstration allowed the state to incorporate risk mitigation measures that would have otherwise been precluded from being implemented. This allowed the state to recover significant funds that would have otherwise been disallowed per 42 CFR § 438.6(b)(1).

Background:

On November 12, 2021, the Nevada Department of Health and Human Services, Division of Health Care Financing and Policy (“DHCFP”) submitted an application to the Center for Medicare & Medicaid Services (CMS) for a COVID-19 section 1115 Demonstration Waiver: Nevada Managed Care Risk Mitigation COVID-19 Public Health Emergency (PHE) section 1115(a) Medicaid Demonstration (hereafter known as “Demonstration”). The Demonstration approval was obtained from CMS on April 14, 2022. The Demonstration approval was retroactively applied from March 1, 2020, through a date that is sixty (60) days after the PHE ends.

The following expenditure authorities were granted as part of the Demonstration:

- CMS is approving expenditure authority for the state to add or modify a risk sharing arrangement after the start of the rating period to maintain capacity during the COVID-19 PHE. This expenditure authority applies only to contracts and rating periods that begin or end during the COVID-19 PHE, when the contract was signed prior to the last day of the COVID-19 PHE. This expenditure authority exempts the state from compliance with the requirements under 42 CFR § 438.6(b)(1) and allows the state to add or modify the risk sharing mechanism(s) after the start of the rating period as specified in the state’s contracts with its Medicaid managed care plans. The authority would exempt, as necessary, the state from compliance with the current requirements in section 438.6(b)(1) for the specific contracts and rating periods that begin or end during the COVID-19 PHE when the contract was signed prior to the last day of the COVID-19 PHE. The authority would allow one or more retroactive risk mitigation arrangements to remain in place even if the state and the managed care plan had agreed to these arrangements after the requirements in section 438.6(b)(1) became effective. This authority is effective regardless as to whether the state substantially complied with the regulation by, for example, submitting unsigned contracts and rate certification documents for CMS review either before or after the effective date of the new regulation but before the start of the rating period.
- If the contract and rating period begins or ends during the COVID-19 PHE and the contract was signed prior to the last day of the PHE, CMS is hereby granting expenditure authority to permit the state to implement retroactively one or more risk sharing arrangements for the full duration of the rating period. If the rating period ended on or after March 1, 2020, and ended prior to the last day of the PHE, the state can retroactively implement one or more risk sharing arrangements for the full duration of the rating period. If the rating period began after March 1, 2020, and prior to the last day of the PHE, the state can retroactively implement one or more risk sharing arrangements for the full duration of the rating period. A state can only retroactively implement risk sharing arrangements under this Demonstration for multiple rating periods if the contract signature criteria, as well as the rating period beginning and/or ending criteria are met for each rating period.
- Approval of this expenditure authority is conditioned upon continued compliance with the previously approved special terms and conditions, which set forth in detail the nature, character, and extent of anticipated federal involvement in the project.

Questions and Hypotheses

The following evaluation questions based on the specific STCs, waivers and expenditure authorities in the Demonstration are addressed:

- What retroactive risk sharing agreements did the state ultimately negotiate with the managed care plans under the Demonstration authority?
 - Risk Corridors between the state and the MCOs were implemented for CY 2020 and CY 2021.
- To what extent did the retroactive risk sharing implemented under the Demonstration authority result in more accurate payments to the managed care plans?
 - Based upon MCO MLR report submissions, in accordance with the terms of the Risk Corridors, significant amounts of funding were recouped from the MCOs.
- 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?
 - Without the Demonstration, implementation of the Risk Corridors would have otherwise been disallowed.
- 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?
 - Section 438.6(b)(1) would have precluded risk mitigation measures such as a Risk Corridor from being implemented following the start of the rating period. The Demonstration eliminated that restriction, thus providing a path to allow the state to implement risk mitigation measures, even after the start of the rating period.
- What were the principal lessons learned for any future PHEs in implementing the Demonstration flexibilities?
 - The Demonstration process was pivotal in allowing the state to implement risk mitigation measures that would have otherwise been precluded.

Methodology

Risk Corridors were developed and implemented in accordance with the provisions allowed for by the Demonstration, for the Calendar Year of CY 2020 and CY 2021.

Methodological Limitations:

- Reporting requirements on the MCOs, claims verification, and completeness of the data sets due to runoff.

Results:

- As a result of this Demonstration, the state implemented risk corridors for CY 2020 and CY 2021. The state recouped funds to be returned to state and federal government, as follows:

CY 2020:

CY 2020 Nevada MCO Risk Corridor Reconciliation				
All MCOs				
Component	MCO Number 1	MCO Number 2	MCO Number 3	Total
MLR Calculation				
Adjusted MLR	84.66%	85.09%	81.82%	84.50%
Target MLR	91.25%	91.25%	91.25%	91.25%
Risk Corridor Reconciliation Calculation				
Risk Corridor Settlement Amount	\$ 32,718,720.61	\$ 34,895,598.86	\$ 17,589,795.34	\$ 85,204,114.80
Recoupment from/(Payment to) MCO	\$ 32,718,720.61	\$ 34,895,598.86	\$ 17,589,795.34	\$ 85,204,114.80

CY 2021:

CY 2021 Nevada MCO Risk Corridor Reconciliation				
All MCOs				
Component	MCO Number 1	MCO Number 2	MCO Number 3	Total
MLR Calculation				
Reported MLR	78.34%	80.89%	78.23%	79.51%
Target MLR	91.25%	91.25%	91.25%	91.25%
Risk Corridor Reconciliation Calculation				
Risk Corridor Settlement Amount	\$ 73,266,686.92	\$ 62,472,115.65	\$ 23,620,117.02	\$ 159,358,919.59
Recoupment from/(Payment to) MCO	\$ 73,266,686.92	\$ 62,472,115.65	\$ 23,620,117.02	\$ 159,358,919.59

Conclusions:

- The Demonstration enabled the recovery of \$244,563,034.39 in state and federal funds that would have not been possible without the Demonstration.

Interpretations, Policy Implications, and Interactions with Other State Initiatives

- Being allowed to implement risk mitigation measures after the start of the rating period, allowed the state to recoup funds that would have otherwise been left only to the MLR recoupment. The added flexibility granted by the Demonstration allowed the state to put in place the risk corridor in response to the COVID-19 PHE, greatly improving the state’s ability to manage state and federal dollars.

Lessons Learned and Recommendations

- If any future PHE occurs, it would be in the best interests of the state to participate in a similar Demonstration, if any are available, as it allows the state to better manage state and federal dollars.