



DEPARTMENT OF HEALTH

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Secretary

July 1, 2021

The Honorable Guy J. Guzzone
Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Bldg.
Annapolis, MD 21401-1991

The Honorable Maggie McIntosh
Chair
House Appropriations Committee
121 House Office Bldg.
Annapolis, MD 21401-1991

RE: 2021 Joint Chairmen's Report (p. 113) – Report on CY20 MCO Risk Corridor Settlement Process and Results by Individual MCO

Dear Chairs Guzzone and McIntosh:

Pursuant to the requirements of the 2021 Joint Chairmen's Report (p. 113), the Maryland Department of Health (MDH) submits this report, which addresses the projected results of the 2020 medical loss ratio (MLR) risk corridor arrangement with the nine managed care organizations (MCOs).

Background

In managed care, states must develop actuarially sound rates and the Centers for Medicare and Medicaid Services (CMS) must approve those rates. These rates can use a variety of mechanisms to adjust risk when necessary, including the implementation of risk-sharing arrangements such as a risk corridor. Risk corridors can either be one-sided, where states only share in savings with the MCOs, or two-sided, where states and MCOs share in both savings and losses. In Maryland, rates are set and approved by CMS annually. In response to the COVID-19 pandemic, CMS allowed states to implement two-sided risk corridors retroactively as a temporary flexibility to better address uncertainty around service utilization trends. MDH incorporated risk corridors into its MCO contracts for both CY 2020 and CY 2021. Under this arrangement, MDH and the nine MCOs will share in savings that are generated or share in the risk when revenues fall short of expected expenditures. In CY 2020, the medical loss ratio (MLR) risk corridor is based on MCO-specific experience. In CY 2021, the risk corridor is based on aggregate program-wide experience.

In both CY 2020 and CY 2021, Kaiser Permanente of the Mid-Atlantic States (KPMAS) is excluded from the risk corridor. Due to its unique service delivery model, KPMAS has significantly higher operating costs which makes it an outlier¹ from the other MCOs. While

¹ KPMAS is an outlier due to its significantly higher operating costs. The higher costs are attributable to its service delivery model, which is different than any other MCO.

KPMAS is not included in setting capitation rates, KPMAS must accept the capitation rates developed based on the other MCOs’ expenses. Given that Kaiser is an outlier in terms of expenditures, MDH did not want to take on the disproportionate risk for Kaiser under the risk corridor.

Maryland Medicaid’s CY 2020 Risk Corridor

The CY 2020 risk corridor is based on the MLR, which is the proportion of premium revenues spent on clinical services and quality improvement. Based on each MCO’s MLR, they fall into a band that puts them into a specific corridor (see Table 1). Corridors highlighted in green generate additional savings for MDH, while corridors highlighted in orange increase expenditures for MDH.

Table 1: CY 2020 MLR Risk Corridors with Shares of Gain/Loss

Medical Loss Ratio Corridor	MCO Share of Gain/Loss in the Corridor	State/Federal Government Share of Gain/Loss
Corridor C+: MLR of less than 86.2%	25%	75%
Corridor B+: MLR between 86.2% and 88.2%	50%	50%
Corridor A: MLR between 88.2% and 92.2%	100%	0%
Corridor B-: MLR of 92.2% to less than 94.2%	50%	50%
Corridor C-: MLR greater than 94.2%	25%	75%

For example, if an MCO’s MLR percentage is 90 percent, then the MCO’s MLR is within Corridor A, no corridor adjustments are applied, and the MCO retains its individual profits. However, if the actual MLR Ratio were 93 percent (which would be within Corridor B-), the losses will be shared 50 percent with the MCO and 50 percent with the State and Federal governments.

Eight of the nine MCOs are participating in the risk corridor. As previously stated, KPMAS was not eligible to participate.

Preliminary Results for CY 2020

Based on preliminary data, five of the eight participating MCOs reported accruals in CY 2020. These five MCOs reported generating preliminary savings of over \$101.5 million for MDH (see Table 2). The other three MCOs (Jai Medical Systems, Medstar Family Choice, and Maryland Physicians’ Care) all reported MLRs in Corridor A; therefore, they will not be subject to risk sharing.

Table 2: CY 2020 Reporting Accruals

MCO	Reported Accruals	Reported Period	MLR Corridor
Aetna	-\$15,517,623.00	as of 4/30/21	Corridor C+: MLR of less than 86.2%
Amerigroup	-\$46,253,932.31	as of 3/31/21	Corridor C+: MLR of less than 86.2%
CareFirst	-\$12,227,627.00	as of 3/31/21	Corridor C+: MLR of less than 86.2%
Priority	-\$8,500,000.00	as of 4/30/21	Corridor B+: MLR between 86.2% and 88.2%
United	-\$19,028,472.85	as of 3/31/21	Corridor C+: MLR of less than 86.2%
Preliminary Estimated Total State Recovery	-\$101,527,655.16		

Next Steps

MDH accepted encounter data from the MCOs through June 18, 2021 and will be updating the preliminary results to make final determinations for CY 2020. MDH has also implemented a global risk corridor with different methodology for CY 2021 and will continue to analyze the data as it is reported by the MCOs for both CY 2020 and CY 2021.

If further information on this subject is needed, please contact Heather Shek, Director, Office of Governmental Affairs at heather.shek@maryland.gov.

Sincerely,



Dennis R. Schrader
Secretary

cc: Steven R. Schuh, Deputy Secretary, Health Care Financing and Medicaid
Heather Shek, Director, Office of Governmental Affairs
Sarah Albert, Department of Legislative Services (5 copies)