Maryland
DEPARTMENT OF HEALTH
Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Acting Secretary

The Maryland Department of Health's
Responses to the DLS FY 2022 Budget Analyses
March 4, 2021

Maryland Department of Health – Medicaid

The Department thanks the Governor, the Department of Budget and Management, and the Budget Committees for their support in 2020 and in 2021 with COVID-19 response efforts. We thank the Department of Legislative Services for its insightful budget analysis.

Issues

HealthChoice Program and Performance Quality -- The Future of Value-Based Purchasing

Medicaid should comment on the change to the incentive-only program and also outline potential changes beyond Phase One (p. 44).

Last Fall, the Department communicated to the MCOs its plan to focus on improving Quality Assurance activities. One key area of focus is Value-Based Purchasing (VBP). Because of concerns as to whether VBP is achieving intended results, Medicaid is commenting now on the change to the incentive-only program and outlining potential changes beyond Phase One.

> Incentive Payments Increased More Than Enrollment and Quality Improvements. The amount of incentive money realized by some of the smaller plans increased significantly more than enrollment for such plans over the years in review. For instance, Jai Medical Systems' (Jai) average monthly enrollment increased by 5.6% from CY 2014 to CY 2019, but its incentive payments under VBP increased by 285%. The increase in incentive payments is not attributable to Jai achieving targeted incentives for additional measures. In both CY 2014 and CY 2019, Jai achieved incentives for all measures but one. Rather, two key factors are driving this change. First, increased enrollment in larger plans results in additional monies being generated through disincentives. Second, the additional money that was paid to plans in Round Two using a normalized scoring methodology. See the charts below, which suggest the need to re-evaluate VBP.

Jai Enrollment Growth Versus Overall HealthChoice Program

	CY 2014	CY 2019	% Change
Jai Average Monthly Enrollment	25,711	27,160	5.6%
Total HealthChoice Average Monthly Enrollment	1,041,576	1,198,836	15.1%

Jai VBP Incentives (Both 1st and 2nd Round Funding)

	CY 2014	CY 2019	% Change
Jai VBP Total Incentives	$1,703,918.40	$6,566,496.50	285%
Jai VBP Incentives 1st Round	$1,703,918.40	$1,783,351.92	5%
Jai VBP Incentives 2nd Round	$0	$4,783,144.58	

Incentives Are Not Tied to Performance. Round Two of the VBP program does not require that MCOs achieve incentives in order to realize monies through VBP. Rather, the Round Two incentive payout provides incentive funding by simply outperforming the other HealthChoice MCOs. It is not directly tied to increased performance.

- The data for CY 2020 is not yet available. It is possible, however, that despite all MCOs achieving disincentives across all measures the four highest performing MCOs will be awarded large incentive payments. For CY 2020, all funds collected through disincentives are required to be paid out; no funds may be retained by the Department.

- The Department was contractually obligated to continue VBP for CY 2020. Some MCOs advised that it will be difficult to achieve incentives—or even neutral thresholds—because the targets rely on utilization from pre-pandemic years (and any under-utilization was experienced early in the pandemic). The CY 2020 risk-corridor will help to mitigate any excess payments.

- For CY2021 capitation rates were set at the bottom of the rate range. At

the time, the Department noted in the MCOs' CY 2021 contract that incentives would not be paid if such incentives were unsupported by rates. The actuaries have certified that the CY 2021 rates do not support the collection of disincentives. This has been communicated to the MCOs. With the continuation of the pandemic into CY 2021, it is expected that MCOs will be challenged in achieving incentive and neutral thresholds based on utilization targets derived from pre-pandemic years.

- The BRFA of 2020 changed the policy that no funds are retained by the Department at the end of a calendar year. Specifically, 10 percent of the remaining funds will be placed in reserve in the HealthChoice Performance Incentive Fund. By making this change, the Legislature signaled its commitment to quality and to maintaining funds in the HealthChoice Performance Incentive Fund.

CMS Policy Change Impacts Incentives. Recently CMS initiated a change to the rate-setting system. In order to collect VBP financial disincentives, now CMS requires that capitation rates be supported by the collection of disincentives. In other words, disincentives must be funded by the capitation rates and incentive-only program funds are in addition to the capitation rates. This transparent structure permits MCOs to delineate, for example, what portion of the capitation rates are dedicated to providing services and what portion are available for incentives.

Next Steps. Our goal for the first phase of VBP is to ensure that we have the correct measures and threshold targets by structuring an incentive-only program that ties payments transparently to performance. The BRFA 2020 language also allows the Department to reward plans for performance improvement, along with recognizing plans which consistently achieve high performance on a year-to-year basis. Another key consideration is whether MCOs should be subject to a minimum threshold of performance, tied for example to HEDIS measures overall, in order to be eligible for participation in the incentive program. Whether to institute minimum thresholds is a consideration for Phase 2.

Operating Budget Recommended Actions

The Maryland Department of Health concurs with nine of the thirteen (13) operating budget recommendations proposed by the Department of Legislative Services.

1. Add language restricting provider reimbursement funding to that purpose.

The Department concurs with the recommendation.

2. Add language to Maryland Children's Health Program restricting program expenditures to that purpose.

The Department concurs with the recommendation.

3. Reduce general funds based by $750,000 on the availability of special funds from the Board of Pharmacy Fund authorized in the Budget Reconciliation and Financing Act of 2020.

The Department concurs with the recommendation.

4. Reduce general funds by $2,903,849 based on the availability of special funds from the Cigarette Restitution Fund.

The Department respectfully disagrees with the recommendation and supports the Governor's budget as submitted.

5. Reduce general funds by $4,500,000 for the non-emergency transportation program based on the most recent actual federal fund attainment.

The Department respectfully disagrees with the recommendation. The Department notes that the non-emergency transportation program may see an increase in expenditures this coming fiscal year, as many of the local jurisdictions are in the process of re-engaging their procurement processes with contract renewals and expirations underway as well. Moreover, the NEMT program is planning to pay for transportation costs to COVID-19 vaccine appointments.

6. Reduce general funds by $77,000,000 based on service utilization trends.

The Department concurs with the recommendation.

7. Reduce general funds by $244,600,000 based on the unanticipated availability of enhanced federal matching funds through calendar 2021.

The Department concurs with the recommendation.

8. Add language authorizing the transfer of $2,903,849 of special funds from the Cigarette Restitution Fund.

The Department respectfully disagrees with the recommendation and supports the Governor's budget as submitted.

9. Adopt narrative on calendar 2020 managed care organization risk corridor settlements.

The Department concurs with the recommendation.

10. Adopt narrative requesting that the Maryland Department of Health investigate shared savings opportunities with Medicare that could result in reducing the costs associated with expansion of home- and community-based waiver services.

The Department concurs with the recommendation.

11. Amend the contingent budget amendment authorization in the Senior Prescription

Drug Assistance Program to $1,863,720 to reflect anticipated need.

The Department respectfully disagrees with the recommendation. The Governor's Allowance proposes setting the minimum for the Senior Prescription Drug Assistance Program (SPDAP) at $14 million in FY 2022 and out years while DLS' recommendation revises that amount to $11.5 million in FY 2022 and $14 million in out years. This one-year delay in adjusting the SPDAP's revenue allocation deprives the SPDAP from $2.5 million in additional revenue that could be used as contingency funding for any SPDAP budget shortfalls or perhaps for providing an increase in seniors' prescription drug benefits in the future.

12. Reduce general fund deficiency appropriations by $75,000,000 to reflect service utilization trends.

The Department concurs with the recommendation.

13. Reduce general fund deficiency appropriations by $37,300,000 to reflect the availability of unrecognized fiscal 2020 enhanced federal match.

The Department concurs with the recommendation.

Budget Reconciliation and Financing Act Recommended Actions

The Maryland Department of Health does not concur with the Budget Reconciliation and Financing Act recommendation proposed by the Department of Legislative Services.

1. Amend the provision in the Budget Reconciliation and Financing Act of 2021 as introduced to set the minimum appropriation for the Senior Prescription Drug Assistance Program at $11.5 million in fiscal 2022, and not less than $14.0 million beginning in fiscal 2023.

The Department respectfully disagrees with the recommendation. The Governor's Allowance proposes setting the minimum for the Senior Prescription Drug Assistance Program (SPDAP) at $14 million in FY 2022 and out years while DLS' recommendation revises that amount to $11.5 million in FY 2022 and $14 million in out years. This one-year delay in adjusting the SPDAP's revenue allocation deprives the SPDAP from $2.5 million in additional revenue that could be used as contingency funding for any SPDAP budget shortfalls or perhaps for providing an increase in seniors' prescription drug benefits in the future.