

Essential Plan (EP) Guidance 2.0

Office of Health Insurance Programs

Essential Plan (EP) Guidance 2.0: Information Regarding EP Rate Setting Assumptions for Fiscal Year 2022

Date of Issuance: June, 25, 2021

The purpose of this document is to provide information in relation to provisions included as part of the Fiscal Year (FY) 2022 Enacted Budget.

Essential Plan Rate Setting Assumptions

- 1) The FY 2022 Budget included a full annual investment of \$420M gross into provider reimbursement rates for the EP1 (FPL 151% to 200%) and EP2 (FPL 139% to 150%) premium groups to bring rates more in line with Commercial reimbursement for inpatient and outpatient hospital-based services. Based on plan reported data, it is estimated that this increase will result in rates for inpatient and outpatient hospital-based services that are 225% of Medicaid fee for service reimbursement for the same services. Plans should utilize funding to increase provider medical reimbursement rates to improve the quality, accessibility, appropriate utilization, and efficiency of services provided to enrollees. Benchmarking assumptions built into rates will be as follows:
 - Full annual (12 months) funding will be included in June 1, 2021 rates for Calendar Year (CY) 2021. As a result, the \$420M investment will be prorated and paid over 7 months. Effective January 1, 2022, and annually thereafter, funding will be paid over 12 months.
 - As a result, for CY 2021 plans and providers may reprocess claims retroactive to January 1, 2021, or alternatively, adjustments could be made to claims prospectively for the 7-month period June 1, 2021 through December 31, 2021 or shorter period if implementation of the adjustments is delayed beyond June 1, 2021. The method of adjustment should reflect the full annual amount of the CY 2021 investment and ultimately be consistent with contractual agreements between the parties.
 - Historical plan reported expenditures will be trended to the rating period and include an additional \$420M gross for the provider reimbursement rate investment adjustment.
 - This Plan premium adjustment will be applied to all components of the inpatient and outpatient hospital-based categories of service (e.g.

operating, capital, etc.) resulting in the estimated 225% increase noted above.

- Finally, Graduate Medical Education funding continues to be included as part of the EP1 and EP2 rate assumptions as does the Covered Lives Assessment and HCRA Commercial rate of 9.63%.

2) The FY 2022 Budget also included modifications to member cost sharing which included the following:

- Effective June 1, 2021, the \$20 member premium for EP1 has been removed. EP1 premiums will be adjusted accordingly.
- Effective June 1, 2021, all EP1 and EP2 members will receive coverage for dental and vision with no monthly premium or cost sharing. EP1 and EP2 premiums will be adjusted accordingly.

3) The FY 2022 Budget also included the establishment of a \$200M gross Essential Plan Quality Incentive Pool for participating managed care plans. The incentive will be based on Measurement Year (MY) 2020 results from health plan 2020 Quality Assurance Reporting Requirements (QARR) submission and the most recent CAHPS survey results for their population (additional details will be forthcoming). It is anticipated the incentive will be paid to plans who earn an award in the fourth quarter (Jan. 2022 - March 2022) of FY 2022.