



Policy: MA.3003  
Title: **Medicare Shared Risk Pool**  
Department: Finance  
Section: Accounting

*CEO Approval: /s/ Michael Hunn 05/23/2024*

Effective Date: 01/01/2021

Revised Date: 05/01/2024

Applicable to: ☐ Medi-Cal  
☒ OneCare  
☒ OneCare Connect  
☐ PACE  
☐ Administrative

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## **I. PURPOSE**

This policy outlines the process for CalOptima Health's administration of a Medicare Shared Risk Pool with a Shared Risk Group.

## **II. POLICY**

- A. CalOptima Health shall establish the Medicare Shared Risk Pool for the Shared Risk Group in accordance with the Contract for Health Care Services and the terms and conditions of this Policy.
- B. CalOptima Health shall establish the Medicare Shared Risk Pool each calendar year (CY) during the term of the Shared Risk Group's Contract for Health Care Services.
- C. Medicare Shared Risk Budget:
  - 1. The Medicare Shared Risk Budget shall be established based on the Medicare Hospital Budget allocated for Members assigned to the Shared Risk Group within the applicable period.
- D. Medicare Shared Risk Expenses:
  - 1. The Medicare Shared Risk Expenses shall include:
    - a. Claims paid for Shared Risk Services provided to Members assigned to the Shared Risk Group;
    - b. An estimate of Incurred But Not Reported (IBNR) claims for Shared Risk Services; and
    - c. Deduction for any recoveries related to Shared Risk Services, including but not limited to copayments, overpayment recoveries and coordination of benefit recoveries.
- E. Quarterly Medicare Shared Risk Reporting:
  - 1. CalOptima Health shall report the status of the Medicare Shared Risk Pool to its corresponding Shared Risk Group within thirty (30) calendar days following the end of each quarter as follows:

- a. Period Ending January 1 to March 31: Due April 30.
  - b. Period Ending January 1 to June 30: Due July 31.
  - c. Period Ending January 1 to September 30: Due October 31.
  - d. Period Ending January 1 to December 31: Due January 31.
- F. Annual Medicare Shared Risk Reconciliation and Settlement:
- 1. By April 30, CalOptima Health shall distribute an annual report of the Medicare Shared Risk Program for the preceding CY to the Shared Risk Group. Upon an acceptance of the annual report from the Shared Risk Group, CalOptima Health shall settle the Medicare Shared Risk Pool for:
    - a. Surplus. If Medicare Shared Risk Expenses are less than Medicare Shared Risk Budget, CalOptima Health shall pay a Shared Risk Group an amount equal to fifty percent (50%) of that surplus, less any deficits carried forward from the previous annual settlement. CalOptima Health shall retain the balance of the Shared Risk Pool.
    - b. Deficit. If Medicare Shared Risk Expenses exceed Medicare Shared Risk Budget, CalOptima Health shall carry forward an amount equal to fifty percent (50%) of that deficit, up to an amount not to exceed \$5.00 per Enrollee per month calculated on CY basis, into the next annual reconciliation, along with any additional deficits carried forward from the previous annual settlement.
- G. In the event that CalOptima Health or a Shared Risk Group terminates the Contract for Health Care Services, CalOptima Health shall settle the Medicare Shared Risk Pool within one hundred twenty (120) calendar days following the annualized capitation adjustment (also known as Hierarchical Condition Category (HCC) sweeps) of the CY of the termination of the Contract for Health Care Services with a Shared Risk Group, in accordance with Section III.C. of this Policy. If the Medicare Shared Risk Pool settlement calculation results in a deficit, in accordance with the Contract with the Shared Risk Group, CalOptima Health shall recoup by offsetting deficit amounts against capitation payments, financial security withholds, pay-for-performance amounts, quality incentives, or Shared Risk Pool surpluses.
- H. Upon identification of a payment error, the Shared Risk Group must submit a written notification on a timely basis in order for CalOptima Health to seek necessary provider recoupment. CalOptima Health cannot request recoupment from a provider after more than three hundred sixty-five (365) calendar days from the date of CalOptima Health's original claims payment.
- I. If the Shared Risk Group identifies an overpayment of an annual settlement payment, the Shared Risk Group shall return the overpayment within sixty (60) calendar days after the date on which the overpayment was identified, and shall notify CalOptima Health's Accounting Department in writing of the reason for the overpayment. CalOptima Health shall coordinate with the Shared Risk Group on the process to return the overpayment.

### **III. PROCEDURE**

#### **A. Quarterly Medicare Shared Risk Reporting:**

- 1. Within thirty (30) calendar days following the end of each quarter, as detailed in section II.F. of this Policy, CalOptima Health shall provide the Shared Risk Group with a written report of the status of the Shared Risk Pool.

2. The quarterly report shall estimate the projected Medicare Shared Risk Budget, Expenses, and Surplus or Deficit as described in sections II.C., D., and E. of this Policy, for the reporting period.

**B. Annual Medicare Shared Risk Reconciliation and Settlement:**

1. No later than April 30 of each year, CalOptima Health shall provide the Shared Risk Group with an annual report. The annual report shall show the status of the Medicare Shared Risk Pool for the immediately preceding CY.
2. CalOptima Health shall compute the annual Medicare Shared Risk Pool Budget, Expenses, and Surplus or Deficit as described in sections II.C., D. and, E. of this Policy.
3. Each annual report shall include refreshed reports from the previous two (2) annual shared risk periods. CalOptima Health shall refresh the annual report at the time of the following Shared Risk Period's annual settlement to update IBNR and actual claims payment for previous shared risk periods. After two (2) years, the refreshed annual Shared Risk Program report should not contain IBNR and shall be considered final. (e.g., CY2021 Shared Risk Period will be final April 30, 2024).
4. If, upon review of the annual report, the Shared Risk Group objects to the calculations and determination, the Shared Risk Group may complete and submit the Risk Pool Claims Objection Form and any supporting documentation to the CalOptima Health Accounting Department within thirty (30) calendar days from the date of receipt of the annual report.
  - a. If CalOptima Health does not receive any written objection from the Shared Risk Group within thirty (30) calendar days of receipt of the annual report, CalOptima Health shall settle the Medicare Shared Risk Pool and apply any surplus or deficit within fifteen (15) calendar days after the expiration of the review period, but no later than June 15. Such settlement shall be considered final.
  - b. If CalOptima Health receives written notice of objection from the Shared Risk Group within the objection period, CalOptima Health shall re-evaluate its calculations based on additional documentation provided by the Shared Risk Group and provide a final annual report to the Shared Risk Group within forty-five (45) calendar days after receipt of the written objection.
  - c. CalOptima Health shall settle the Medicare Shared Risk Pool based on this final annual report and apply any surplus or deficit within fifteen (15) calendar days after the date of issuance of the final annual report.
5. If CalOptima Health determines that a Shared Risk Group has Medicare Shared Risk Pool deficits in two (2) successive fiscal years, or if there is a significant change in risk pool performance, CalOptima Health may meet with the Shared Risk Group in order to discuss and understand the reason for the pool deficits and develop an improvement plan.

**C. Medicare Shared Risk Settlement upon Termination:**

1. Within one hundred twenty (120) calendar days after the annualized capitation adjustment (also known as HCC sweeps) of the CY of the termination of the Contract for Health Care Services with a Shared Risk Group, CalOptima Health shall provide the terminated Shared Risk Group with a Final Reconciliation and Settlement Report.

2. CalOptima Health shall compute the Final Medicare Shared Risk Pool Budget, Expenses, and Surplus or Deficit in accordance with Section II.C., D. and, E.
3. The Final Reconciliation and Settlement Report shall include refreshed reports from the previous two (2) annual shared risk periods. Or, CalOptima Health shall refresh any annual report which otherwise would not be considered final as of the effective date of termination of the Contract for Health Care Services with the Shared Risk Group.
4. If, upon review of the Final Reconciliation and Settlement Report, the terminated Shared Risk Group objects to the calculations and determination, the terminated Shared Risk Group may complete and submit the Risk Pool Claims Objection Form and any supporting documentation to the CalOptima Health Accounting Department within thirty (30) calendar days from the date of receipt of the Final Reconciliation and Settlement Report.
  - a. If CalOptima Health does not receive any written objection from the terminated Shared Risk Group within thirty (30) calendar days of receipt of the Final Reconciliation and Settlement Report, CalOptima Health shall settle the Medicare Shared Risk Pool within fifteen (15) calendar days after the expiration of the review period. Such settlement shall be considered final. If the settlement calculation from the Final Reconciliation and Settlement Report results in a deficit, in accordance with the Contract with the Shared Risk Group, CalOptima Health shall recoup by offsetting deficit amounts against capitation payments, financial security withholds, pay-for-performance amounts, quality incentives, or Shared Risk Pool surpluses.
  - b. If CalOptima Health receives written notice of objection from the terminated Shared Risk Group within the objection period, CalOptima Health shall re-evaluate its calculations based on additional documentation provided by the terminated Shared Risk Group and provide a revised Final Reconciliation and Settlement Report to the terminated Shared Risk Group within forty-five (45) calendar days after receipt of the written objection.
  - c. CalOptima Health shall settle the Medicare Shared Risk Pool based on this revised Final Reconciliation and Settlement Report within fifteen (15) calendar days after the date of issuance of the revised Final Reconciliation and Settlement Report. If the settlement calculation from the revised Final Reconciliation and Settlement Report results in a deficit, in accordance with the Contract with the Shared Risk Group, CalOptima Health shall recoup by offsetting deficit amounts against capitation payments, financial security withholds, pay-for-performance amounts, quality incentives, or Shared Risk Pool surpluses.

#### **IV. ATTACHMENT(S)**

- A. Risk Pool Claims Objection Form

#### **V. REFERENCE(S)**

- A. CalOptima Health Contract with the Centers for Medicare & Medicaid Services (CMS) for Medicare Advantage
- B. Medicare Physician Group Service Agreement
- C. CalOptima Health Policy FF.2003: Coordination of Benefits

#### **VI. REGULATORY AGENCY APPROVAL(S)**

None To Date

**VII. BOARD ACTION(S)**

<b>Date</b>	<b>Meeting</b>
08/05/2021	Regular Meeting of the CalOptima Board of Directors

**VIII. REVISION HISTORY**

<b>Action</b>	<b>Date</b>	<b>Policy</b>	<b>Policy Title</b>	<b>Program(s)</b>
Effective	01/01/2021	MA.3003	Medicare Shared Risk Pool	OneCare OneCare Connect
Revised	05/01/2022	MA.3003	Medicare Shared Risk Pool	OneCare OneCare Connect
Revised	09/01/2022	MA.3003	Medicare Shared Risk Pool	OneCare OneCare Connect
Revised	06/01/2023	MA.3003	Medicare Shared Risk Pool	OneCare OneCare Connect
Revised	05/01/2024	MA.3003	Medicare Shared Risk Pool	OneCare OneCare Connect

## IX. GLOSSARY

Term	Definition
Contracted CalOptima Health Hospital	A hospital that has entered into a CalOptima Health Hospital Services Contract to provide hospital services to CalOptima Health Direct Members.
Contract for Health Care Services	The written instrument between CalOptima Health and Physicians, Hospitals, Health Maintenance Organizations (HMO), or other entities. Contract shall include any Memoranda of Understanding entered into by CalOptima Health that is binding on a Physician Hospital Consortium (PHC) a physician group under a shared risk contract, or HMO, and DHCS Medi-Cal Managed Care Division Policy Letters.
Covered Services	<u>OneCare &amp; OneCare Connect</u> : Those medical services, equipment, or supplies that CalOptima Health is obligated to provide to Members under the Centers of Medicare & Medicaid Services (CMS) Contract.
Division of Financial Responsibility (DOFR)	A matrix that identifies how CalOptima Health identifies the responsible parties for components of medical associated with the provision of Covered Services. The responsible parties include, but are not limited to, Physician, Hospital, CalOptima Health and the County of Orange.
Incurred But Not Reported (IBNR)	IBNR means “incurred but not reported,” and refers to an estimate of claims that have been incurred for medical services provided, but for which claims have not yet been received by the Health Network.
Medicare Hospital Budget	The amount equal to the Non-Part D related capitation that CalOptima Health receives from Center for Medicare & Medicaid Services (CMS) for Members assigned to the Shared Risk Physician multiplied by Hospital Budget percentage set forth in the Shared Risk Group Contract for Health Care Services.
Medicare Shared Risk Pool	Covered Services which are the financial responsibility under the Hospital Budget as set forth in the Division of Financial Responsibility (DOFR) of the Contract for Health Care Services.
Member	A beneficiary enrolled in a CalOptima Health program.
Provider	A physician, nurse, nurse mid-wife, nurse practitioner, medical technician, physician assistant, hospital, laboratory, ancillary Provider, health maintenance organization, Health Network, physician group or other person or institution that furnishes Covered Services.
Shared Risk Budget	The total amount that CalOptima Health allocates to the Shared Risk Pool to pay for Shared Risk Services set forth in the DOFR of the contract.
Shared Risk Expenses	Amounts paid for Shared Risk Services provided to Members assigned to the Shared Risk Group; An estimate of Incurred But Not Reported (IBNR) expenses; and Administrative expenses at a rate established in the Contract for Health Care Services.
Shared Risk Group (SRG)	A Health Network who accepts delegated clinical and financial responsibility for professional services for assigned Members, as defined by written contract and enters into a risk sharing agreement with CalOptima Health as the responsible partner for facility services.
Shared Risk Pool	The risk sharing program, under which the risk for the provision of Shared Risk Services to Members is shared and allocated between CalOptima Health and the contracted Health Network.
Shared Risk Services	Covered Services which are the financial responsibility under the Hospital Budget as set forth in the Division of Financial Responsibility (DOFR) of the Contract for Health Care Services.