



Commonwealth Care FY2014 Renewal

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Board of Directors Meeting
February 14, 2013



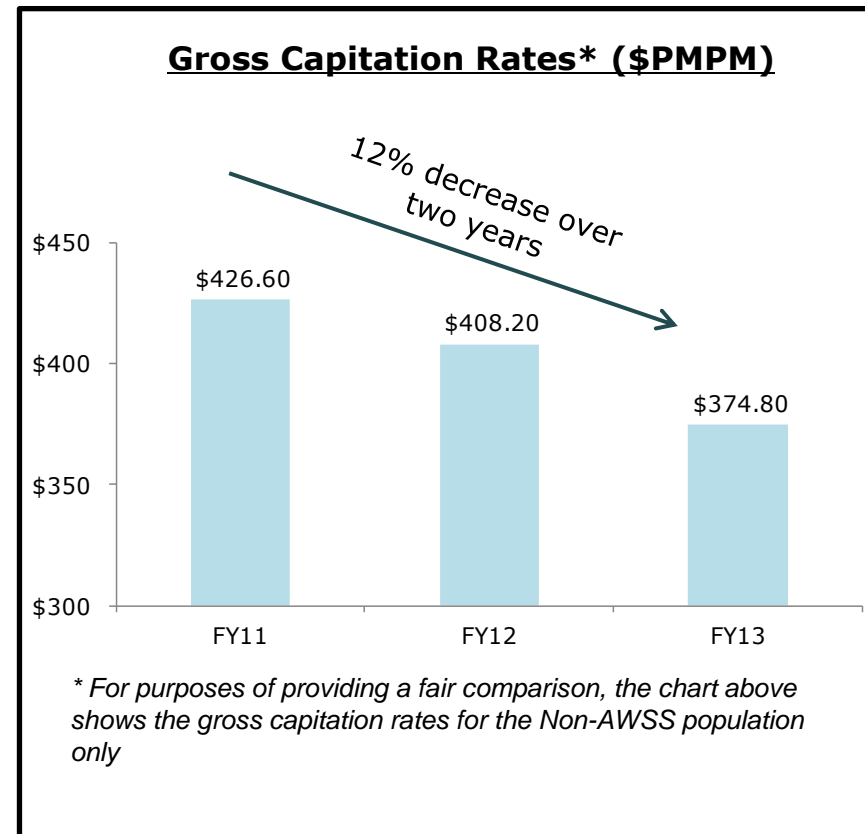
Introduction

- Fiscal Year 2014 (FY14) is unique in that it spans the six months before and the six months after the majority of ACA provisions go into effect
 - It includes the last six months of Commonwealth Care before the Health Connector transitions to the new subsidized coverage configuration under the ACA
- As proposed during the January 2013 Board meeting, we intend to renew our existing contracts with each of the five MCOs for the final six month period of the program
 - A contract renewal will minimize member disruption, especially in advance of a major transition process at the end of 2013
 - It will also help us to maintain the program's strong fiscal performance achieved as a result of the successful procurements over the past two years



Program Performance Achieved to Date

- 12% capitation rate reduction over two years
 - Achieved without benefit reductions or net increase in cost sharing
 - Continued high member satisfaction
- Leverage strong MCO incentives to contain cost
 - Actuarially Sound Rate Range that allows MCOs to differentiate and compete
 - Limited choice of the two lowest cost MCOs for a subset of Plan Type 1 members
 - Premium differentials that encouraged members to choose lower-cost MCOs
- The result was a substantial contribution to state savings, which among others helped the state reintegrate AWSS members into the Commonwealth Care program





FY14 Commonwealth Care Funding

- The Administration's proposed Commonwealth Care funding for the six month period is \$482M
- We project that enrollment in Commonwealth Care will reach approximately 206,000 members by December 2013
 - Enrollment as of February 2013 is 198,271 compared with 187,397 in June 2012. Growth is attributable to the inflow of AWSS membership and likely MSP members that have exhausted their unemployment insurance (UI) benefits
 - The latest UI extension means that growth from MSP members will likely "spread out" through late 2013
 - AWSS enrollment growth is anticipated to continue (currently at 25,837 members from 22,455 in June 2012)
- The proposed FY14 budget for Commonwealth Care requires that we largely maintain the FY13 capitation rate position in order to accommodate the projected enrollment



FY14 Renewal Parameters: Capitation

- Each MCO will be asked to accept their FY13 base capitation rate for the renewal period, subject to a 1.4% inflationary increase applied to the medical capitation component of their rate
 - The Administrative Rate of \$27.50 PMPM will be unchanged resulting in a roughly 1.3% rate increase to each MCO's FY13 total capitation rate
- The increase is reflective of the updated Actuarially Sound Rate Range (ASRR) for FY14 provided by an independent actuary
 - Actual capitation rates will continue to be subject to adjustment factors (plan type, region, demographics, acuity) as defined in the contract

Total Capitation Rate (Medical & Admin.)

Commonwealth Care MCO	FY13* Capitation Rate (Medical & Admin.)	FY14 Capitation Rate (Medical & Admin.)
BMCHP	\$347.01	\$351.50
Network Health	\$355.18	\$359.78
CeltiCare	\$377.71	\$382.63
Neighborhood	\$415.66	\$421.11
Fallon	\$415.71	\$421.17

* Includes supplemental per member per month payments for inclusion of the tobacco cessation and enhanced women's preventive health benefits introduced during the course of the fiscal year



FY14 Renewal Parameters: Incoming Plan Type 1 Members

- Consistent with the proposed renewal rates, there will be no change to the rules with respect to choices among MCOs that apply to certain incoming Plan Type 1 members
 - Incoming Plan Type 1 members who were not insured in the past 180 days or were insured by the lowest or the second lowest cost plan in their service area are required to choose between the two lowest-cost MCOs
 - Prior coverage with an alternative MCO in the preceding 180 days can be through either Commonwealth Care or MassHealth, in which case incoming Plan Type 1 members would not be limited to choosing between the two lowest-cost MCOs
- As a result and as in FY13 today, in all but three service areas, BMCHP and Network Health will serve as the two lowest cost MCOs
 - BMCHP and CeltiCare will serve as the two lowest-cost MCOs in the Greenfield service area
 - Network Health and CeltiCare will serve as the two lowest-cost MCOs in both the Oak Bluffs and Nantucket services areas



FY14 Renewal Parameters: Optional Discount on Plan Type 2 and 3 Capitation Rates

- MCOs will have the option to propose a discount on their capitation rate for Plan Type 2 and Plan Type 3 members only, so long as the discount does not result in a capitation rate below the bottom of the Actuarially Sound Rate Range
- Enrollee premiums will be adjusted accordingly should a discount be proposed and accepted by the Health Connector
 - We are not anticipating any changes to the base enrollee premium; premiums will continue to be progressive and set according to the FY13 affordability schedule
 - Adjustment to an MCO's premiums, if applicable, will be consistent with the FY13 premium "curve" based on capitation relativity. The closer that a given MCO's resulting capitation rate is to the bottom of the rate range, the lower the corresponding enrollee premium for their Plan Type 2 and Plan Type 3 members
- The objective of this optional discount is to provide an opportunity for MCOs with higher capitation rates to compete for premium paying members, which would contribute to state savings



FY14 Renewal Parameters: Other Items

- The core provisions of the FY13 Commonwealth Care program will remain in place for the FY14 contract extension period
 - No changes to risk adjustment, aggregate risk sharing programs or the rate adjustment factors (age/gender, plan type, region)
- The stop loss program will be subject to a lower attachment point to reflect the shorter program year
 - MCOs are currently subject to a program-wide assessment to fund the stop loss program
 - Funds from the stop loss pool are used to reimburse MCOs for 75% of an individual's costs that exceed the attachment point during the contract year
 - Based on analysis by an independent actuary, the attachment point will be adjusted from \$150,000 to \$130,000
- Similarly, members' Maximum Out-of-Pocket levels (MOOP) will also be reduced given that members are less likely to reach the current maximums over the shorter program year
 - Based on an analysis by an independent actuary, reducing the MOOP by ~25% maintains existing coverage levels (measured in terms of actuarial value)



Next Steps

- We are currently in the process of conducting another Commonwealth Care Member Survey and plan to report to the Board on its results at the April Board Meeting
- As in prior years, we plan to conduct Open Enrollment at the end of FY13 (June 2013) where members will have an opportunity to switch to a different plan for any reason
 - Members who do not affirmatively choose another plan will stay with their existing plan
- With the approval of the Board, we intend to release the “Request for Renewal” to MCOs shortly after this Board meeting