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# Commonwealth Care Extension (VOTE)

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# Background



- As part of the implementation of the Affordable Care Act (ACA), the Health Connector will transition members from its existing Commonwealth Care program to ACA-compliant coverage during this Open Enrollment period
- Due to challenges in transitioning members in these programs with the previous system, the remaining Commonwealth Care members, along with former Medical Security Program (MSP) members, have been in continuation coverage through the Health Connector as part of extensions authorized by the federal Centers for Medicare and Medicaid Services (CMS)
- On March 17, 2014, this Board voted to extend the then-existing contracts with the five Commonwealth Care managed care organizations, for a period of time running through December 31, 2014
- After further consideration, the Health Connector and the Executive Office of Health and Human Services (EOHHS) worked collaboratively with CMS to obtain approval and federal funding in order to provide continuation coverage through January 31, 2015 for non-Medicaid eligible Commonwealth Care members and former MSP members to allow one extra month for transition into January 2015

# Health Plan Extensions: Commonwealth Care



- The Health Connector is proposing to extend its current contracts with all five managed care organizations (MCOs) for one month in order to ensure that, as much as possible, there is continuity of care for current members
- During this extension period, member services and benefits will be unchanged
- The Health Connector worked with an independent actuary to develop an Actuarially Sound Rate Range (ASRR) applicable to the extension period. Using the most recent data available, the ASRR specified a necessary Medical Capitation rate increase of 3.6% ~ 10.5%
  - The bulk of the increase (3.0% ~ 8.0%) reflected in the ASRR adjusts for experience, with the remainder attributable to trend
- The Health Connector proposes to apply a Medical Capitation rate increase of 7%, or the mid-point of the ASRR
  - MCOs have incurred widespread losses in recent months; 7% closes a portion of the profitability gap
  - The lower bound of the ASRR assumes a degree of “efficiency improvement”, which is unlikely fully achievable given the program end date, where MCOs’ focus will primarily be on smooth member transition and program close out
  - No adjustment proposed for the Administrative Capitation rate (\$35 PMPM)

# Health Plan Extensions: Commonwealth Care (cont'd)



- The total rate adjustment of 6% (Medical + Admin) applies to a one-month period (Jan 1<sup>st</sup> – 31<sup>st</sup> 2015) and only to members that remain in the program for the final month (*i.e.*, those who have not enrolled in the new system for 1/1/2015 coverage)
- All other significant contract provisions are proposed to remain unchanged

<b>FY14 Q3 - FY15 Q2 (Second Extension Period)</b>					<b>FY15 Q3 (January 1 to January 31st Extension Period)</b>				
<b>Total Capitation Rate (Medical &amp; Admin.) Plan Type I, II and III</b>					<b>Total Capitation Rate (Medical &amp; Admin.) Plan Type I, II and III</b>				
<b>Commonwealth Care MCO</b>	<b>FY14 Q3 to FY15 Q2 - Medical Cap</b>	<b>FY14 Q3 to FY15 Q2 - Admin Rate</b>	<b>FY14 Q3 to 15 Q2 - Capitation Rate (Medical &amp; Admin.)</b>	<b>Overall Rate Increase (FY14 Q3 to FY15 Q2)</b>	<b>Commonwealth Care MCO</b>	<b>FY15 Q3 Medical Cap</b>	<b>FY15 Q3 Admin Rate</b>	<b>FY15 Q3 Capitation Rate (Medical &amp; Admin.)</b>	<b>Overall Rate Increase (January 1 to January 31, 2015)</b>
BMCHP	\$353.42	\$35.00	\$388.42	7%	BMCHP	\$378.16	\$35.00	\$413.16	6%
CeltiCare (PT I)	\$387.38	\$35.00	\$422.38	7%	CeltiCare (PT I)	\$414.50	\$35.00	\$449.50	6%
CeltiCare (PT I, III)	\$353.42	\$35.00	\$388.42	7%	CeltiCare (PT I, III)	\$378.16	\$35.00	\$413.16	6%
Fallon	\$429.42	\$35.00	\$464.42	7%	Fallon	\$459.48	\$35.00	\$494.48	6%
Neighborhood	\$429.35	\$35.00	\$464.35	7%	Neighborhood	\$459.40	\$35.00	\$494.40	6%
Network Health	\$362.45	\$35.00	\$397.45	7%	Network Health	\$387.82	\$35.00	\$422.82	6%

*Note: During the FY14 renewal, MCOs were given the opportunity to lower their capitation rate for Plan Type II and III members enrolled between July 2013 and December 2013; CeltiCare was the only MCO that chose to lower their rate for Plan Type II and III members; CeltiCare continues to have differential rates for the FY15 Q3 period as reflected above.*

# Health Plan Extensions: Medical Security Program



- As part of the ASRR development, former MSP members were reviewed separately for the first time due to the availability of more data compared with the prior round
- Material differences in experience, most notably significantly lower utilization, was observed with MSP members compared with Commonwealth Care members
  - Per the ASRR, the Health Connector proposes an adjustment factor of 0.60 to the MSP Medical Capitation rate relative to Commonwealth Care, for the extension period
- Also as recommended by the independent actuary, we propose to increase the MSP Administrative Capitation rate by \$10 PMPM, to \$45 PMPM
  - Accounts for the higher administrative effort required to service and transition the former MSP members, who are served in coordination with the Department of Unemployment Assistance (DUA)

<b><u>FY15 Q3 (January 1 to January 31st Extension Period)</u></b>				
<b>Total Capitation Rate (Medical &amp; Admin.) Plan Type I, II and III</b>				
<b>Medical Security Program</b>	<b>FY15 Q3 Medical Cap</b>	<b>FY15 Q3 Admin Rate</b>	<b>FY15 Q3 Capitation Rate (Medical &amp; Admin.)</b>	<b>Overall Rate Decrease (January 1 to January 31, 2015)</b>
Network Health	\$201.36	\$45.00	\$246.36	-34%

# ACA Provider Fee Tax



- A new tax under the ACA (Health Insurer Provider Fee) is in effect in 2014, calculated based on preceding year expenses, the mix of business lines of the insurers, and other factors
- This fee applies to Commonwealth Care. As such, the Health Connector has collected relevant data from MCOs, which was validated by an independent actuary. Four MCOs are liable for HIPF per their 2013 experience, and the Health Connector will retroactively adjust their base 2013 capitation rates, which translates to a total payout of \$4,898,868
- The methodology and procedures are in accordance with applicable CMS guidance, and the Health Connector has worked closely with the Executive Office for Administration and Finance and MassHealth to develop the process

		Capitation Base Rate Amount (FY13 Q3)		Capitation Base Rate Amount (FY13 Q4)		Capitation Base Rate Amount (FY14 Q1)		Capitation Base Rate Amount (FY14 Q2)		Amount Paid for ACA Tax
		Actual	Adjusted	Actual	Adjusted	Actual	Adjusted	Actual	Adjusted	
<b>All MCOs Total</b>	<b>Cap Rate Increase</b>									
<b>CeltiCare</b>	\$8.03	\$344.11	\$352.14	\$342.53	\$350.56	\$362.29	\$370.32	\$351.95	\$359.97	\$1,297,504.51
						\$288.26	\$288.26	\$281.73	\$281.73	
						\$294.16	\$294.16	\$274.38	\$274.38	
<b>Fallon</b>	\$3.29	\$441.79	\$445.08	\$448.45	\$451.74	\$460.81	\$464.10	\$464.79	\$468.08	\$156,904.85
<b>Neighborhood</b>	\$3.44	\$472.38	\$475.82	\$475.79	\$479.23	\$492.94	\$496.38	\$498.49	\$501.93	\$1,275,562.64
<b>Network Health</b>	\$2.49	\$342.70	\$345.19	\$343.95	\$346.44	\$351.62	\$354.11	\$352.98	\$355.47	\$2,168,895.82
<b>Total</b>										<b>\$4,898,867.83</b>

**Health Connector staff recommends that the Board authorize the Executive Director to enter into extensions with the five current Commonwealth Care managed care organizations through January 31, 2015 and to modify the calendar year 2013 base rate for four MCOs subject to the Health Insurer Provider Fee.**