

MEMORANDUM

To: Health Connector Board of Directors
cc: Louis Gutierrez, Executive Director
From: Ed DeAngelo, General Counsel
Michael Norton, Senior Manager of External Affairs and Carrier Relations
Sam Osoro, Senior Financial Analyst
Date: April 3, 2015
Re: Contract Extension for Milliman to Assist the Health Connector in its Implementation of the Massachusetts-specific Risk Adjustment Program as required by the Affordable Care Act

EXECUTIVE SUMMARY

At the January 15, 2015 Health Connector Board of Directors Meeting, Health Connector staff provided an update on our Affordable Care Act (ACA) required risk adjustment program, and obtained a Board vote to authorize a one-year contract extension along with an initial work order to cover services from January through April 2015 with Milliman, the vendor that has been assisting the Health Connector in this implementation.

This memorandum summarizes Health Connector staff’s recommendation that the Board authorize a second work order with Milliman under the current contract extension for the period of May 1, 2015 to December 31, 2015. Work during this period will provide continued support to the Massachusetts risk adjustment program; specifically related to implementation, program management, reporting, data quality review/data validation, compliance and additional ad hoc development or policy analysis. The work order is capped at an amount not to exceed \$1,174,918, and work associated with this effort is eligible for federal reimbursement from Establishment Grant funding.

RISK ADJUSTMENT PROGRAM IMPLEMENTATION UPDATE

In the January 14, 2015 Board memorandum, we provided detailed descriptions of a number of ongoing key risk adjustment program processes including quarterly simulations, data quality reviews, monthly member months tracker reporting and data discrepancy resolution, the collection of supplemental diagnosis information and preparation for the 2014 funds settlement calculations. Since that time, the Health Connector, supported by the Center for Health Information and Analysis (CHIA) and Milliman, our technical consultant, has made additional progress which we summarize below.

2015Q1 Risk Adjustment Simulation and Data Quality Reporting

As reported to the Board in January, we had completed four full-scale simulations of the Massachusetts risk adjustment program as of December 2014 with significant support from Milliman. We are now finishing the fifth statewide risk adjustment simulation and have engaged carriers and other state agencies throughout the process on methodology and data quality issues. In this process we identified

important data quality issues for carriers, engaged them in seeking expedited and effective resolutions. Preliminary results and data quality reports have been distributed to the market. We expect to finalize the simulation in mid-to-late April to incorporate new file submissions from two carriers.

State Notice of Benefit and Payment Parameters (State Payment Notice)

As required by federal regulations, the Health Connector publishes an annual State Payment Notice. As of now, we have published 2014, 2015 and 2016 Notices under federal guideline, with support from Milliman and with input from other state agencies. The document focused on risk adjustment methodology, data validation and program integrity.

MILLIMAN WORK ORDER

Milliman was first selected as the Health Connector’s risk adjustment consultant in 2011 as the result of a competitive procurement. Since then, its contract has been renewed annually as it continues to perform this work. The Board most recently voted in January to extend the Milliman contract through December 2015, and to approve a work order for the first four months of 2015. We are now seeking approval of a work order for the balance of 2015 on the same terms as the first work order for the period of May 1, 2015 through December 31, 2015, with a scope of work to be performed and rates for that time period, as set forth below:

	Senior Level Consultant	Mid Level Consultant	Junior Level Consultant	Amount (Not to Exceed)
2014 Annual funds settlement	30	200	340	\$194,650
2014 Annual risk adjustment program report to CMS	29	48	24	\$44,105
2015 Q1, Q3, Q4 quarterly statewide risk adjustment simulation and data quality reporting	78	360	585	\$357,000
Assist the Health Connector and CHIA in data discrepancy resolution and reconsideration	40	120	214	\$130,090
Assist the Health Connector and its contractor(s) in RADV program development and implementation	28	36	38	\$43,190
Assist the Health Connector and CHIA in the collection of supplemental diagnoses for risk adjustment	4	32	8	\$18,200
Assist the Health Connector in its communications with the federal government on matters relating to risk adjustment	52	40	-	\$ 47,600
Project operations and management	20	80	80	\$ 71,500
Monitor and analyze federal rules, regulations and guidance as they relate to risk adjustment	29	27	3	\$29,133

Explore changes to RA methodology and assist the Health Connector in federal recertification	78	200	180	\$180,150
Ad hoc analyses (e.g., policy extract)	37	53	53	\$59,300
Total (Not to Exceed)	425	1,196	1,525	\$1,174,918

Milliman’s proposal guarantees that actual costs will not exceed the amount stated above.

Below please find the Health Connector’s expenses from Milliman, Inc. in the last three calendar years. Of note, actual costs incurred have historically been below budget.

	Expenses for Milliman, Inc by Year/Contract				
	CY2012	CY2013	CY2014	Jan-April 2015	May-Dec 2015
Budgeted	\$1,712,700	\$2,162,722	\$1,524,189	\$765,244	\$1,174,918
Actual	\$1,267,387	\$1,081,108	\$1,103,815	TBD	TBD
Difference	(\$445,313)	(\$1,081,614)	(\$420,374)	TBD	TBD

BOARD RECOMMENDATION

Health Connector staff recommends entering into a new work order with Milliman for a total cost not to exceed \$1,174,918 for services to be rendered between May 1, 2015 and December 31, 2015. Work associated with this effort is eligible for federal reimbursement from Establishment Grant funding.

We look forward to presenting the above information and providing our formal recommendation at the Health Connector Board meeting on April 9, 2015.