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# **Risk Adjustment Update (VOTE)**

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Board of Directors Meeting, April 9, 2015

# Today's Agenda



## **Risk Adjustment Data Validation (RADV) Auditor Recommendation:**

- At the January 15, 2015, Health Connector Board meeting, staff provided an update on the state's risk adjustment program, noting the need to obtain a Risk Adjustment Data Validation (RADV) auditor
- Today we seek approval to enter into a contract with a recommended RADV auditor for services from April 13, 2015 – December 31, 2016, with an initial work order governing services to be provided from April 13, 2015 – February 29, 2016 for an amount not to exceed \$1.6M

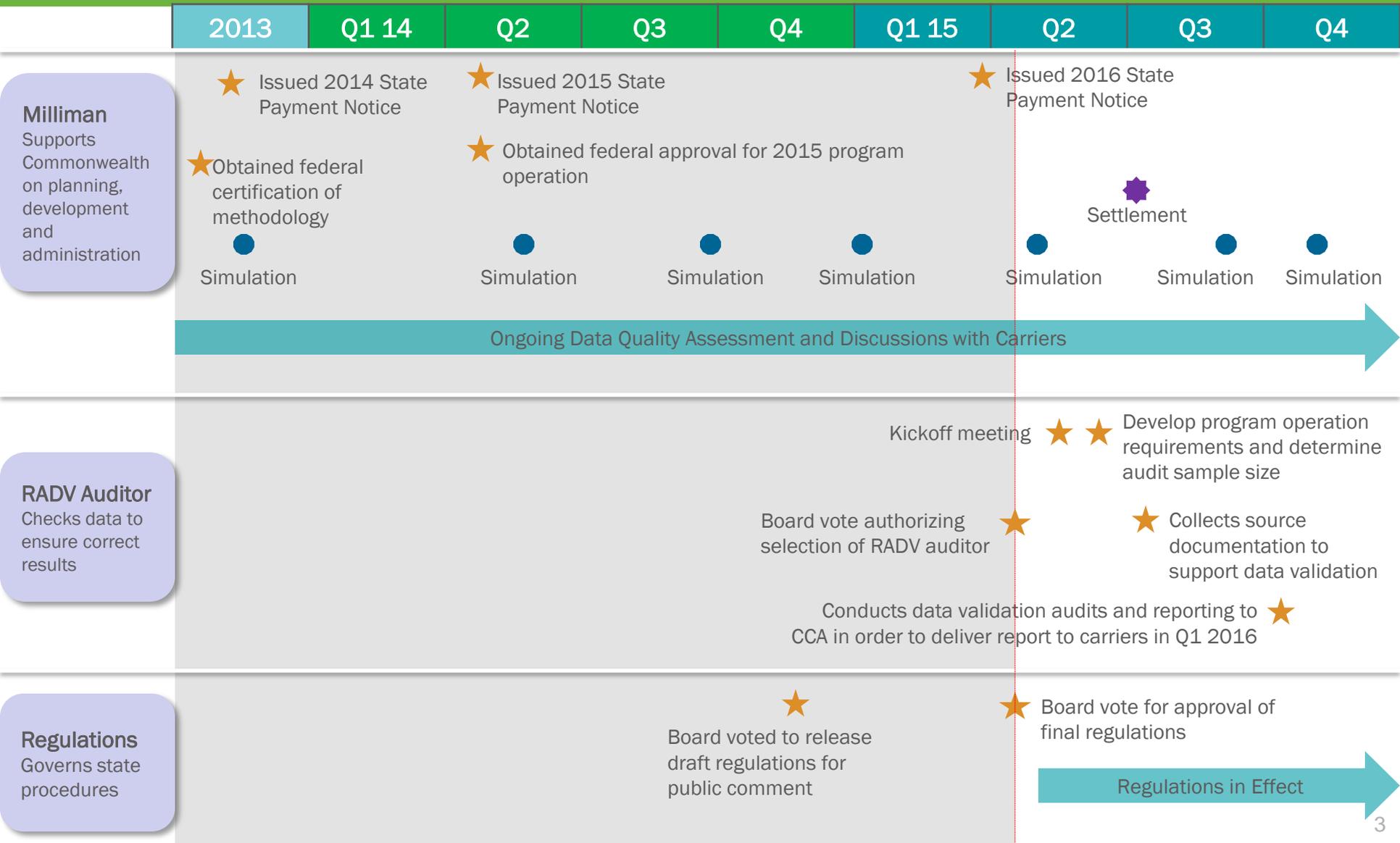
## **Milliman Work Order:**

- At the January 15, 2015, Health Connector Board meeting, the Board authorized a one-year contract extension with Milliman through December 31, 2015, with a work order for services through April 30, 2015
- Today we seek approval to enter into a work order with Milliman for services from May 1, 2015 – December 31, 2015 for an amount not to exceed \$1.17M

## **Proposed Final Risk Adjustment Regulations:**

- At the December 12, 2014, Health Connector Board meeting, the Board approved draft regulations on risk adjustment for public comment
- Today we will summarize comments submitted, any changes made in the proposed final regulations and seek a vote on promulgating the regulations which, if passed, will be effective in late April 2015

# Risk Adjustment Process





# **RADV Vendor Recommendation**

# Risk Adjustment Data Validation (RADV) Process Overview



- RADV is the process by which the Health Connector validates certain claims and demographic data used to administer the risk adjustment program required by the Affordable Care Act (ACA)
- This is done by validating the diagnosis and demographic information for a statistically valid sample of enrollees for each issuer
- The analysis is designed to uncover any discrepancies between an issuer's enrollment and claims data and source data intended to be used for risk adjustment settlement purposes
- Consistent with the federal approach, for the 2014 and 2015 benefit years, RADV results will not impact the risk adjustment funds transfers in Massachusetts
- Starting for the 2016 benefit year and beyond, RADV results will be applied prospectively to future years' risk adjustment funds transfers

# RADV Auditor Procurement

- In November 2014, the Health Connector issued a Request for Proposals (RFP) seeking bids from qualified entities for a RADV auditor
- The Health Connector received one response to its RFP from FTI Consulting, Inc.
- FTI Consulting’s response to the RFP evidenced a strong understanding of the required scope of work, a demonstration of considerable experience as RADV auditors and a thorough understanding of the Massachusetts risk adjustment program

Criteria	Weight	Score
Understanding of the overall tasks and objectives	5	4
Staffing plan/availability of resources	10	8
Approach to completing the services	5	3.5
Design of Data Transfer Processes and Mechanisms	5	3.5
Design Training for the RADV Contractor's Audit Staff	5	4
Performing Data Validation	25	22.5
Statistical Analyses	5	3.5
Assisting in Mock RADV Appeals	5	4
Team composition and scalability in relation to the selected scope of work	10	8
Expertise in relation to the selected scope of work	5	4
Experience with audit activities related to the whole or part of the RADV scope of work	10	8
Proposed Cost of the Proposal	5	4
Overall value to the Health Connector	5	4
<b>Overall Total Procurement Score</b>	<b>100</b>	<b>81</b>

# RADV Vendor Scope of Work



***The RADV Vendor is tasked with completing several key initiatives as part of the scope of work for this engagement.***

- The vendor will develop processes and mechanisms for securely transferring data between an issuer, the RADV team, and the Health Connector, including enrollment documentation and medical records for any sample of plan members who will be audited
- In addition, they will develop a training program to administer to relevant staff, prior to working on the data validation project
- They will also perform data validation activities, overseen by the Health Connector, including auditing a sample of members from each of the 16 issuers by reviewing enrollment and medical records, as well as documenting any risk adjustment errors based on discrepancies uncovered in the audit process for the Health Connector and the issuers

# RADV Auditor Proposed Work Order Terms



*The below outlines work phases involved in RADV, showing hours of work for each type of staff member engaged.*

Work Phase	Data Analyst	Coding Prof.	Statistician	SME	Project Mgmt.	Total Staff	Price Estimate Not To Exceed
Develop operational processes required for a single-level RADV program	80	25	20	120	40	285	\$131,800
Conduct validation of enrollment and medical diagnosis data for issuers' enrollee samples created by the Health Connector	1,280	1,072	80	640	208	3,280	\$1,225,600*
Provide issuer-specific reports to the Health Connector on error rates on the samples and extrapolated results at the issuer level	160	40	80	80	160	520	\$219,200*
Provide support to the Health Connector in its communications with issuers on processes and results	40	40	20	40	120	260	\$114,800
Assist the Health Connector to develop RADV appeals processes	40	20	10	80	20	170	\$80,000
<b>Total (not to exceed):</b>	<b>1,600</b>	<b>1,197</b>	<b>210</b>	<b>960</b>	<b>548</b>	<b>4,515</b>	<b>\$1,600,000</b>

\*Fifty percent of these costs are expected to be supported by issuers subject to risk adjustment through a RADV User Fee, described further in a following slide.

# RADV User Fee

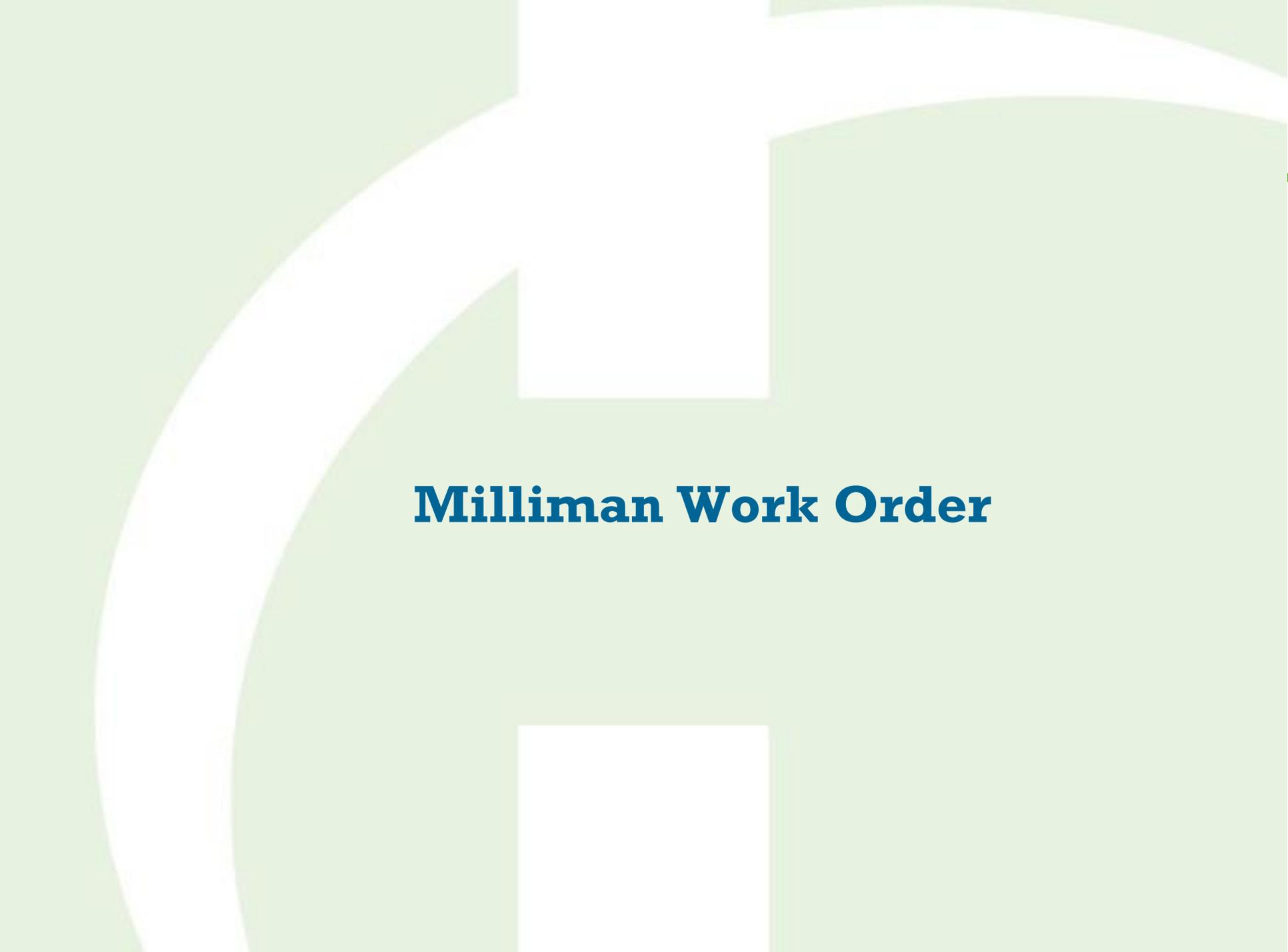
***Carriers will split the costs of RADV with the Commonwealth in light of the benefits the auditing work provides to the market through the risk adjustment program.***

- On January 16th, the Health Connector proposed implementing a RADV user fee to acknowledge the shared responsibility of the state and issuers in this process
- We sought feedback from the market on this proposal and generally received support from carriers for the implementation of a RADV User Fee
- The RADV user fee will reflect the shared responsibility for the actual data validation audits, error extrapolation and issuance of carrier-specific RADV reports
- As a result, we will be implementing a RADV user fee of approximately \$0.54 per unique member per year that is covered by a risk adjusted plan during the benefit year
- This amount reflects a 50% percent split of the costs for RADV services between the Health Connector and the market

# VOTE: RADV



*Health Connector staff recommends that the Board authorize the Executive Director to enter into a contract with FTI Consulting Inc. effective beginning April 13, 2015 – December 31, 2016, with three optional one-year extensions, along with an initial work order to perform Risk Adjustment Data Validation auditing for the period of April 13, 2015 – February 29, 2016.*



# **Milliman Work Order**

# Milliman Engagement Overview



- 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 support the Commonwealth on risk adjustment
- The Board voted in January to extend the Milliman contract through December 31, 2015, along with a work order governing the first four months of 2015 for an amount not-to-exceed \$765K
  - During this time, Milliman has supported publication of the 2016 State Payment Notice on March 27, 2015, notifying the market of risk adjustment methodology updates for the 2016 benefit year; completed work related to the fifth simulation in advance of settlement for 2014; and has continued to support the development and improvement of processes to ensure data quality and program integrity
- We are seeking approval of a work order for the remainder of 2015 for an amount not to exceed \$1.17M

# Milliman Scope of Work



## ***Milliman will continue to support the Commonwealth on key activities related to administration of the risk adjustment program.***

- Assist the Connector and its contractor(s) in RADV program development and implementation
- Support the 2014 annual funds settlement
- Assist the Health Connector in submitting the 2014 Annual risk adjustment program report to CMS
- Conduct 2015 Q3, Q4 quarterly statewide risk adjustment simulation and data quality reporting
- Assist the Health Connector and CHIA in data discrepancy resolution and reconsideration, as well as the collection of supplemental diagnoses for risk adjustment
- Assist the Health Connector and CHIA in monitoring and analyzing federal rules, regulations and guidance as they relate to risk adjustment as well as the risk adjustment methodology

# Milliman Proposed Work Order Terms



*The below outlines work phases for the proposed work order with Milliman, showing hours of work for each type of staff member engaged.*

	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 risk adjustment 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
<b>Total (Not to Exceed)</b>	<b>425</b>	<b>1,196</b>	<b>1,525</b>	<b>\$1,174,918</b>

# VOTE: Milliman



*Health Connector staff recommends that the Board authorize the Executive Director to enter into a Milliman work order for the period from May 1, 2015 to December 31, 2015, with a not-to-exceed fee of \$1,174,918, as outlined by staff.*



**Proposed Final Risk  
Adjustment Regulations**

# Overview of Risk Adjustment Regulatory Process



- Draft regulations relating to the Risk Adjustment program were approved by this Board in December 2014 and were subsequently released for public comment and hearing
- These regulations are required to implement risk adjustment under state and federal law by providing a procedural framework for the program
- We held a public hearing on March 6, 2015, and comments and testimony were received from a number of carriers and advocacy groups
  - Blue Cross Blue Shield of Massachusetts (BCBS)
  - Community Catalyst
  - Fallon Health
  - Health New England (HNE)
  - Health Care For All (HCFA)
  - The Massachusetts Association of Health Plans (MAHP)
  - Minuteman Health
- Commentary on the content of the regulations predominately related to the data discrepancy resolution process and the reconsideration process
  - Some commentary focused on general considerations regarding risk adjustment implementation in Massachusetts. We appreciate those comments, however, they are outside of the scope of the state regulations which govern the procedures of program implementation, not the program itself
- Based on the submitted comments and testimony, we are proposing several revisions in the regulations and requesting a vote to issue the regulations in final form

# Public Comments and Testimony: Data Discrepancy Resolution



***Several commenters provided feedback on the section of the regulations that states the Health Connector will produce monthly member month reports and quarterly simulation reports. In the draft regulations, a carrier has 30 days to either confirm the accuracy of these reports or to report that there are discrepancies. If a discrepancy is reported, the Health Connector and the carrier will work together to resolve the matter. If the carrier does not respond within 30 days, the reports are deemed to be accurate.***

<u>Commenter</u>	<u>Comments</u>	<u>CCA Response</u>	<u>Reason(s)</u>
BCBS	Supportive of the reporting process and of the presence of a “safety valve” to report and resolve discrepancies	No action taken	N/A
Fallon	Deeming process should be eliminated as carrier should be required to attest affirmatively to the accuracy of the reports. The process should not go forward unless the carrier attests that the reports are accurate to a high degree. Also requested that the regulations include a provision requiring the Health Connector to audit the data submitted by carriers	No action taken	The deeming process was added so that a carrier cannot simply refuse to either agree with the data reports or identify the discrepancies, and thereby prevent any discrepancies from being resolved. The goal of the process is to increase accuracy of the data so that the final calculation will be reliable. As to auditing, the regulations do state that there will be a RADV process and the Health Connector is now undertaking to implement that process going forward

# Public Comments and Testimony: Data Discrepancy (cont'd)



<u>Commenter</u>	<u>Comments</u>	<u>CCA Response</u>	<u>Reason(s)</u>
Minuteman	Requested that the risk adjustment methodology should be adjusted or contain an outright exemption for small issuers	No action taken	This is an issue that properly concerns the methodology already approved by CMS for this year. Further, the Health Connector's actuarial consultants believe that there is sufficient data and claims experience at this point to be credible for all carriers subject to risk adjustment
BCBS	Discrepancy resolution process should involve CHIA	Proposing an amendment to the regulations stating that the Health Connector will work with CHIA as appropriate as part of this process	It is the intention to involve CHIA in that resolution as necessary
BCBS	Should be greater clarity in the regulations about the default charge, which is a charge that the Health Connector will impose on a carrier that fails to submit complete data to CHIA	Proposing a clarification stating that the default charge will be imposed when incomplete data is provided, as well as when no data is provided	The default charge is specified in the risk adjustment methodology that CMS approves annually. As such, the specifics of the charge may change, and it would be inappropriate to provide specificity in regulations

# Public Comments and Testimony: Reconsideration Procedures



***Commenters also provided feedback on the section of the regulations that states a carrier may seek reconsideration after the risk adjustment charge is calculated and imposed. As currently written, grounds for reconsideration include an incorrect application of the risk adjustment methodology, including issues related to unresolved data discrepancies or mathematical error.***

<u>Commenter</u>	<u>Comments</u>	<u>CCA Response</u>	<u>Reason(s)</u>
HNE	Grounds for reconsideration should be expanded to include an appeal of the methodology itself	No action taken	Not feasible as the methodology must be approved in advance by CMS. The methodology is published every year in advance of federal certification in order to obtain comments and is known to carriers before they develop rate filings for the plan year affected by that methodology
BCBS	Regulations should provide for civil monetary penalties for carriers that do not make risk adjustment payments	No action taken	The regulations, as written, impose a 12 percent interest charge on late payments. The Health Connector does not have statutory authority to impose civil monetary penalties
Minuteman / Fallon	Additional grounds for reconsideration should include the claim that risk adjustment payments would destabilize an individual carrier, reduce competitiveness in the market, or undermine merged market reforms	No action taken	Reconsideration process is designed to correct errors that affect the accuracy of the calculation, not to give powers to a hearing officer to make ad hoc changes to the calculation results

# VOTE: Regulations



*Health Connector staff recommends that the Board vote to adopt and promulgate 956 C.M.R. 13.00, with revisions presented today, as final regulations.*

# Next Steps

- Risk Adjustment Data Validation Kick-off meeting is scheduled to occur on April 15, 2015
- Risk Adjustment 2015 Q1 Simulation Results (October 1, 2013—September 30, 2014) are scheduled to be available the week of April 20, 2015
- Risk Adjustment Data Lockdown is April 30, 2015
- Risk Adjustment Settlement Calculation will occur in June 2015
- Risk Adjustment Notices of Charges and Payments to Issuers will be sent on July 1, 2015
- Issuer payments are due on July 31, 2015