



*The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Boston, MA 02108*

CHARLES D. BAKER
Governor

KARYN POLITO
Lieutenant Governor

MARYLOU SUDDERS
Board Chair

LOUIS GUTIERREZ
Executive Director

Board of the Commonwealth Health Insurance Connector Authority

Minutes

Thursday, April 9, 2015
9:00 AM to 11:00 AM

One Ashburton Place
Boston, MA 02108
21st Floor Conference Room

Attendees: Louis Gutierrez, Marylou Sudders, Nancy Turnbull, Dolores Mitchell, Celia Wcislo, Louis Malzone, Rina Vertes, Mark Gaunya, Gary Anderson, Michael Chernew, Dimitry Petion

Kristen Lepore arrived at 9:18 AM.

The meeting was called to order at 9:05 AM.

Secretary Sudders began by welcoming two new Board members: Michael Chernew, a health economist, and Dimity Petion, a representative of small business. She stated that the Health Connector (CCA) now has a full Board.

- I. Minutes:** The minutes of the March 12, 2015 meeting were unanimously approved.
- II. Executive Director's Report:** Mr. Gutierrez provided an update on membership as well as actions CCA is taking to improve customer service and back office functionality. He noted that the enrollment numbers that he shared were updated since those included in the summary report. He explained that CCA continues to see people taking advantage of Special Enrollment Periods with recent enrollment activity. He noted that enrollment in CCA plans increased by about 13,000 members to 141,585 people as of April 6, 2015. He further noted that there was some decline in unsubsidized coverage, an increase in

enrollment for individuals who were receiving an Advanced Premium Tax Credit (APTC) only, and an increase in non-group dental enrollment of about 13 percent.

Mr. Gutierrez stated that customer service is CCA's current and urgent focus. He explained that call abandonment rates and wait times are improving, but there are still back office deficits leading to problems. He noted that CCA's Information Technology (IT) systems may make it difficult to change applications and that CCA is also focusing on its payment system. He stated that, in late March, an error in 1095A tax forms was identified and that corrected forms have been sent to Qualified Health Plan (QHP) policy holders. He explained that the error only affects people with tax credits and that the Centers for Medicare and Medicaid Services (CMS) and other agencies advised CCA that individuals will not need to refile, but that those who have not yet filed should use the corrected form. Finally, Mr. Gutierrez stated that CCA's Chief Operating Officer, Vicki Coates, is conducting a review of CCA vendors, such as Optum and Dell, to develop a remediation plan for the back office. He stated that the review will be a six-week effort. He emphasized that CCA is taking immediate steps to improve the customer service environment.

Patricia Wada, the program lead for the Health Insurance Exchange/Integrated Eligibility System (HIX/IES) initiative, then provided an update on the initiative. She stated that she has spent time at the Massachusetts Operations and Command Center (MOCC) learning about the HIX/IES application and constraints. She stated that she has been coordinating system production with CCA, hCentive and Dell, and noted the operational challenges informing both short and long term HIX/IES plans. She discussed the project's aggressive timeline and noted that the state is working to bridge operational gaps. She emphasized the importance of prioritizing system issues, implementation schedule and workarounds in advance of Open Enrollment 2016. She then described three categories of work being undertaken. The first, she stated, is to develop better solutions to manual workarounds to address back office problems. Second, she stated, is a number of releases allowing for new functionality in advance of Open Enrollment 2016 that will allow consumers to enroll in existing plans and provide them with better payment systems. Thirdly, she stated, is the prioritization of defects. Ms. Wada expressed that she looks forward to remaining in close contact in preparation for November 1, 2015 – the first day of Open Enrollment. She noted that next month, she will report to the Board and the public with details regarding remediation and vendor performance. She stated that her report will be coordinated with CCA's Chief Operating Officer's review, and Ms. Turnbull noted that detailed monthly updates would be beneficial. Mr. Gaunya asked about the effect on consumers, and Mr. Gutierrez replied that updates include improvements in the user interface. Ms. Mitchell asked if the improvements include adding new functionality or fixing existing functions. Ms. Wada responded that the updates will include improvements to functions both new and existing. She expressed a commitment to determining how new functions could impact existing ones and stated that the short timeline is a challenge to implementing the releases. Secretary Sudders emphasized that the focus of CCA right now is the customer experience.

Mr. Gutierrez explained that the HIX/IES project binds CCA and MassHealth eligibility as the system is shared between two agencies. He thanked Ms. Wada for her work as special advisor overseeing the initiative. Ms. Wcislo then stated that the Attorney General's Office (AGO) raised the issue that the Tufts/Network Health logo has been confusing for consumers. Mr. Gutierrez agreed with the concern and emphasized the need for making it clear to consumers when they are choosing limited or broad networks.

III. Repeal of Regulations Governing the Commonwealth Care Program (VOTE)

The PowerPoint presentation "Repeal of Regulations Governing the Commonwealth Care Program (VOTE)" was presented by Ed DeAngelo and Merritt Dattel McGowan. Ms. McGowan provided a summary of the Commonwealth Care program's timeline, stating that CCA operated Commonwealth Care since 2006 and closed the program in January 2015. She noted that it is technical cleanup to repeal the Commonwealth Care regulations. She explained that there are two sets of regulations governing Commonwealth Care, 956 CMR 2.00 and 956 CMR 3.00, and described each. She stated that CCA created the ConnectorCare program with the advent of the Affordable Care Act (ACA) and that Commonwealth Care lives on in the spirit of, and provided the basis for, the ConnectorCare regulations. She outlined the timeline of the repeal, explaining that after a vote today, there will be a public hearing, followed by a comment period after hearing, with a final repeal occurring in June. Ms. Mitchell asked if a change in the statute automatically makes an older regulation disappear, and Mr. DeAngelo explained that regulations rely on statutes and do not have independent effect. He further stated that it would be possible to leave the Commonwealth Care regulations in place but it is best to remove them since the program is over and repealing them could help avoid confusion. Ms. McGowan added that the Secretary of State's office asked CCA to repeal the regulations. Secretary Sudders stated that CCA regulations are outside of executive order. The Board unanimously approved the draft repeal of 956 CMR 2.00 (Medicaid MCO Participation in Commonwealth Care) and 956 CMR 3.00 (Eligibility and Hearing Process for Commonwealth Care).

IV. Risk Adjustment Update (VOTE)

The PowerPoint presentation "Risk Adjustment Update (VOTE)" was presented by Ed DeAngelo and Michael Norton. Secretary Sudders asked that Mr. Gutierrez set the context for the presentation. Mr. Gutierrez stated that the first two risk adjustment agenda items are vendor authorizations and the third is regarding regulations which provide procedures for risk adjustment in Massachusetts. He noted that there would be three votes, one for each item.

Mr. DeAngelo began the presentation by summarizing the three issues at hand, first explaining that CCA will be proposing to contract with an auditing firm for data validation of data to be used in risk adjustment. He stated that the second vote will be to extend the work order for Milliman, a firm consulting for CCA on risk adjustment matters, and that the last vote will be on final regulations for the risk adjustment process. Mr. DeAngelo then provided a summary of risk adjustment. He stated that risk adjustment is required under the ACA. In risk adjustment, carriers are compared based on the actuarial risk of their populations, as calculated using diagnostic codes. He further

explained that higher risk means higher costs for carriers. Risk adjustment results in transfer payments among carriers, from those with lower risk populations to those with higher risk members. He noted that CMS is conducting risk adjustment in other states, but in 2012 Massachusetts committed to doing its own risk adjustment program. Mr. DeAngelo discussed the risk adjustment timeline, stating that the methodology for the 2014 plan year was developed in 2013. He noted that the methodology dictates how risk adjustment is done and delineates how diagnostic codes are used. He explained that the state must submit risk adjustment methodologies for federal approval and that Massachusetts received approval. He stated that CCA is now working with carriers to get data to the Center for Health Information and Analysis (CHIA)'s All Payer Claims Database (APCD). He explained that the data has been extracted, simulations are being run, and the hope is to have final risk adjustment calculations done in May and June. He stated that payments will then be transferred between carriers.

Mr. DeAngelo then provided an overview of the risk adjustment data validation process. He explained that an auditor reviews data to uncover discrepancies as another layer of validation. He stated that the process is starting in 2015 for the 2014 benefit year. He stated that CCA did a competitive procurement and got only one proposal, from FTI Consulting, Inc. He noted that although only one proposal was received, it was carefully reviewed and scored, receiving an overall total procurement score of 81 out of a possible 100. Mr. Norton noted that FTI Consulting, Inc. has experience conducting risk adjustment for the Medicare Advantage, Medicare Part D and Medicaid managed care programs. In response to a question from Ms. Mitchell, Mr. Norton outlined several reasons that might explain why CCA only received one bidder. He stated that CCA approached a number of firms to gauge interest, but because they did not have experience in risk adjustment under the ACA, they were not interested in the proposal. He also noted that many firms expressed conflict of interest concerns because they work closely with the Massachusetts carriers involved in the process. In response to a question from Ms. Mitchell, Mr. Norton described some different approaches to risk adjustment data validation, such as a statistical approach in which auditors look for outliers and go back to carriers with questions, as well as a different approach used by the federal Department of Health and Human Services (HHS). Mr. Chernew raised the concern that some diagnostic codes could be missing from the data. He stated that the focus seems to be on carriers' claims data but asked if the data that providers have in medical records are also being validated, because errors in providers' data could present systematic errors. Mr. Norton confirmed that validation is being done both ways, as carriers are asked to collect medical records for a sample population to determine if a diagnosis was validly documented and to see if other diagnoses were not included that should have been. In response to a question from Mr. Chernew, Mr. Norton explained that only members' records from the study year, in this case 2014, are being considered, so that only costs associated with disease claims for 2014 are included in the analysis. He stated that auditors are looking for discrepancies in diagnosis codes which lead to discrepancies related to cost within the benefit year. Secretary Sudders suggested that Mr. Chernew be invited to further discuss the audit process. Mr. Petion noted that the CHIA database and the auditing of medical records were mentioned and asked for clarification about the process. In response, Mr. Norton stated that, for example, if there is a discrepancy in

diagnoses, it will be marked, and if that discrepancy is traced back to a claim, then that will factor into the error rate to be extrapolated. Mr. Norton further noted that the 2014 and 2015 benefit years are learning years and that findings from the audit will be shared with carriers for actionable items when working with providers. Ms. Weislo asked for clarification regarding what would cause a vendor to be conflicted out of the bidding process and noted in particular that FTI works with hospitals in Massachusetts. In response, Mr. DeAngelo provided clarification, stating that risk adjustment is a program with insurers, not providers, and therefore CCA reviews conflicts of interest at that level.

Mr. DeAngelo then reviewed the scope of work for the proposed vendor and stated that the work is expected to begin in April and go through February 2016, with Board approval. He emphasized that this bid was compared to costs for comparable programs even though CCA received only one. Mr. Norton added that Blue Cross Blue Shield (BCBS) shared with CCA data from its national Risk Adjustment Data Validation (RADV) Request for Proposals (RFP) and stated that the FTI proposal is in the range of what BCBS had shared, especially given the complexity of the project. He stated that FTI's initial financial offer was rejected by CCA and FTI was asked to revise its proposal and resubmit. Mr. DeAngelo then explained that 50 percent of the cost of certain RADV work will be recouped via a carrier user fee and that there is a precedent for this in the CMS risk adjustment program. He stated that the user fee is 54 cents per unique member per year and noted that the comparable federal user fee is roughly 96 cents per member per year. In response to a query from Ms. Mitchell, Mr. Norton stated that claims data included in RADV done this year will be for 2014, not 2015, and that only certain sample populations will be included. In response to a question regarding the flexibility of the contract details and sampling rules from Mr. Chernew, Mr. DeAngelo replied that the scope of work is high level and not extremely detailed. Mr. Chernew agreed that flexibility will be useful and emphasized that it will be important not to miss populations in sampling. Mr. Norton noted that since the risk adjustment program is an ACA requirement, CCA is eligible to use federal grant funding to support the project. He also noted that auditing members not covered by an ACA program would be outside the project scope. Mr. Chernew echoed Ms. Mitchell's expression that the auditing process is important.

Mr. DeAngelo discussed the project's timeline in greater detail, stating that the contract in question is for now until the end of 2016, but there will be a work order for the initial period from now through February 2016. In response to a question from Secretary Sudders, Mr. DeAngelo stated that the work order can always be amended and is not a fixed price contract. The Board unanimously approved that the Executive Director be authorized 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.

Mr. DeAngelo then discussed the recommended extension of Milliman's work order. He stated that in January 2015 the Board approved extending the Milliman contract through the end of calendar year 2015, with an initial work order to cover the period from January

through April 2015. Today's vote seeks approval for a work order for the balance of 2015, which is an eight month period. He reviewed Milliman's scope of work and stated that Milliman uses CHIA data, applies simulations and reviews to help identify data discrepancies and then submits to carriers for review. He stated that Milliman assists CCA in meeting with carriers and will continue to do so. Ms. Vertes stated that carriers have been asking questions and challenging the state methodology, and asked if the simulations will help carriers understand if moving to the federal model is preferable. Mr. DeAngelo stated that Milliman has been conducting quarterly simulations, including a monthly report on the number of member months, and is working with carriers to resolve differences. He stated that room for ad hoc analysis, such as using the federal methodology, is built into the process. In response to a question from Secretary Sudders, Mr. DeAngelo explained that Milliman's previous contract only went until April to provide an opportunity to review Milliman's engagement with CCA in mid 2015. The Board approved the Milliman work order for the period of May 1, 2015 to December 31, 2015, with the exception of Mr. Chernew, who abstained.

Mr. DeAngelo then provided an overview of the risk adjustment regulations and regulatory process. He stated that the regulations are procedural in nature. The risk adjustment methodology is separate from the regulations, as the methodology is approved in advance by CMS. He stated that, under the regulations, carriers submit data to CHIA's APCD and CHIA then creates member month reports. He explained that Milliman then runs quarterly simulations and works with carriers to resolve discrepancies. He noted that the data must be locked down by April 30 of each year, so that calculations can be done in May and June, with payments ready to be transferred in July. He stated that, after issuance of the draft regulations in December 2014, there was a period of public comment and a public hearing on March 6, 2015. He reviewed the comments and testimony received at the public hearing. He stated that comments were received from carriers and noted that some carriers are supportive of the process and acknowledge the legal obligation to perform risk adjustment, while others are concerned about potential adverse effects such as destabilization of the market. Ms. Mitchell noted that if certain carriers are dissatisfied with the results of risk adjustment this year, they may want to revisit the methodology the following year. In response to a question from Ms. Mitchell about whether there should be a minimum threshold for size of a carrier's population to be included in the risk adjustment process, Mr. DeAngelo stated that Milliman had determined that there is sufficient population for all the carriers currently in the Massachusetts market to come up with credible risk adjustment calculations. Mr. DeAngelo agreed with Mrs. Mitchell's expression that methodology may be revisited in future years and stated that CCA could consider alternative approaches. He further noted that the merit of the simulations done with the carriers is that they allow for identification and rectification of data issues. He stated that such discrepancies are generally a result of incorrectly submitted data and are not a result of methodology. In response to a question from Ms. Mitchell, Mr. DeAngelo stated that payments will take place in July. Mr. Chernew asked about the stability of the simulations and the timing of premiums being put out to market. In response, Mr. DeAngelo stated that the simulations were done after premium setting. Mr. Norton added that some initial simulations were done when carriers could get a glimpse into what the 2014 results would look like. Mr. Chernew

asked whether Massachusetts is bound by CMS rules to go through the risk adjustment process. In response, Secretary Sudders affirmed this statement and noted that at some point, there should be a discussion regarding whether Massachusetts should continue to be the only state in the nation to have its own risk adjustment program.

Mr. Norton noted that carrier data quality has significantly improved with each simulation. Ms. Turnbull stated that risk adjustment has been a transparent, collaborative and iterative process thus far and will continue to improve. Secretary Sudders noted that there have been individuals who have claimed that the process is not transparent but agreed it has been iterative. Mr. Gaunya expressed concern about the downstream implications risk adjustment could have for the market. He stated that a competitive market is important and he is concerned about the smaller carriers, such as Fallon, Health New England and Neighborhood Health Plan. Mr. Gutierrez agreed that this is an important concern that is on everyone's minds throughout the process. He added that the data has been improving and some earlier concerns about potential effects on the market have been easing as data improves. In response to a question from Mr. Gaunya, Mr. Gutierrez stated that Massachusetts must comply with the ACA and that there is no flexibility to have a phased approach for the program. Mr. DeAngelo stated that concerns about plan solvency would involve consultation with the Division of Insurance (DOI) and discussing ways of mitigating the effects of risk adjustment if insolvency is a concern for a plan. He stated that as better data comes in, the results seem less likely to be destabilizing to the market. Secretary Sudders stressed a commitment to market stabilization. Ms. Vertes stated that it is important to look at the ramifications of plans' ability to correct the effects of risk adjustment through premiums. She added that historically, plans have not been able to push large rate increases, and that it will be important to consider this. In response to a question from Ms. Mitchell, Mr. DeAngelo stated that there may be flexibility in how risk adjustment payments are made between carriers, under DOI governance, and that CCA is thinking about it for the future. The Board approved to adopt and promulgate 956 C.M.R. 13.00, with revisions presented today, as final regulations, with the exception of Mr. Petion, who abstained.

Mr. DeAngelo then reviewed the next steps and key dates in the risk adjustment process.

The meeting was adjourned at 10:29 AM.

Respectfully submitted,
Maria H. Joy