Risk Adjustment Data Validation Work Order (VOTE)

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Board of Directors Meeting, March 10, 2016
Today’s Agenda

Today we seek approval to execute a work order governing services with our existing Risk Adjustment Data Validation (RADV) auditor to be provided from March 11, 2016 to February 28, 2017 for an amount not to exceed $1.6M.

- At the April 9, 2015 Board of Directors meeting, the Board authorized staff to enter into a contract with FTI Consulting, Inc. (FTI), the RADV auditor selected after a competitive procurement, and approved an initial work order for RADV for the 2014 benefit year
  - The Centers for Medicare & Medicaid Services (CMS) suspended RADV for the 2014 benefit year, and to ensure alignment with other states, CMS authorized the Health Connector to suspend 2014 RADV as well
  - Even though RADV was ultimately suspended for 2014, FTI completed work under the work order that can be leveraged for the 2015 benefit year

- Today, the Health Connector is recommending that we enter into a work order with FTI to perform required RADV services for 2015
  - The scope for this work order is similar to that of the original work order, but with key enhancements that will improve the RADV process for 2015
  - Both federal and state funds, coupled with a user fee on the issuers, will be used to support the costs of the 2015 RADV audit
RADV Process Overview

- The Affordable Care Act (ACA) (45 CFR 153.350) requires that a state that operates an alternate risk adjustment program perform RADV to ensure the integrity of the risk adjustment program
  - The RADV process validates the diagnosis, demographic and enrollment information for a statistically valid sample of enrollees for each issuer
  - The analysis is designed to uncover any discrepancies between source data and an issuer’s enrollment and claims data used for risk adjustment settlement

- The purpose of RADV is to validate the results of the risk adjustment settlement funds transfers and, if necessary, to recalibrate the transfers in line with the audit findings and apply those results to the following year’s settlement
  - CMS, by rule, considers the 2015 benefit year to be a pilot RADV year with no financial implications and as such, we will do the same in Massachusetts
  - The 2016 benefit year RADV results will be applied prospectively to the following benefit year’s risk adjustment funds transfers; the Health Connector will coordinate this process with CMS as CMS will be administering the risk adjustment program for 2017
The RADV auditor’s scope of work for the 2015 benefit year will be similar to the scope of work planned for the suspended 2014 benefit year.

- For the 2015 benefit year, FTI will:
  - Develop processes and mechanisms for securely transferring data
  - Develop a training program to administer to relevant staff, prior to working on the data validation project
  - Audit a sample of members from each of the 16 issuers by reviewing enrollment and medical records
  - Document any risk adjustment errors based on discrepancies uncovered in the audit
  - Issue carrier-specific RADV audit reports with error rates and error extrapolations
  - *NEW* – Develop several refinements to the single level RADV process such as incorporating supplemental diagnosis files and ICD-10 into the existing process
  - *NEW* – Develop and incorporate enrollment validation process
The below outlines work phases involved in RADV, showing hours of work for each type of staff member engaged.

<table>
<thead>
<tr>
<th>Work Phase</th>
<th>Data Analyst</th>
<th>Coding Prof.</th>
<th>Statistician</th>
<th>SME</th>
<th>Project Mgmt.</th>
<th>Total Staff</th>
<th>Price Estimate Not To Exceed</th>
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<tbody>
<tr>
<td>Develop operational processes required for a single-level RADV program</td>
<td>40</td>
<td>20</td>
<td>10</td>
<td>50</td>
<td>15</td>
<td>135</td>
<td>$61,200</td>
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<td>Conduct validation of enrollment and medical diagnosis data for issuers' enrollee samples created by the Health Connector</td>
<td>1,440</td>
<td>800</td>
<td>80</td>
<td>640</td>
<td>160</td>
<td>3,120</td>
<td>$1,275,200*</td>
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<tr>
<td>Provide issuer-specific reports to the Health Connector on error rates on the samples and extrapolated results at the issuer level</td>
<td>160</td>
<td>40</td>
<td>80</td>
<td>120</td>
<td>80</td>
<td>480</td>
<td>$180,800*</td>
</tr>
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<td>Provide support to the Health Connector in its communications with issuers on processes and results</td>
<td>40</td>
<td>40</td>
<td>20</td>
<td>40</td>
<td>120</td>
<td>260</td>
<td>$114,800</td>
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<td>Assist the Health Connector to develop RADV appeals processes</td>
<td>40</td>
<td>20</td>
<td>10</td>
<td>80</td>
<td>20</td>
<td>170</td>
<td>$80,800</td>
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<tr>
<td>Total (not to exceed)</td>
<td>1,720</td>
<td>920</td>
<td>200</td>
<td>930</td>
<td>395</td>
<td>4,165</td>
<td>$1,600,000**</td>
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*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.

**The not to exceed amount is less than the sum of the individual work area estimates, which provides a potential additional discount on fees by FTI.
Carriers, the Commonwealth and the federal government will share the costs of RADV in light of the benefits the auditing work provides to the market through the risk adjustment program.

- The RADV user fee assessed to carriers reflects the shared responsibility for the actual data validation audits, error extrapolation and issuance of carrier-specific RADV reports.
- As a result, for the 2015 benefit year, we will be implementing a RADV user fee of approximately $728,000 allocated over the number of unique, billable members covered by a risk adjusted plan in the merged market during the benefit year.
- This amount reflects a 50 percent split of certain RADV costs between the Health Connector and the market (as noted in the previous slide).
- Additionally, remaining federal Level 2 Establishment grant funds will be utilized to the fullest extent possible to offset some of the costs related to the RADV audit that are not otherwise offset by the RADV user fee.
  - Remaining costs associated with the 2015 RADV that will be paid for by the Health Connector were included in the FY16 administrative budget approved by the Board in July 2015.
Next Steps

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<td>Conduct kick-off meeting with carriers for 2015 benefit year RADV</td>
<td>Finalize RADV Program Guide</td>
<td>Provide selected RADV samples and materials to carriers</td>
<td>Receive RADV medical record samples from carriers</td>
<td>End of benefit year 2016, which is final benefit year for state-administered Risk Adjustment Program</td>
<td>FTI to provide carrier-specific RADV reports for 2015 benefit year with error rates and extrapolated results</td>
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Health Connector staff recommend that the Board authorize the Executive Director to enter into a new work order with FTI Consulting, Inc. to perform Risk Adjustment Data Validation auditing for benefit year 2015 during the period of March 11, 2016 to February 28, 2017.