

RISK ADJUSTMENT AND RATE REVIEW - THE MASSACHUSETTS PERSPECTIVE

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center
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Agenda

- Background on Risk Adjustment and the ACA
- MA Interest in State-specific Risk Adjustment program
- Dramatis Personae
- Timeline
- Using the MA APCD
- Lessons Learned

Risk Mitigation Programs Under the ACA

- Reinsurance
- Risk corridors
- Risk adjustment (only permanent program)

Regulatory Requirements for State Specific RA Program

- Under the ACA and through Federal regulation and guidance, states are allowed significant flexibility to run their own risk adjustment programs
- To have this option, states must operate their own ACA-compliant exchange
- States may offer enhancements to the Federal RA methodology, subject to HHS approval.
- Proposed methodology and operational parameters must be submitted to HHS review
- If HHS approves, the proposed RS methodology becomes a Federally-certified alternate risk adjustment methodology

MA Interest in State-Specific Risk Adjustment

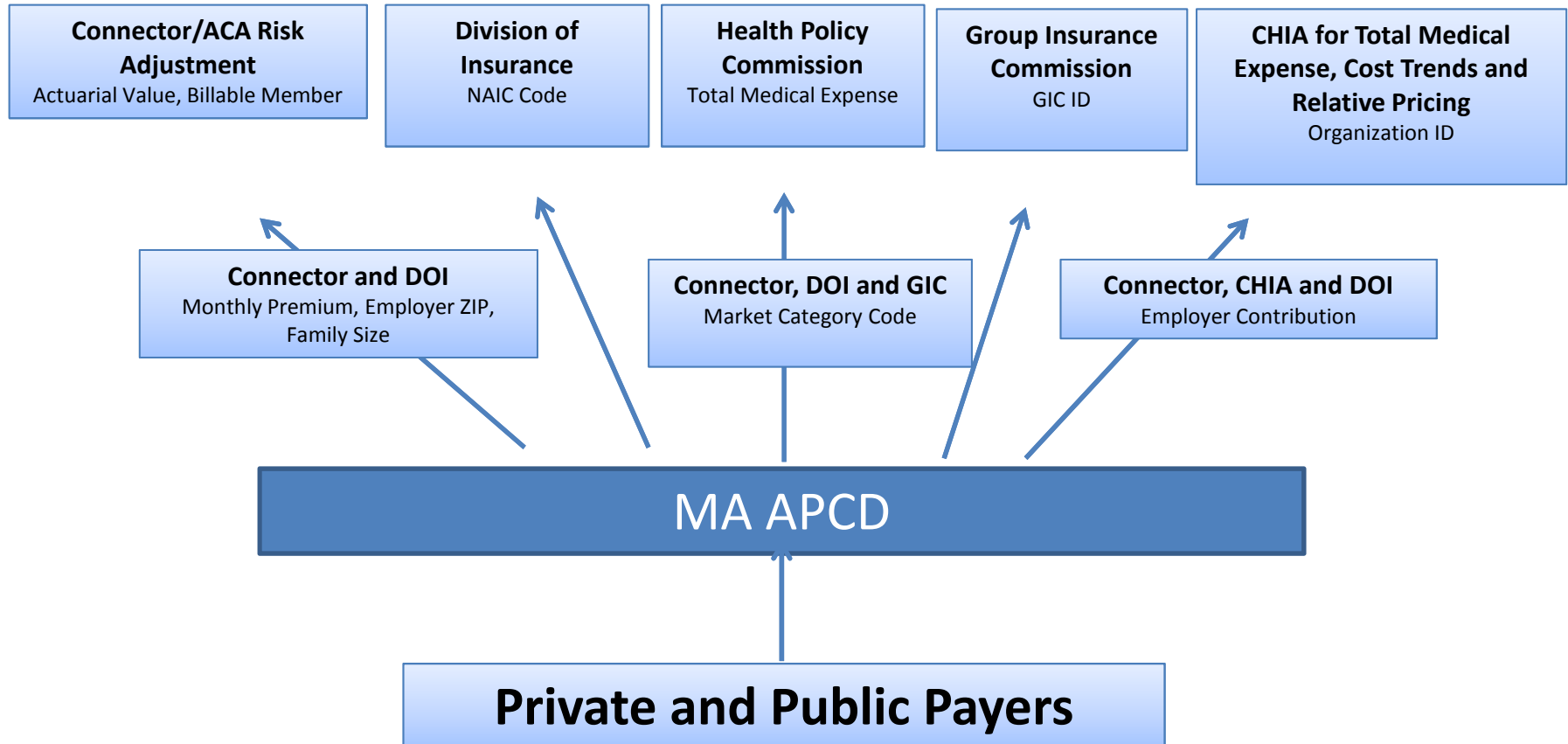
- Prior reforms
 - Individual and small group markets were already merged
 - Subsidized program in effect
- MA market had extensive experience in risk adjustment
 - Data collection
 - Knowledge of models
- Leverage investment in MA APCD

MA APCD

- Roots back to 2006 – Healthcare Quality and Cost Council
- Data collection by CHIA's predecessor agency began in 2009
- MA's 2012 healthcare reform legislation (Chapter 224) provides broad authority for CHIA to collect data from payers
- CHIA investment in in data collection:
 - Specification
 - Payer engagement
 - Intake/editing
 - Release
- Still, risk adjustment is the 1st time MA APCD being used for operations

Administrative Simplification

Selected Data Elements in the MA APCD



Advantages of using an APCD for Risk Adjustment

- Minimizes number of data submissions by carriers
- Much of the data needed for risk adjustment are already collected by most APCDs
- Data are complete and timely
- Provides a mechanism whereby risk adjustment program administrator does not store personally identifiable information, except as what may be required by risk adjustment data validation

Source: “Application for Federal Certification of Massachusetts State Alternate Risk Adjustment Methodology”, Submitted by MA Health Connector to CCIIO, 2013

Dramatis Personae

- **MA Health Connector**
Program Director and Administrator
- **Center for Health Information and Analysis (CHIA)**
MA APCD Data Aggregator
- **Milliman**
Actuarial and Risk Adjustment Consultants
- **Freedman Health Care**
Project Manager
- **JEN Associates**
Technical Consultant on QA

Timeline

- Modeling/Validation
- Application to CMS – January 2013
- CMS Certification for 2014 – March 2013
- MA Notice of Benefit and Payment Parameters – April 2013
- Simulation - May 2013
- Operations - 2014
- CMS Certification for 2015 – expected April 2014

MA is the only certified state specific risk-adjustment program.

Key Features of the MA Risk Adjustment Model

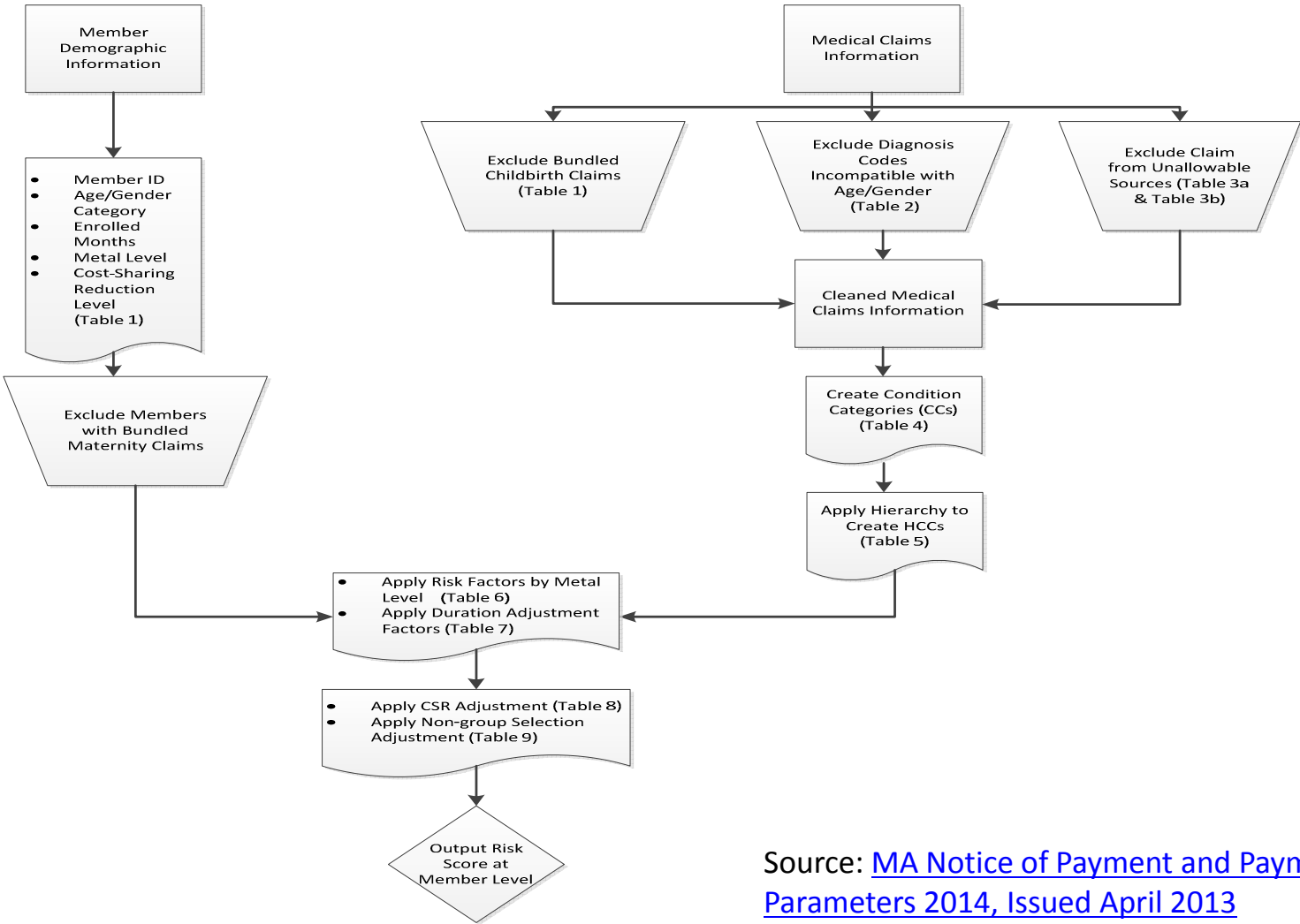
- Expanded version of HCC model used by CMS
- Calibrated based on MA experience
- Actuarial adjustments
 - Partial year eligibility
 - Induced demand
 - Others

References:

[HHS Benefit and Payment Parameters for 2014 final rule \(NBPP\) \(CMS-9964-F\). Published in Federal Register March 11, 2013](#)

[MA Notice of Payment and Payment Parameters 2014, Issued April 2013.](#)

How It Works



Source: [MA Notice of Payment and Payment Parameters 2014, Issued April 2013](#)

MA APCD Involvement in Risk Adjustment

- Review of MA application to CCIIO
 - Compliance with CMS requirements
- Review of Federal and State Payment Parameter Notices
- Specification of new data elements
- Data collection/carrier liaison
- Preliminary simulation
- Quarterly extracts starting in 2014

New Data Elements For Risk Adjustment

Benefit Plan File – New File

- Benefit Plan ID
- Benefit Plan Name
- Actuarial Value
- Metal Level
- Claim Control Totals
- Member Control Totals

Claims File

- Other diagnoses 13 - 24

Member File

- Risk Adj Covered Plan Flag
- Billable Member
- Benefit Plan Contract ID
- Actuarial Value
- Metal Level
- Member Benefit Plan Contract Enrollment Start Date
- Member Benefit Plan Contract Enrollment End Date
- Total Monthly Premium

Notes: Includes elements essential for risk score calculation and those important for quality assurance. Risk adjustment does not individually identifiable data.

Specification of New Data Elements: “Billable Member”

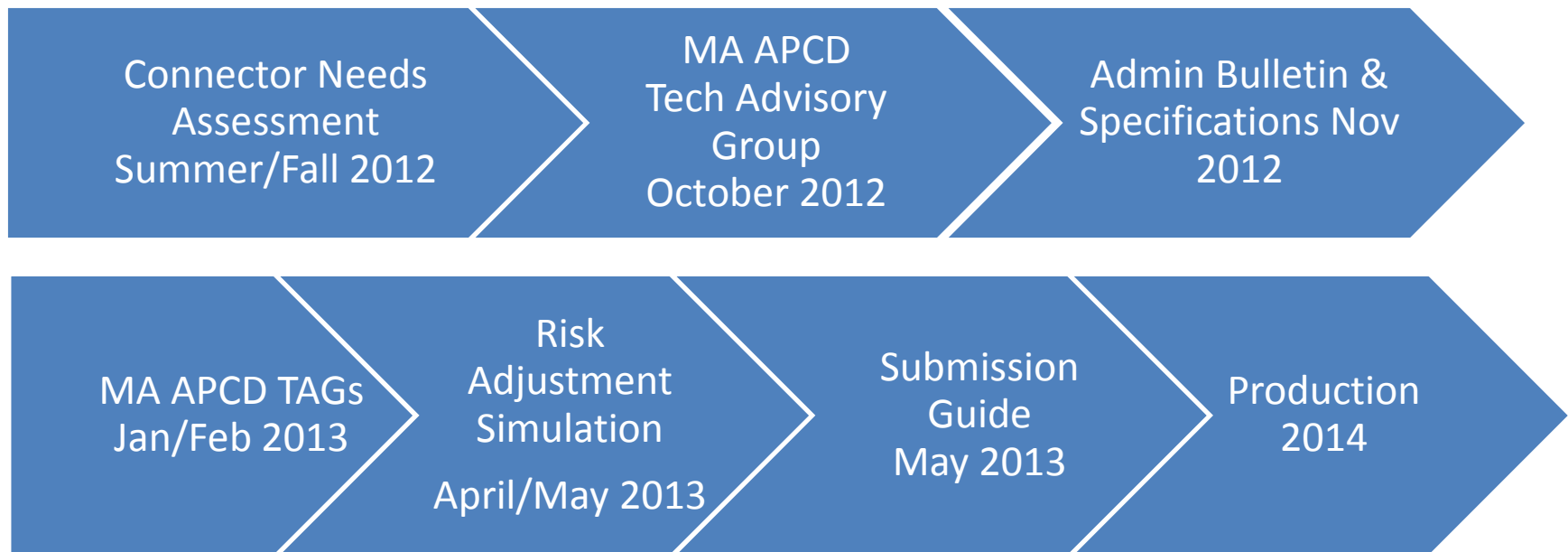
Billable Member	Billable Member Indicator	<p>Billable members are: the subscriber; all dependent adults over the age of 21; and the three eldest children under the age of 21 Additional dependents under the age of 21 are not counted in rating (they are “non-billable” members). Billable members are identified at the point when eligibility begins; the flag should be populated for every successive month of enrollment in the plan up until the end of the benefit plan year.</p>
	<i>Value</i>	<i>Description</i>
	1	Yes, the member is billable
	2	No, the member is not billable

- Spouse under 21 (Final Market Reform Rules preamble -- p13409)
- New family member (Final Market Reforms Rules -- p. 13412)

Specification of New Data Elements: Risk Adjustment Covered Plan (RACP)

<p>Member Enrolled in RACP (Risk Adjustment Covered Plan) Indicator</p>	<p>Non-grandfathered individual and small group plans underwritten and filed in the Commonwealth of Massachusetts are subject to risk adjustment.</p> <p>Large group plans, self-insured plans, and plans underwritten and filed in states other than Massachusetts are not subject to risk adjustment.</p> <p>Report RACP status as of the 15th of the month.</p> <p>EXAMPLE: 1 = Yes, the Member was enrolled in RACP as of the 15th of the month.</p>
<i>Value</i>	<i>Description</i>
1	Yes
2	No
3	Used for testing purposes only prior to ACA going live

Data Collection and Simulation Timeline



Note: Several RA fields collected via a Supplemental File in March 2013

Risk Adjustment Simulation Results

Illustrative

Plan	Raw Risk Score	Relative Risk Score	Estimated Impact (\$000s)
Plan A	1.34	1.17	\$15,000
Plan B	0.97	0.84	(\$5,000)
Plan C	1.22	1.06	\$10,000
Plan D	1.01	0.88	(\$20,000)
Plan E	1.4	1.22	\$1,000
Plan F	0.86	0.75	(\$1,000)
Total	1.15	1.00	\$0

Feedback to Carriers on Data Quality and Completeness

Illustrative

Number of Unique ICD-9 Codes Per Member in Year

No of Unique Dx	Number of Members	Percent of Members
0-4	18,124	30%
5-9	20,138	33%
10-14	11,594	19%
15-19	4,272	7%
20-24	3,051	5%
25-29	1,831	3%
30-40	1,220	2%
40-50	183	0%
50+	610	1%
Total	61,023	100%

V2 of MA APCD Submission Guide allows up to 12 dx codes per claim line; v3 increased to 24

Percent of Claim Lines that Contact at Least 1 Invalid ICD-9 Code

Total Number of Claim Lines	1,866,302
Numer of Invalid Claim Lines	4,836
% Invalid Claim Lines	0.26%

ICD-9 codes are checked upon submission to MA APCD

And What Happened?

- Data Quality Profiles shared with plans
- At several plans, discussions between “business owners” and those responsible for MA APCD submissions
- Re-submissions of data to the benefit of all MA APCD users
- Elevated “visibility” of the MA APCD

Proposed Steady State

Claims Incurred	Claims Paid Through	Carrier Data Due	MA APCD Refresh	Purpose
1 Oct-30 Sep	31 Dec	31 Jan	28 Feb	Market averages
1 Jan-31 Dec	31 Mar	30 Apr	31 May	Informational
1 April-31 Mar	30 Jun	31 July	31 Aug	Informational
1 Jul-30 Jun	30 Sep	31 Oct	30 Nov	Informational
1 Oct-30 Sep	31 Dec	31 Jan	28 Feb	Market Averages
1 Jan-31 Dec	30 Mar	30 Apr	31 May	Payment & Charge Notices

Quality Profiles for Participating Carriers

Topic	Description
Definitions	Definitions of terms used in these reports
Overview	Overview of the Risk Adjustment (RA) scoring methodology
Demographics	Percentages of people profiled by age and sex
Diagnosis Code Availability	Counts of diagnosis types
RA Score Averages	Average RA scores
RA Scores by Demographics	Average RA scores profiled by age and sex

Risk Adjustment Data Validation (“RADV”)

- Audits to validate that the dx codes in the claims are substantiated by the medical record – similar to Medicare Part C
- Two types
 - IVA – Initial Validation Audit - carriers
 - SVA – Second Validation Audit - Connector
- Still working out the details
- To be published in the 2015 Payment Notice

MA Has Benefited from Great Cooperation Among

- State agencies (CHIA and Connector) and their consultants
- Federal agencies (CMS/CCIIO)
- Payers

Lessons Learned

- Specification of new data elements can be difficult
- Data quality, data quality, data quality
- Systems readiness – people and infrastructure
- Importance of partnering with payers
 - Help on data definitions
 - Data quality profiles
- Financial operations require business rules
- Risk adjustment has short and long-term implications for the MA APCD