RISK ADJUSTMENT AND RATE REVIEW - THE MASSACHUSETTS PERSPECTIVE

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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 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

Connector/ACA Risk Adjustment
Actuarial Value, Billable Member

Division of Insurance
NAIC Code

Health Policy Commission
Total Medical Expense

Group Insurance Commission
GIC ID

CHIA for Total Medical Expense, Cost Trends and Relative Pricing
Organization ID

Connector and DOI
Monthly Premium, Employer ZIP, Family Size

Connector, DOI and GIC
Market Category Code

Connector, CHIA and DOI
Employer Contribution

MA APCD

Private and Public Payers

December 2012
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

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

- Member ID
- Age/Gender Category
- Enrolled Months
- Metal Level
- Cost-Sharing Reduction Level (Table 1)

Exclude Members with Bundled Maternity Claims

Medical Claims Information

- Exclude Bundled Childbirth Claims (Table 1)

Exclude Diagnosis Codes Incompatible with Age/Gender (Table 2)

Exclude Claim from Unallowable Sources (Table 3a & Table 3b)

Cleaned Medical Claims Information

Create Condition Categories (CCs) (Table 4)

Apply Hierarchy to Create HCCs (Table 5)

- Apply Risk Factors by Metal Level (Table 6)
- Apply Duration Adjustment Factors (Table 7)

- Apply CSR Adjustment (Table 8)
- Apply Non-group Selection Adjustment (Table 9)

Output Risk Score at Member Level

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”**

<table>
<thead>
<tr>
<th>Billable Member</th>
<th>Billable Member Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>Yes, the member is billable</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>No, the member is not billable</td>
</tr>
</tbody>
</table>

- 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)

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>3</td>
<td>Used for testing purposes only prior to ACA going live</td>
</tr>
</tbody>
</table>

Member Enrolled in RACP (Risk Adjustment Covered Plan) Indicator

Non-grandfathered individual and small group plans underwritten and filed in the Commonwealth of Massachusetts are subject to risk adjustment.

Large group plans, self-insured plans, and plans underwritten and filed in states other than Massachusetts are not subject to risk adjustment.

Report RACP status as of the 15th of the month.

EXAMPLE: 1 = Yes, the Member was enrolled in RACP as of the 15th of the month.
Data Collection and Simulation Timeline

Connector Needs Assessment Summer/Fall 2012

MA APCD Tech Advisory Group October 2012

Admin Bulletin & Specifications Nov 2012

MA APCD TAGs Jan/Feb 2013

Risk Adjustment Simulation April/May 2013

Submission Guide May 2013

Production 2014

Note: Several RA fields collected via a Supplemental File in March 2013
## Risk Adjustment Simulation Results

**Illustrative**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Raw Risk Score</th>
<th>Relative Risk Score</th>
<th>Estimated Impact ($000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan A</td>
<td>1.34</td>
<td>1.17</td>
<td>$15,000</td>
</tr>
<tr>
<td>Plan B</td>
<td>0.97</td>
<td>0.84</td>
<td>($5,000)</td>
</tr>
<tr>
<td>Plan C</td>
<td>1.22</td>
<td>1.06</td>
<td>$10,000</td>
</tr>
<tr>
<td>Plan D</td>
<td>1.01</td>
<td>0.88</td>
<td>($20,000)</td>
</tr>
<tr>
<td>Plan E</td>
<td>1.4</td>
<td>1.22</td>
<td>$1,000</td>
</tr>
<tr>
<td>Plan F</td>
<td>0.86</td>
<td>0.75</td>
<td>($1,000)</td>
</tr>
<tr>
<td>Total</td>
<td>1.15</td>
<td>1.00</td>
<td>$0</td>
</tr>
</tbody>
</table>
Feedback to Carriers on Data Quality and Completeness
Illustrative

Number of Unique ICD-9 Codes Per Member in Year

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

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

<table>
<thead>
<tr>
<th>Total Number of Claim Lines</th>
<th>1,866,302</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Invalid Claim Lines</td>
<td>4,836</td>
</tr>
<tr>
<td>% Invalid Claim Lines</td>
<td>0.26%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Claims Incurred</th>
<th>Claims Paid Through</th>
<th>Carrier Data Due</th>
<th>MA APCD Refresh</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Oct-30 Sep</td>
<td>31 Dec</td>
<td>31 Jan</td>
<td>28 Feb</td>
<td>Market averages</td>
</tr>
<tr>
<td>1 Jan-31 Dec</td>
<td>31 Mar</td>
<td>30 Apr</td>
<td>31 May</td>
<td>Informational</td>
</tr>
<tr>
<td>1 April-31 Mar</td>
<td>30 Jun</td>
<td>31 July</td>
<td>31 Aug</td>
<td>Informational</td>
</tr>
<tr>
<td>1 Jul-30 Jun</td>
<td>30 Sep</td>
<td>31 Oct</td>
<td>30 Nov</td>
<td>Informational</td>
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<tr>
<td>1 Oct-30 Sep</td>
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<td>Market Averages</td>
</tr>
<tr>
<td>1 Jan-31 Dec</td>
<td>30 Mar</td>
<td>30 Apr</td>
<td>31 May</td>
<td>Payment &amp; Charge Notices</td>
</tr>
</tbody>
</table>
# Quality Profiles for Participating Carriers

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