

MEMORANDUM

To: Health Connector Board of Directors
Cc: Louis Gutierrez, Executive Director
From: Michael Norton, Senior Advisor on Market Reforms
Edward DeAngelo, General Counsel
Date: November 4, 2016
Re: Risk Adjustment Technical Consultant Work Order

EXECUTIVE SUMMARY

In July 2016, the Health Connector completed risk adjustment calculations, and received and made risk adjustment transfer payments, for the 2015 Benefit Year. The Health Connector is now beginning the process of analyzing data and conducting simulations for the 2016 Benefit Year. Currently, the Health Connector is responsible for administering the risk adjustment program for Benefit Year 2016, at the completion of which we will transition the program to the federal Centers for Medicare & Medicaid Services (CMS) to begin administering the risk adjustment program.

To complete the 2016 Benefit Year administration, the Health Connector will need technical and programmatic support from Milliman, Inc. (Milliman) throughout Calendar Year 2017. As a result, the Health Connector recommends that the Board vote to approve that the Health Connector enter into a new work order with Milliman as its risk adjustment technical consultant from January 1, 2017 to December 31, 2017 in an amount not to exceed \$1,321,194. The first six months of the cost of this work order was approved by the Board at the July 2016 Board meeting as part of the Fiscal Year 2017 Administrative Budget. The final six months were contemplated in the Fiscal Year 2018 Administrative Budget at that time.

BACKGROUND

The Health Connector, on behalf of the Commonwealth and in collaboration with other state agencies, has implemented a state-administered, Massachusetts-specific Affordable Care Act (ACA) risk adjustment program since 2014. Through a Request for Proposal (RFP) released in September 2015, and with a Board approval on November 12, 2015, the Health Connector retained Milliman's New York Health Practice as its risk adjustment technical consultant for a three-year term. The initial work order under that contract was for work conducted in Calendar Year 2016. Now, the Health Connector is seeking to enter into a second work order for the period from January 1, 2017 to December 31, 2017.

During that time period, the Health Connector will continue to conduct risk adjustment for the 2016 Benefit Year. This involves receiving and analyzing data for the 2016 Benefit Year and running simulations for the benefit of carriers subject to risk adjustment. Concurrently, three carriers have requested reconsideration of the risk adjustment assessments and transfers that the Health Connector calculated

for the 2015 Benefit Year and the Health Connector is in the process of responding to those requests. These activities require the support of Milliman.

The current Benefit Year is the last one for which the Health Connector will administer ACA risk adjustment for the Massachusetts merged market. As noted above, the federal risk adjustment methodology and program operations will begin starting in the 2017 Benefit Year.

RISK ADJUSTMENT TECHNICAL CONSULTANT SCOPE OF WORK

The work order will run from January 1, 2017 through December 31, 2017. The statement of work described in this memorandum will go into effect January 1, 2017 and end on December 31, 2017 and will not exceed \$1,321,194.

The scope of work set out in the work order requires Milliman’s technical team to complete risk adjustment quarterly simulations for Benefit Year 2016, utilizing data from the Massachusetts All Payer Claims Database (APCD) maintained by the Center for Health Information and Analysis (CHIA). This will include analysis and reports on APCD data quality and implement the Commonwealth’s federally-certified risk adjustment methodology, including funds transfer calculations. Milliman will also support the ongoing risk adjustment data validation process, in which an outside firm audits the claims data on which risk adjustment relies.

Below please find the Health Connector’s expenses from Milliman in the last three calendar years. Of note, actual costs incurred have historically been below budget.

Expenses for Milliman, Inc by Year/Contract						
	CY2012	CY2013	CY2014	Jan-April 2015	May-Dec 2015	Jan-Dec 2016
Budgeted	\$1,712,700	\$2,162,722	\$1,524,189	\$765,244	\$1,174,918	\$2,003,336
Actual	\$1,267,387	\$1,081,108	\$1,103,815	\$544,883	\$735,214	\$612,330 thru Aug.
Difference	(\$445,313)	(\$1,081,614)	(\$420,374)	(\$220,361)	(\$439,704)	TBD

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

Scope of Work	Senior Level Consultant	Mid-Level Consultant	Junior Level Consultant	Amount
Updates to methodology and code set	23	109	44	\$63,221

2016 Annual funds settlement	43	260	117	\$161,144
2016 Annual risk adjustment program report to CMS	27	54	13	\$42,678
2017 Q1 quarterly statewide risk adjustment simulation and data quality reporting	44	296	136	\$180,288
Assist the Health Connector and CHIA in data discrepancy resolution and reconsideration	114	430	210	\$286,134
Assist the Health Connector and its contractor(s) in conducting RADV	78	160	24	\$115,442
Assist the Health Connector in its communications with the federal government on matters relating to risk adjustment	60	120	-	\$84,357
Project operations and management	128	400	85	\$256,326
Monitor and analyze federal rules, regulations and guidance as they relate to risk adjustment	44	32	-	\$39,985
Ad hoc analyses (e.g., policy extract)	56	120	40	\$91,619
Total	617	1,981	669	\$1,321,194

The work order will be subject to all of the terms of the existing contract with Milliman.

BOARD RECOMMENDATION

Health Connector staff recommends entering into a work order with Milliman to perform risk adjustment services in Calendar Year 2017 for an amount not to exceed \$1,321,194. Milliman has unique experience, a strong understanding of the required scope of work, and a thorough comprehension of the Massachusetts risk adjustment program.