NEW YORK STATE HEALTH FOUNDATION: *Improving the state of New York's health*

New York Recommendations for Reinsurance and Risk Adjustment Under the ACA

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State Health Reform Assistance Network
Charting the Road to Coverage

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AGENDA

- Project and Recommendations Overview
- Review of final rules, including changes between proposed and final rules (and summary of May 7th/8th conference)
- Recommendations
- Next Steps
- Discussion

Caveats

- Our opinions, not those of any state or other consultants at Wakely
- Federal Guidance Pending
- Work is ongoing – decisions including market merger, BHP, and others not yet made
- Our opinions may change

New York Project Overview

- SHRAN / RWJ, NYS Health, Health Plans and State
- Wakely / RWJ Review of Federal NPRM
- Wakely / RWJ Work Plan
- Meetings with 10 Carriers
- Policy Meeting – December 7th
- Technical Meeting – December 8th
- Risk Adjustment Recommendations Report
- This presentation
- Further stakeholder engagement, simulations, model and methodology decisions, administration / staffing, funding, file with Feds (if state), etc. – 2012 and 1st half of 2013 (Outside of this project)

Overview of Risk Adjustment Recommendations

- New York Administration (DFS and DOH)
- Detailed data collection (distributed for 2014?)
- Use of CRGs or Federal model
- If CRGs are used, consideration to pharmacy model as transitional approach should be given
- Reg 146 5th Amendment and Reg 171 programs should be discontinued as of 1/1/2014
- Begin simulations ASAP, no later than July (two rounds)
- Continue stakeholder engagement process – timing is critical
- Make sure HHS is as involved as possible

Overview of Reinsurance Recommendations

- New York Administration
- New York should set reinsurance parameters and set them conservatively so that unlikely to have shortfall in available funding

Outside Scope of Project

- Administration details including staffing, cost estimates and funding sources
- Specific model
- Simulations
- Market and HIX Decisions

Assumptions

- Community rating retained
- NY APCD not ready as of 1/1/2014, but continues moving forward
- Final rules don’t change
- Preliminary approach and state allowed flexibility outlined by CCIIO is retained

Current NY Risk Mitigation Programs

Reg 146 4th Amendment (Old)
- Traditional risk adjustment
- No longer active

Reg 146 5th Amendment (Replaced 4th)
- High cost claimant "risk adjustment"
- Direct Pay (Individual) and Small Group
- Pooled across markets (moves money from SG to Individual)

Reg 171
- Individual only (HMO & POS)
- 90% between $20,000 and $100,000
- Funded by state taxes

Reg 171 Healthy NY
- Individual and SG (qualifying low income)
- Less rich plans than standardized individual
- 90% between $5,000 and $75,000

Medicaid Risk Adjustment
- CRG
- Concurrent & Aggregate

Medicare Advantage Risk Adjustment
- HCC
- Prospective & Individual

Current NY Risk Mitigation Programs

Current Market Definition	Reg 146 – Risk Adjustment based on Conditions (Old)	Reg 146 –Risk Adjustment based on High Cost Claims % (New)	Reg 171 Reinsurance Direct Pay	Reg 171 Reinsurance HealthyNY	Post Reform - Risk Adjustment	Post Reform - Reinsurance	Post Reform - Risk Corridor (In Exchange Only)
Direct Pay HMO	X	X	X		X	X	X
Direct Pay POS	X	X	X		X	X	X
Direct Pay Other	X	X			X	X	X
Healthy NY Individual				X	X	X	X
Healthy NY Small Group				X	X		X
Other Small Group	X	X			X		X

ACA: Summary of 3Rs by Market

	Sold within Exchange		Sold Outside Exchange			Who Administers	
ACA Provision	**IND**	**SG**	**IND**	**SG**	**Grand-fathered**	**State Run Exchange**	**Federal Run Exchange**
Risk Adjustment	Yes	Yes	Yes	Yes	No	State or HHS [1]	HHS
Reinsurance	Yes	No	Yes	No	No	State	State or HHS [1]
Risk Corridor	Yes	Yes	Some	Some	No	HHS	HHS

[1] State can decide to administer or allow HHS to administer. If HHS administers, all parameters will be federal.

Reinsurance Premium Impact

	Estimated Market Assessment (Net of Treasury)	Estimated Impact to New York Individual Market Premium [1]	
Program Year	Estimate	High Scenario	Low Scenario
2014	**1.2%**	**-8.1%**	**-12.6%**
2015	**0.7%**	**-3.9%**	**-5.7%**
2016	**0.4%**	**-2.2%**	**-2.9%**

[1] While impact is measured as a percent of premium, actual impact will vary by issuer and be based on actual claims reimbursed

Changes between Proposed and Final Rules

- Data collection under Federal risk adjustment methodology will be distributed model – no individual identifiers
- States must use federal approach to calculating payments and charges
- Results must be completed by June 30th of year following payment year (e.g. 6/30/15 for 2014)
- State can elect to have HHS administer reinsurance even if State operating HIX
- Reinsurance assessment per capita, rather than %
- HHS will collect assessment for TPA and self funded (no state option)
- State can elect to have HHS collect assessment for fully insured
- All covered services eligible for reinsurance recoveries, not just EHBs

May 7th/8th CCIIO Conference

- Payment transfer calculations
- Operational details
- Federal model (HCC, no Rx, commercial population)
- Audit program details
- All preliminary – may change
- Presentations available

Preliminary Federal Methodology

1. Model Choice (HCC WITH MODIFICATIONS)
2. Prospective vs. concurrent data and weights for risk adjustment (CONCURRENT)
3. Accounting for transitional reinsurance payments in risk adjustment (NO MODIFICATION TO MODEL)
4. Addressing limited claims experience (NO INDICATION)
5. Adjusting for receipt of cost sharing reductions (NO INDICATION)
6. Pharmacy data in risk adjustment (NO Rx)
7. Accounting for differences in plan benefit structure (4 SETS OF MODEL WEIGHTS)
8. Risk adjustment for catastrophic plans (NO INDICATION)
9. Transitional versus steady state model (NO INDICATION)
10. Calculating and Balancing Payments and Charges (SEE PAYMENT TRANSFER EXAMPLES)
11. Baseline Premiums (STATEWIDE AVERAGE, BUT CONSIDERING GEOGRAPHIC)
12. Removing Permissible Rating Factors (NO INDICATION)

Preliminary Federal Methodology IT Platform

1. Edge Servers (“commodity hardware”)
2. One way encryption
3. Only issuers will be able to identify members
4. HHS looking for beta test carriers

New York's APCD

1. Not Completed Yet – still in implementation
2. Existing Statewide Planning and Research Cooperative System (SPARCS) - hospital
3. Existing databases include SPARCS, FAIR Health, New York Quality Alliance (NYQA), and a state funded project in the Adirondacks
4. Physician office visits and pharmacy currently excluded
5. Completion Date?

Risk Adjustment Recommendations

New York Administration

- Federal Model will be sound, but inflexible
- New York has experience running risk mitigation programs (both DFS and DOH)
- New York is unique
- APCD efforts have begun (although not likely to be completed by 1/1/2014)

Detailed Data Collection

- Detailed data collection allows more robust data validation
- Detailed data collection can be used for model calibration and other uses
- Distributed approach used at Federal level and addresses privacy concerns more completely
- APCD in development, but may not be ready by 1/1/2014
- Consider transitional, distributed approach (or detailed collection outside of APCD) in 2014 and use of APCD as soon as it's available

Use of CRGs or Federal Model

- CRGs familiar (Medicaid risk adjustment), robust, and clinically meaningful
- Federal model will be familiar (HCCs) and widely accepted
- Use of CRGs would allow more flexibility (e.g. Rx for transitional)
- Consideration to pharmacy only model for transition
  - Data quality / uniformity would be primary reason to use Rx only
  - Concerns with gaming although concerns also exist with diagnoses
  - Federal model doesn't include Rx
  - Not recommended long term

Others

- Reg 146 5th Amendment and Reg 171 programs should be discontinued as of 1/1/2014
- Begin simulations ASAP, no later than July (two rounds)
- Continue stakeholder engagement process – timing is critical
- Make sure HHS is as involved as possible

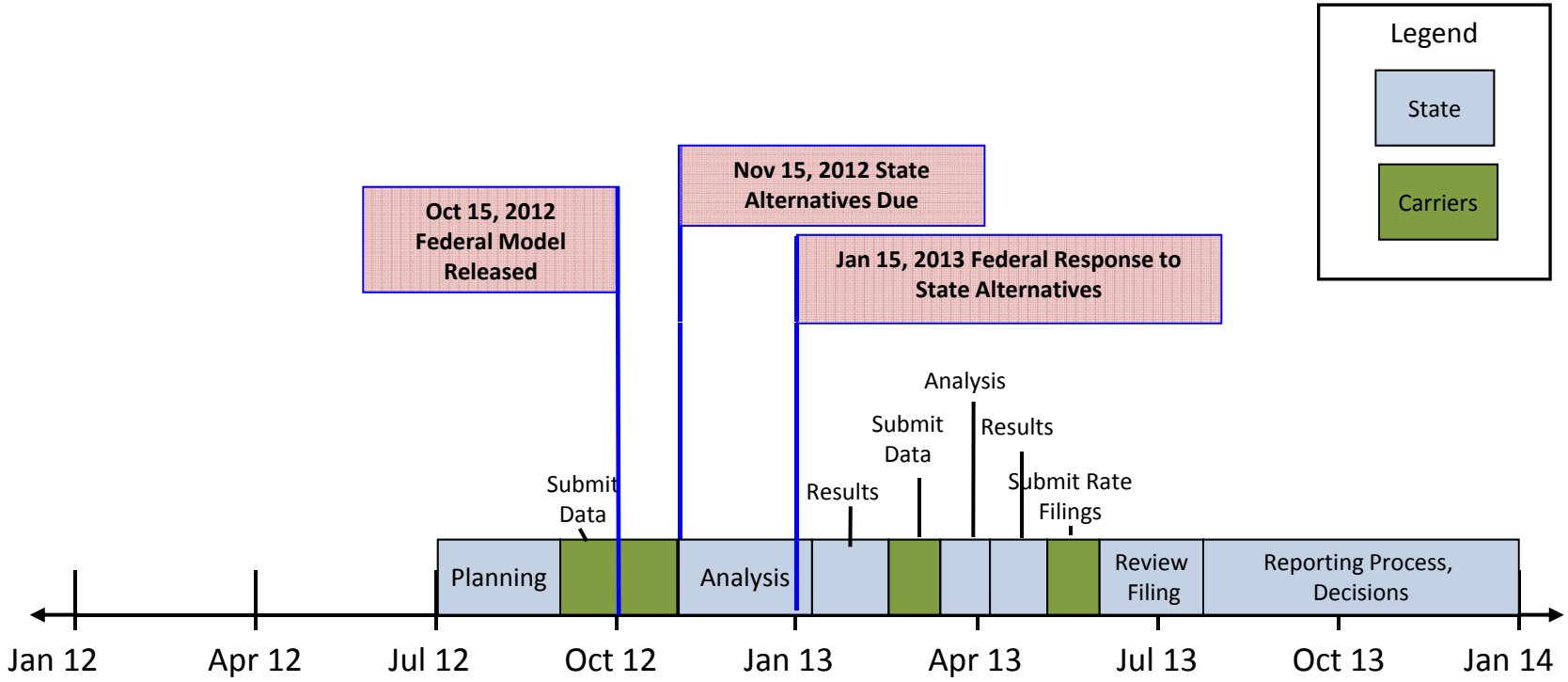
Reinsurance Recommendations

- New York Administration (same rationale as risk adjustment)
- New York should set state specific reinsurance parameters
- New York should set parameters conservatively so that unlikely to have shortfall in available funding

Data Needed for Risk Adjustment Model

Data	Element	Use
Eligibility	Unique Person Identifier	Assign a member-level risk score
Eligibility	Date of Birth	Apply demographic risk weights
Eligibility	Gender	Apply demographic risk weights
Eligibility	Enrollment	Assess credibility and attribution
Medical	Unique Person Identifier	Link to eligibility data
Medical	Diagnosis codes	Apply clinical grouping, assess risk score
Medical	Procedure codes	Exclude diagnostic codes (see below)
Medical	Service dates	Extract experience period
Pharmacy	Unique Person Identifier	Link to eligibility data
Pharmacy	NDC Code	Apply clinical grouping, assess risk score
Pharmacy	Service dates	Extract experience period

Next Steps 2012 and 2013
Sample Timeline – Actual Will Depend on Other Decisions



Questions & Discussion

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