



## State Health Reform Assistance Network Using APCDs for Rate Review and Related Issues

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## Set-up

Julia is a regulator/actuary who has many ideas for how she could use an APCD to support her work at the DOI

Ross is her consultant and has been called in to provide some feedback on the feasibility of her ideas

# Julia's Wish List

1. Validation of claims data in rate filing
2. Geographic factors/rating area analysis
3. Network factors
4. Preliminary risk scores / state-run risk adjustment
5. State-specific age curve
6. State-specific AV calculator & benefit modeling
7. Monitoring risk selection and morbidity
8. Network adequacy
9. Trend studies
10. Issuer inefficiencies / payment variation

# 1. Validation of claims data

- Objective:
  - Validate that claims and membership data reported by issuers in their rate filings are consistent with other sources
- Challenges:
  - Timing for when the APCD data for the prior calendar year, and the necessary analysis will be ready
  - Additional data needed
  - Basis of claims and membership data for rate filing and APCD (paid through date, etc.)
  - Precise analysis with imprecise instrument

# Current Submission Schedules

	KS	UT	MD	OR	MN	WI	NH	CO	TN	WA	VT	MA	ME
Annual Submission			X										
Semi-Annual Submission					X	X <sup>2</sup>				X			
Quarterly Submission	X								X				
Monthly Submission		X					X <sup>3</sup>	X <sup>3</sup>			X <sup>3</sup>	X <sup>3</sup>	X <sup>3</sup>
Variable Submission				X <sup>1</sup>									

Notes<sup>1</sup>: First submission due July '11, 2nd: Oct '11, 3rd: Jan '12, 4th: May '12, Quarterly afterwards

Notes<sup>2</sup>: Implied from published information indicating that the WHIO datamart is refreshed twice a year.

Notes<sup>3</sup>: Monthly for carriers with more than two thousand covered lives, quarterly otherwise.

## 2. Geographic rating areas and factors

- Objectives:
  - Validate the appropriateness of our rating areas, including identifying how much cross subsidization is happening within a rating area
  - Validate appropriateness of issuer area factors and analyze variations across issuers that may help explain outliers
- Challenges:
  - Timing in light of changes in 2014+
  - Isolating unit cost differences from morbidity differences

### 3. Network factors

- Objective:
  - Verify appropriateness of network factors
- Challenges:
  - See prior list...

## 4a. Preliminary risk scores

- Objective:
  - Calculate preliminary relative risk scores for issuers to use in their rate filings
- Challenges:
  - Data quality
  - Timing
  - See prior lists as related...



## 4a. Preliminary risk scores

### Underwritten PPO

Company	Market	Member Distribution	Risk Score	Average Age	Gender Bias
Aetna	Small Group 2-50	2.4%	0.89	34.6	0.54
All Other Insurance		0.2%	0.70	39.1	0.49
Anthem - NH		28.1%	1.04	36.3	0.50
CIGNA		0.8%	1.16	40.4	0.49
Harvard Pilgrim HC		26.6%	1.02	35.0	0.50
MVP		41.7%	0.80	35.6	0.47

Source:

[http://www.nh.gov/insurance/reports/documents/nhid\\_anal\\_pop\\_hs\\_carmkt.pdf](http://www.nh.gov/insurance/reports/documents/nhid_anal_pop_hs_carmkt.pdf)

## 4b. State-run risk adjustment

- Objectives:
  - Assess whether there is value for the state to run its own risk adjustment program
  - Run risk adjustment program using APCD
- Challenges:
  - Determining value add
  - Issuer resistance, especially national issuers
  - New data elements and linkages needed

# Risk Adjustment Data Elements

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	Limit data to target period
Medical	Paid Dates	Limit data to target period
Pharmacy	Unique Person Identifier	Link to eligibility data
Pharmacy	NDC Code	Apply clinical grouping, assess risk score
Pharmacy	Service dates	Extract experience period

## 5. State-specific age curve

- Objective:
  - Assess whether there is value for the state to develop a state-specific age curve
- Challenges:
  - Identifying value proposition
  - Changes in 2014+ may materially change relationships
  - Consumer / issuer disruption
  - Normalizing for differences in network, geography, etc. is very difficult

## 6a. State-specific AV calculator

- Objective:
  - Assess whether there is value for the state to develop a state-specific AV calculator
- Challenges:
  - Normalizing for differences in provider contracting, area, etc.
  - Changes in 2014+ may materially affect model
  - HHS model may change over time so alternative may change from when you begin to wrap up work

## 6b. Benefit modeling

- Objectives:
  - To use APCD data for modeling benefit changes (mandates, change to EHB, supplemental benefits, benefit substitutions)
  - To use APCD data to model plan designs, including unique designs that aren't accommodated by the AV calculator
  - Estimate impact of induced utilization
- Challenges:
  - Calibration difficult because need to normalize for all of the different factors previously discussed
  - Induced utilization nearly impossible to measure
  - Would a vendor pricing model do just fine?
  - Related to discussion on state specific AV model – that would eliminate need for this type of review / analysis

## 7. Monitoring risk selection and morbidity

- Objectives: Assess risk selection/morbidity differences by
  - Exchange vs. non-Exchange policies
  - Fully-insured vs. self-funded policies (SG especially)
  - Grandfathered vs. non-grandfathered policies
  - Issuer
  - Metal level
- Challenges:
  - Timing – see discussion on risk adjustment
  - Are you measuring morbidity or data quality?
  - Risk adjustment not always as sensitive as you need it to be
  - Normalizing for all of the moving parts very difficult

## 8. Network adequacy

- Objective:
  - Assess adequacy of issuer networks (e.g., by monitoring out-of-network utilization)
- Challenges:
  - Provider IDs difficult to work with and not reported consistently
  - Out of network definitional, deeply dependent on areas
  - Radius analysis provides an alternative



## 9. Trend studies

- Objective:
  - Review historical trends for benchmarking and to inform future trends
- Challenges:
  - Normalizing for differences across time periods difficult
  - Historic trends may not be a good predictor of future trends
  - Changes in mix over time
  - Completion / timing
  - Subjective and difficult to prove one way or the other

## 10. Issuer Inefficiencies / Price Variations

- Objective:

- Identify where issuers may be failing to appropriately manage costs

- Challenges:

- While there are some objective tools (ER utilization for example), generally subjective area of study.
- May be seen as overstepping bounds.
- Disease management not always supportable ROI, so saying they aren't doing enough may be difficult to argue.
- Some issuers (e.g. reimbursement to related entities) very politically sensitive.

## Conclusions

- There are several barriers to perfecting these types of analyses
  - Data lags
  - Data completeness
  - Additional data potentially needed
    - Plan level enrollment and benefits / AV
    - Non-claims based payments
    - Premium
- There are also many opportunities to leverage your APCD, some of which may not emerge until use of the APCD evolves



Questions?