

# Massachusetts Commonwealth Connector Authority

Commonwealth Care Program &ndash; Coordinating a new risk adjustment payment methodology with existing actuarially sound capitation rate methodology

## Situation

srHS has consulted with the Massachusetts's Commonwealth Health Insurance Connector Authority (the Connector) on their Commonwealth Care program since the program's beginning in 2006. The team at srHS has calculated actuarially sound capitation rate ranges for this Medicaid expansion program per 42 CFR 438.6 and their waiver requirements.

The Connector was interested in more closely matching payment with the population risk assumed by their managed care organizations (MCOs). Therefore, as part of the SFY10 capitation rate range development, we assisted with the implementation of a new risk adjustment payment methodology. When adding this additional layer to determine final payment to the MCOs, the srHS team was tasked with ensuring the existing actuarially sound capitation rate range methodology was adjusted appropriately to coordinate with the new risk adjustment payment methodology.

## Solution

The srHS team worked closely with Connector staff and their risk adjustment vendor's consultant to implement a new risk-adjustment methodology that coordinated with the actuarially sound capitation rate range methodology. Verisk HealthCare, Inc. (formerly DxCG) was chosen to supply the risk-adjustment software and resulting risk factors after analyzing the Commonwealth Care population and available data.

We

revisited each step of our capitation rate development to ensure the two processes would overlap appropriately. For example, the team needed to understand how the age and gender risk factors were developed as part of the capitation rate range process and how they would be used in the total payment calculations made to each MCO. We did not want age and gender factors used in the risk adjustment model to duplicate these factors. This coordinated effort enabled the Connector to achieve its goals and implement a risk-based payment system for their SFY10 Commonwealth Care capitation rate ranges.