



The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Board Chair

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Board of the Commonwealth Health Insurance Connector Authority

Minutes

Thursday, February 25, 2010
9:00 AM to 11:00 PM
One Ashburton Place
Boston, MA 02108
21st Floor Conference Room

Attendees: Jay Gonzalez, Jon Kingsdale, Jonathan Gruber, Nancy Turnbull, Terry Dougherty, Rick Lord, Ian Duncan, Dolores Mitchell, Louis Malzone, and Celia Wcislo. Nancy Schwartz attended in place of Joseph Murphy.

The meeting was called to order at 9:11 AM.

- I. Minutes:** The minutes of the February 11, 2010 meeting were approved by unanimous vote.
- II. Executive Director's Report:** During his report, Jon Kingsdale thanked Patrick Holland for his great work at the Commonwealth Health Insurance Connector Authority (CCA) over the past three years. Mr. Kingsdale stated that Mr. Holland has been central to the successes of the CCA, and he wished Mr. Holland the best in his future endeavors.
- III. CommCare RFP:** Mr. Holland began by stating that his presentation is a follow up to the discussion on the managed care organization (MCO) procurement at the Board meeting earlier in February. He continued that he and his staff have followed up on some of the Board member requests, and that at the end of this discussion, he would like the Board to provide their approval for the CCA moving forward in issuing a request for proposals (RFP). Mr. Holland said that the CCA is planning to turn on auto-assignment for the last three months of FY 2010. Nancy Turnbull asked how auto-assignment would be administered if it were to be reinstated. Mr. Holland replied that if auto-assignment were reinstated, the CCA would expect to enroll about 10,000 members. The likely method of accomplishing this would be to have 3,500 members enrolled in April, 3,500 members enrolled in May, and the remainder of these members would be enrolled in June. Ms. Turnbull then asked if the Commonwealth Care (CommCare) capitation rate would be increased if the MCO exemption from the Health Safety Net (HSN) payer surcharge were eliminated. Mr. Holland confirmed that this would cause an increase in the capitation rate.

Dolores Mitchell questioned why the CommCare program should auto-assign residents who are not using medical services. Therefore, she requested that the CCA track the utilization patterns for those who have been enrolled through auto-assignment. She suggested that tracking this data for six months would be appropriate. Mr. Kingsdale indicated that the CCA already has data that could be provided to the Board on this subject. Jonathan Gruber asked if auto-assignment was going to be utilized for both new enrollees and re-enrollees if it were to be reinstated. Mr. Holland confirmed that auto-assignment would be restarted for both populations. Then Mr. Gruber requested that the CCA conduct a survey of the roughly 10,000 who may be enrolled through auto-assignment which would ask them why they did not enroll in CommCare when they were informed that they were eligible. Mr. Kingsdale stated that the CCA is developing a protocol for targeting auto-assignment to those who are most likely to need and utilize medical services. He continued that he does not anticipate that auto-assignment will be reinstated in a "wide open" manner because of budget constraints.

Next, Mr. Holland introduced the idea to the Board that MCOs could be competitive with their pricing through allowing them to lower their administrative fee, thus lowering their overall capitation rate. Celia Wcislo expressed her concern over the MCOs ability to lower their administrative fee in light of the tough economic situation the MCOs in CommCare are facing and a seeming increase in administrative burdens which would result from auto-assignment. Mr. Holland indicated that if an MCO was operating at a deficit, it could draw from reserves it had built up from past years. Ian Duncan stated that the money to make up for a deficit would actually come from capital and not reserves. Mr. Duncan then asked if the actuarial range for CommCare takes into account the reinstatement of auto-assignment. Mr. Holland confirmed that in calculating the actuarially sound rate range they have accounted for the possibility of auto-assignment being utilized. Rick Lord asked if MCOs might lower their administrative fee in the hope of receiving members through auto-assignment, and whether those MCOs who do lower their administrative fee will be treated favorably in auto-assignment. Mr. Holland confirmed that he believes auto-assignment will be a motivating factor for MCOs to lower their administrative fee and that MCOs who do lower their administrative fee will be treated preferentially in auto-assignment. However, Mr. Holland added that if an MCO wanted to lower its administrative fee it would have to be able to prove such an action would still allow the plan to be actuarially sound. Ms. Turnbull asked Mr. Holland to elaborate on what exactly the MCOs would have to do to prove this. Mr. Holland replied that an MCO would have to provide an attestation that it would be financially feasible for it to lower its administrative fee. Ms. Wcislo asked how an MCO would make sure its plan is in compliance with the federal requirement that plans be actuarially sound. Terry Dougherty replied that an actuary would have to attest to the fact that the plan is actuarially sound. Mr. Duncan stated that FY 2010 has not been good financially so far with most plans having a negative margin. Therefore, he expressed caution about allowing the MCOs to lower their administrative fee because the administrative fee acts as extra financial insurance for unexpected costs which an MCO might incur. Mr. Holland stated that the CCA came up with the idea of letting MCOs lower their administrative fee in response to the request from the Board that the CCA create incentives for the MCOs to compete with each other. He continued that the administrative fee is really the only area where there is currently flexibility in creating the overall capitation rate. Ms. Turnbull voiced her confidence in allowing MCOs to lower their administrative fee by stating that she is sure that the CCA will be judicious in assessing bids to lower the fee so the CCA will not try to obtain short term savings through methods which will have adverse long term effects.

Secretary Gonzalez inquired as to whether the RFP will be clear in stating that auto-assignment may not be reinstated. Mr. Kingsdale indicated that it is likely, based on the budget, that there will be room for auto-assignment, and we should not be misleading about this when the RFP is issued. Secretary Gonzalez reiterated that the CCA should still be clear that there is no guarantee that auto-assignment will be reinstated. Ms. Wcislo asked what advantages, other than preference in auto-assignment, would MCOs receive for lowering their administrative fee. Mr. Kingsdale replied that MCOs who lower their administrative fee would have a pricing advantage in Plan Types Two and Three. Mr. Dougherty asked why the lowest bidding MCO would only receive 75% of the auto-assignment in each geographic area. Mr. Holland replied that the CCA wanted to provide some reward to those MCOs who set their capitation rate close to the lowest bid. Mr. Kingsdale added that originally the lowest bidding MCO in a region received 100% of the auto-assignment, but the CCA revisited this policy and decided that if they judged that the bid of another MCO was close to the lowest bid, they should receive some auto-assignment.

During Mr. Holland discussion of member cost sharing in CommCare Plan Types Two and Three, Mr. Gruber asked that during the FY 2012 CommCare procurement, the CCA look into the possibility of changing the co-pay levels. Mr. Gruber mentioned that the co-pay for high tech imaging is one item that should be reassessed. Ms. Turnbull highlighted the difference between co-pay levels for a visit to the emergency room and a visit to a primary care physician, with a visit to the emergency room being significantly higher. In light of the high number of people who visit the emergency room first when they need treatment instead of a primary care physician, the state needs to find ways to encourage the use of primary care as a way of lowering costs. Mr. Dougherty asked if the CCA has ever considered allowing the MCOs to set the attachment point for their specific stop loss reinsurance, which would allow for further competition between the MCOs. Mr. Holland replied that he would not be opposed to the CCA exploring this possibility. Mr. Kingsdale questioned how allowing MCOs to change their attachment point would translate into a lower capitation rate. Ms. Wcislo asked how the recent financial losses experienced by most of the MCOs will affect the capitation rate if these losses continue throughout FY 2010. Mr. Holland indicated that this could cause a rise in the capitation rate. Mr. Kingsdale indicated that he did not believe the losses reported at the beginning of FY 2010 were actually as bad as indicated by the adjusted IBNR figures. However, he did state that rising capitation rates are a major concern of the CCA. Secretary Gonzalez stated that the Board did not need to vote for the CCA to move forward in issuing the RFP. He continued that if the Board had no concerns, the RFP would be issued tomorrow. No concerns were voiced by the rest of the Board. Ms. Mitchell asked that the Board give a summarizing statement of how the matters discussed in this meeting fit into the overall scheme of the state and nation. Secretary Gonzalez stated that the state's decision to maintain significant funding for CommCare is a reflection of the state's continuing support of health care reform. He continued that although the budget of CommCare is relatively tight because of the overall economic strains in Massachusetts, he feels that CommCare is funded at a level which will allow MCOs to provide benefits to the CommCare population in an economically sustainable way. Ms. Wcislo requested that the staff of the CCA provide information to the Board about any MCOs which offer to lower their administrative fee and whether the CCA feels that any MCO offering to do such, could do so in any economically sustainable manner. Mr. Duncan asked if only giving the MCOs ten days to develop their bids would be enough time, especially since the possibility of reinstating auto-assignment would need to be factored in to their bids. Mr. Holland acknowledged that the CCA is providing the MCOs with a tight time schedule, but it is necessary that the bids be received as soon as possible because the procurement needs to be completed by April 8th.

IV. Introduction to 2011 Seal of Approval Process: Jamie Katz and Kaitlyn Kenney provided an overview of the 2011 Seal of Approval process to the Board. Mr. Katz informed the Board that discussions between the carriers and the CCA have already begun, and that since the carriers did a lot of work last year during the Seal of Approval process, the CCA had promised the returning carriers that the process would not be as great a burden this year. As a result of the small business transfers from the Small Business Service Bureau (SBSB), the CCA originally believed that it would have to add some plans to Business Express to match the plans held by the transferred businesses while they were members of SBSB. However, Mr. Katz stated that after doing some analysis of the plans, it appears less likely that the CCA will have to add plans to Business Express. Mr. Katz continued by stating that the CCA plans on meeting with the carriers more often than in years past during the Seal of Approval process in order to make the whole process smoother. However, Mr. Katz added that if any new carriers wanted to offer plans through Commonwealth Choice (CommChoice), they would need to go through the same original, more rigorous process of having their plans approved that returning carriers completed last year. Ms. Mitchell asked what was the CCA's thought process in requiring a carrier to offer a broad network product if they want to offer a select network product. Mr. Kingsdale replied that the CCA wanted to avoid offering a plan which does not have a lot of members because it only offers a limited network, and he was in favor of allowing CommChoice members the option of choosing a broad network plan for each carrier if they so desired. In addition, Mr. Kingsdale indicated that mandating that each carrier provide a broad network plan would allow for a more successful transition of members of SBSB into Business Express. Ms. Turnbull added that carriers will sometimes offer a product because they are required to but will set the premiums deliberately high so people will not buy that product. Therefore, she stated that the CCA needs to make sure that they are offering a range of products inside the CCA which will compete with the plans offered by these carriers outside of the CCA. Mr. Gruber asked how that CCA would handle carriers who only offer select network plans. Mr. Kingsdale indicated that if a carrier only offered a select network plan, they could offer that plan within the CCA. In order to provide clarification on Mr. Kingsdale's last statement, Mr. Gruber asked if carriers only need to offer a plan as broad in network as they offer outside of the CCA. Mr. Kingsdale confirmed that this is the case.

Ms. Wcislo asked if the CCA plans on reviewing the plans currently offered through CommChoice and deciding if a plan should be removed from the program if it is not attracting members. Mr. Katz replied that this is a possibility. Ms. Turnbull added that she believes CommChoice currently offers too many products and that the CCA could simplify the program without doing harm to Massachusetts residents. Ms. Turnbull requested that data be provided to the Board showing the enrollment figures of the plans offered through CommChoice and the premium trends of the plans to assist the CCA in making these decisions. Mr. Kingsdale replied that the CCA could look into the possibility of dropping plans from CommChoice, but this would not likely occur until the next Seal of Approval process because the current CommChoice carriers entered into contracts designed to continue their plans through 2011. Finally, Ms. Turnbull asked if any plans were added to CommChoice to accommodate business transferred from SBSB to Business Express, would those plans also be available to individuals purchasing insurance through CommChoice. Mr. Katz indicated that these additional plans would only be available to members of Business Express.

The meeting was adjourned at 11:36 PM.

Respectfully submitted,
Andrew J. Graham