

Complying with the Affordable Care Act's Complex Risk Adjustment Requirements



A major health care system sought to transition from the Simplified to the Standard methodology for calculating its cost-sharing reduction (CSR) reconciliation reports. Starting in 2018, per the Centers for Medicare and Medicaid Services, which administers CSR reimbursements, all Qualified Health Plan insurers needed to exclusively use the Standard method and discontinue making Simplified calculations.

Problem to Solve

With the uncertain status of cost-sharing reduction (CSR) payments to insurers under the Affordable Care Act's risk adjustment program (suspended since late 2017), insurers planning to continue to offer Qualified Health Plans (QHP) have been left in a nebulous state regarding CSR reconciliation regulations.

A major health care system sought to transition from the Simplified to the Standard methodology for calculating its CSR reconciliation reports. Starting in 2018, per the Centers for Medicare and Medicaid Services (CMS), which administers CSR reimbursements, all QHP insurers needed to exclusively use the Standard method and discontinue making Simplified calculations. Given the inherent complexities of CSR reconciliation in general, this change proved daunting for many insurers, particularly those – like this health care system – with a large number of eligible ACA enrollees.

Lacking the internal resources to successfully complete the multi-year Simplified-to-Standard transition process on its own, the health care system turned to Freed Associates (Freed) to help lead and execute this major initiative, which spanned more than two years. Freed was also chosen for its experience with the ACA and complex CMS regulatory requirements.

Strategy and Tactics

Not only did the health care system have to convert from the Simplified to the Standard calculation methodology by CMS' 2018 deadline, it also needed to ensure its annual CSR data submissions to CMS were turned in correctly and on time. During its engagement, Freed managed all of the client's CSR regulatory requirement planning, strategy and management activities related to:

- Identifying eligible benefits and claims
- Identifying Essential Health Benefits
- Verifying membership eligibility and utilization data extraction
- Ensuring accuracy of CSR claims adjudication to support reconciliation
- Calculating actual CSR
- Forecasting revenue recovery
- Reporting CSR and submitting data to CMS
- Establishing operational processes for managing ongoing future CSR reports

As this project's success relied on engagement and support from across the organization, Freed and the client established a project steering committee, with contacts and connections to all required departments in the health care system. The project was organized into four teams:

1. **Project oversight team** – Ensuring that project resources and timelines met CMS submission deadlines; providing regular communication with the steering committee and system leadership; facilitating documentation processes; and escalating issues to all relevant resources.
2. **Business team** – With IT, developing and managing project documentation, governance structure and project management tools; facilitating selecting a CSR compliance vendor; ensuring the project met all relevant timelines and milestones; and leading requirements development.
3. **IT team** – With the business team, developing and managing project documentation, governance structure and project management tools; designing, developing, and testing the internal components of the solution to interface with the vendors; ensuring the IT portions of the project met all relevant timelines and milestones; and creating an IT operational team for handling ongoing reporting.
4. **Production team** – Developing a production processing approach and staffing model; planning, executing, and managing CMS submission activities; communicating progress and results to stakeholders

In addition to these four primary teams, Freed supervised all transition planning to ensure a smooth handoff to the client for its future CSR reporting responsibilities. This included creating a master plan covering all ongoing operational activities, developing several new operational tools (a work plan, operational workflows, user guide, etc.), and designing and coordinating training for all required operational resources.

Year one of the CSR reporting changeover initiative would be a pilot program for a subset of the organization. This pilot would test new tools, processes and calculations, and learn from all relevant issues. Year two would be for making any necessary reporting changes, refining all relevant operational components, and ensuring rigorous compliance with CMS' reporting standards.

With the 2017 cessation of CSR payments and corresponding uncertainty to the program's future, Freed developed a comprehensive contingency matrix for the client. This matrix outlined multiple scenarios with the trigger points, probability, mitigation, and risks. This would allow the client to independently make decisions about ongoing operations.

During the two-plus years of this project, it was also vital to monitor ongoing CSR-related activities and announcements from CMS. Freed worked closely with the client's government relations and legal partners to ensure that all work performed would continue to be current with CMS announcements and deadlines and served as an information liaison about CSR to all involved health care system executives.

Results

Ultimately, the Freed-led efforts enabled the client to comply with the Simplified-to-Standard methodology transition requirements by the CMS-mandated deadline, while continuing to provide on-time, accurate CSR reports to CMS. The client expressed deep gratitude for the depth and breadth of Freed's efforts to meet these requirements, as well as its work to:

- Lead all project management activities, including CSR vendor selection, management and onboarding, risk and issue mitigation, and communications
- Expand the geographic scope of the client's initial, year-one pilot program to test CSR compliance without adversely affecting the project timeline
- Apply lessons learned from the year-one pilot to operational refinements to reduce error rates and surpass standards for CMS reporting requirements
- Develop a thorough and right-sized operational transition plan reflective of client resources and rigorous enough to meet all CMS reporting requirements

Conclusion

As the saying goes, you can only control what is within your control. The health care system, on its own, was in no

position to change the uncertain future of CSR payments to insurers. In coordination with Freed, the health care system was able to control the approach and processes it employed to ensure compliance with CMS' new Standard Methodology reporting standards for CSR reconciliation – and ensure that this work did not impinge on its regular, ongoing CSR reporting requirements. Through this work, the health care system stands ready to capitalize on future CSR payments, presuming their future resumption.