



2019 HEALTH
MEETING

JUNE 24-26 | PHOENIX, AZ



Session 59, ACA Risk Adjustment Data Validation – It Matters! Learning from Year 1 and Beyond

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Session 059: ACA Risk Adjustment Data Validation

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June 25th, 2019



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Before We Get Started...



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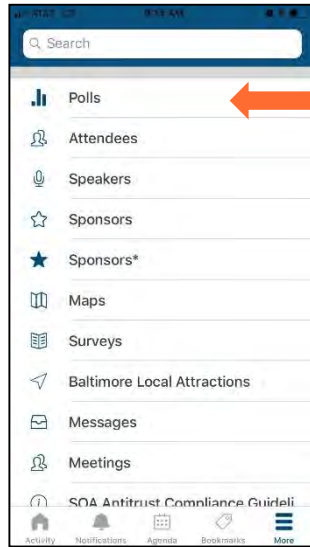
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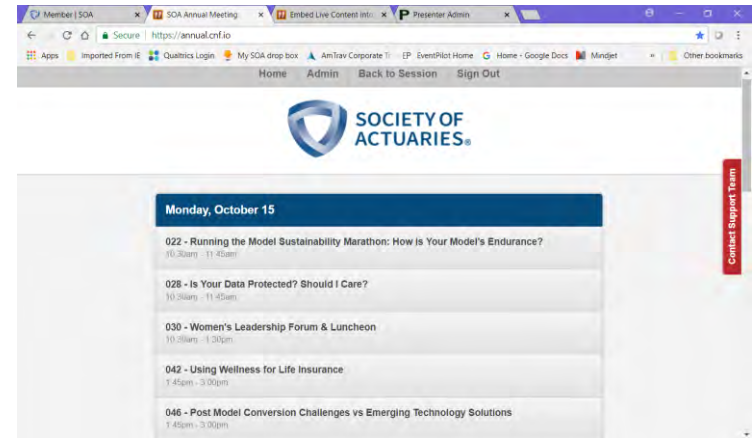
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Results

How much do you know about ACA RADV?

CHOICE	VOTES		
I have no clue what you're talking about.	6	9%	
I know what RADV is but do not understand its impacts.	20	31%	
I understand the ACA RADV process, I'm here to learn more.	36	56%	
I am an expert! Ask me anything.	2	3%	

ACA RADV Crash Course

- What? How? When? Why?



What is RADV?

- Risk Adjustment Data Validation
 - To validate the accuracy of data submitted by issuers for use in risk adjustment calculations
- For ACA:
 - Data submitted to External Data Gathering Environment (EDGE) server
 - Only applicable where HHS is operating risk adjustment on a State's behalf

ACA RADV - How does it work?

1. Initial Validation Audit (IVA)
2. Secondary Validation Audit (SVA)
3. Group Failure Rates
4. National Metrics/Benchmark
 - Mean and 95% Confidence Interval
5. Error Rates
6. Risk Scores
7. Risk Transfers
 - Recall that it's ACA – so budget neutral/zero-sum

2018 ACA RADV Timeline



ACA RADV – More Than Risk Transfers!

1. RADV results directly impact your risk score and risk transfers.
2. The financial impact from RADV affects risk accruals as well as pricing assumptions.





RADV Impact and Considerations

June 25th, 2019

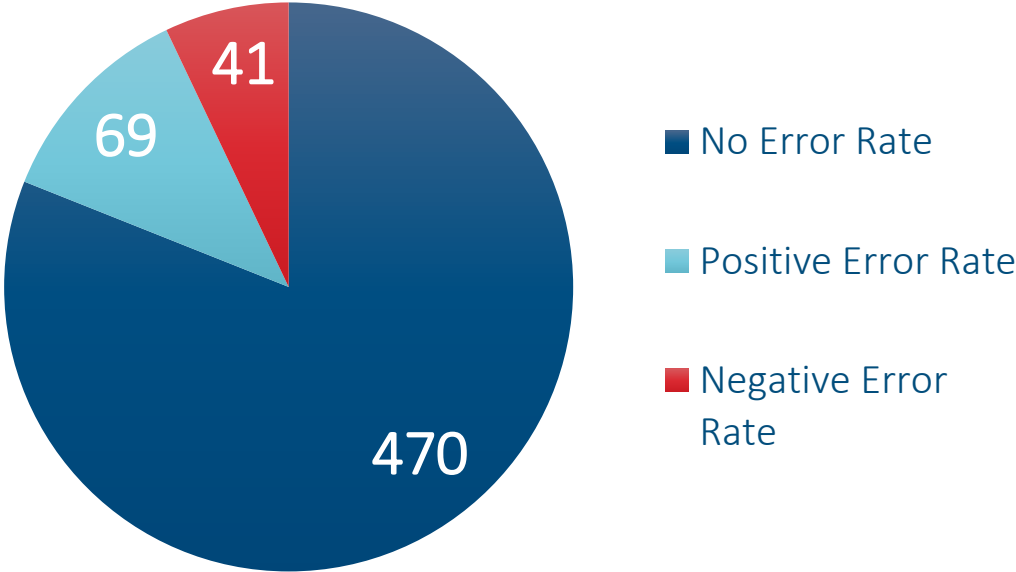
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Results

What percent of issuers (HIOS IDs) do you think are impacted by RADV?

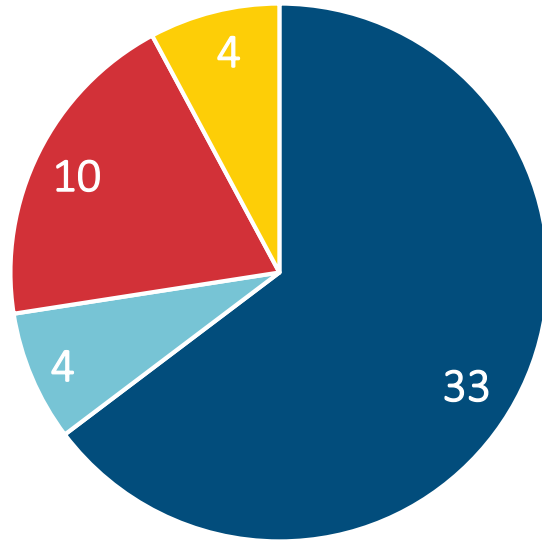
CHOICE	VOTES		
5%	4	7%	
10%	11	20%	
15%	9	16%	
More than 20%	32	57%	

2017 RADV Outliers by HIOS ID's

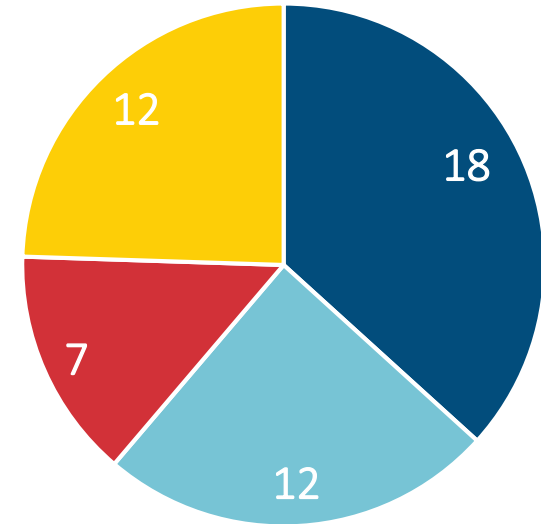


2017 RADV Outliers by State

Individual Market







Small Group Market



- No Outliers
- Only Positive Outliers
- Only Negative Outliers
- Outliers with Both Signs

Results

What do you think is the average impact as a percent of premium for ACA RADV?

CHOICE	VOTES		
Less than 1%	5	8%	
Between 1% and 2%	17	29%	
Between 2% and 3%	25	42%	
More than 3%	12	20%	

PMPM Impacts by Market

State	Market	Error Rate	Premium	PMPM Impact *
NJ	Individual	8.62%	\$ 504.53	\$ 43.49
NJ	Small Group	8.00%	\$ 512.47	\$ 41.00
CO	Individual	2.63%	\$ 505.08	\$ 13.28
PA	Small Group	0.00%	\$ 443.68	\$ 0.00
PA	Individual	-0.15%	\$ 566.46	\$ (0.85)
CA	Individual	-0.77%	\$ 452.31	\$ (3.48)
CA	Small Group	-1.11%	\$ 410.74	\$ (4.56)
MT	Small Group	-6.67%	\$ 390.76	\$ (26.06)
IL	Individual	-6.37%	\$ 547.00	\$ (34.84)
OK	Individual	-7.44%	\$ 587.91	\$ (43.74)

* Error Rate x Premium x 86% (Simplified estimate)

** PMPM Impact for HIOS ID with 0% error rate and displayed market error rate

Questions After Year 1

- RADV affected my 2018 RA results, will 2019 also be affected?
- Our market was not affected in 2018, can I forget about RADV?
- How can I improve our results?
- How can I find out about 2019 impact sooner?
- What other questions do you have? **Please submit using the social Q&A**

Wakely 2017 RADV IVA Study

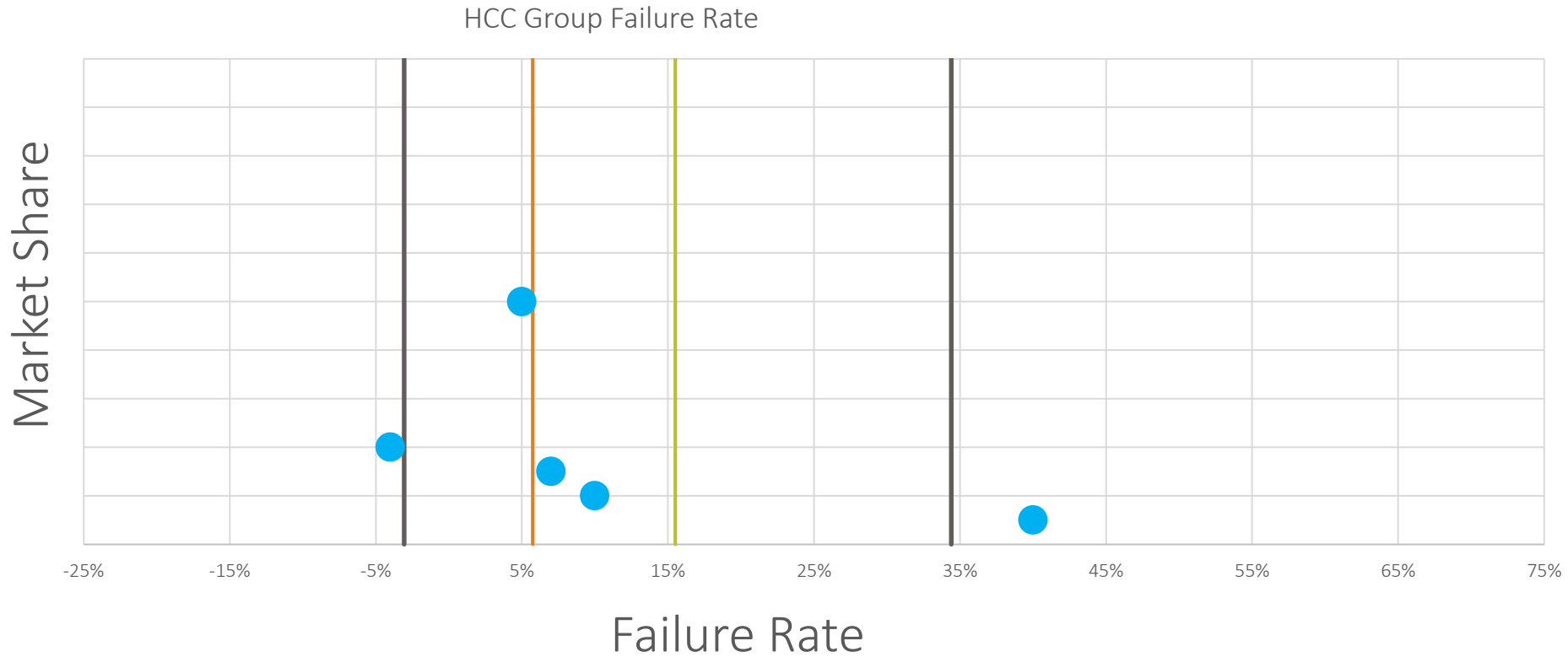
- Collected Initial Validation Audit (IVA) results in January
- 4 months lead time
- Determined issuer failure rates, error rates, transfer impacts
- 450 / 580 HIOS IDs participated
- National metrics (CI) was very close (~1%)
- Nonetheless, still differences due to
 - RADV Cliff
 - Small change in bounds

HCC Group Failure Rates by HIOS ID

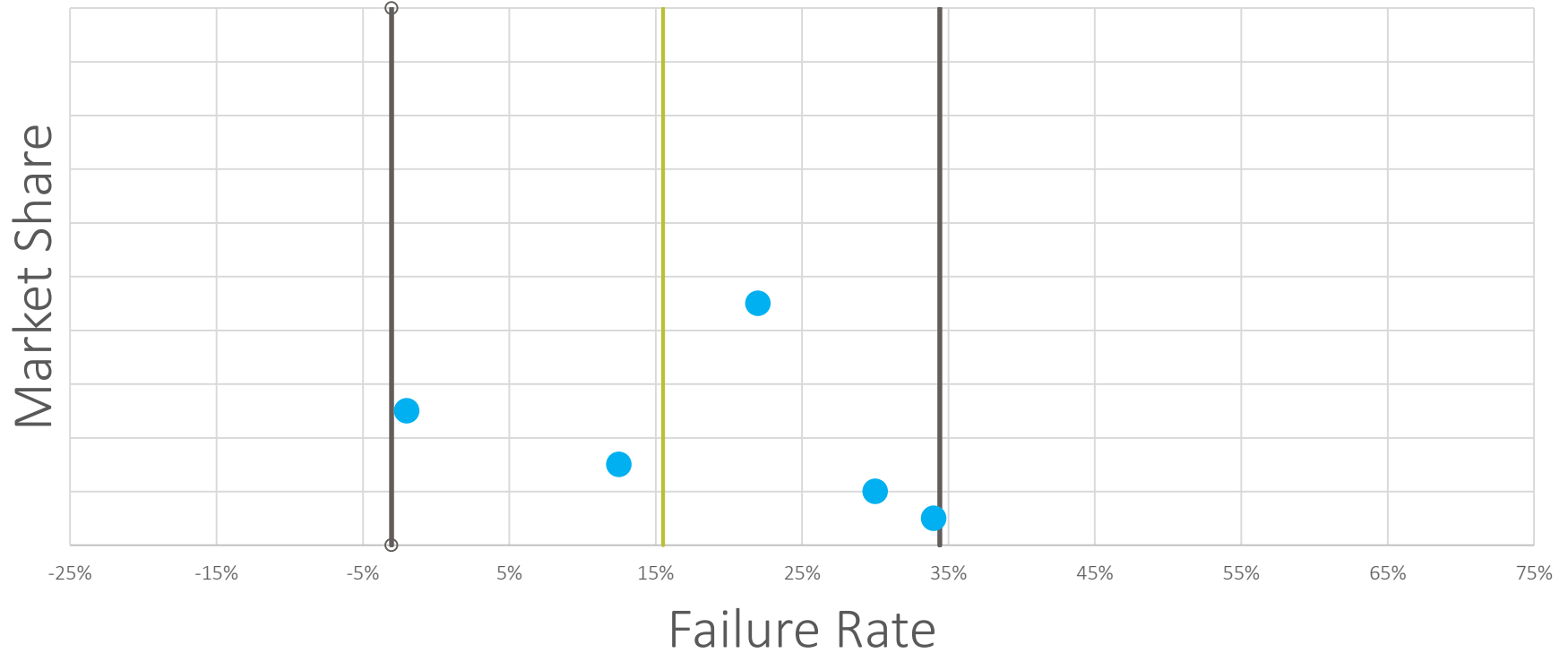
Graph redacted from public version. Please contact* Wakely with questions.

**Matt.Sauter@Wakely.com*

Scenario 1



Scenario 2



2017 RADV National Metrics

CMS Results

HCC Group	Mean	CI Lower Bound	CI Upper Bound
Low	4.8%	-14.3%	23.8%
Medium	15.5%	-4.0%	34.9%
High	26.2%	5.4%	47.1%

CMS vs. Wakely Differences

Mean	CI Lower Bound	CI Upper Bound
0.6%	1.0%	0.2%
0.2%	0.9%	-0.5%
0.0%	-0.5%	0.4%

Questions After Year 1

- RADV affected my 2018 RA results, will 2019 also be affected
- Our market was not affected in 2018, can I forget about RADV?
- How can I improve our results?
- How can I find out 2019 impact sooner?

Looking forward to 2019

- How will mean and bounds change?
- Will high outliers improve in 2019?
- Will low outliers persists?
- Will issuers' failures rates stay consistent year-to-year?
- Will the 200 member sample and change in sampling methodology affect error rates?

RADV – Key Takeaways

RADV can't be ignored

- 50% of markets had impacts. Impacts are generally large
- Even if you have a 0% error rate, your risk adjustment transfers can be impacted significantly
- Even if you and your market had a 0% error rate in 2018, it doesn't mean it will be 0% in 2019

RADV is sensitive




- RADV Cliff: If a failure rate is outside the bounds, impact is **large**
- Small change in bounds can translate to tens of millions of dollars
- Every chart, every HCC counts

RADV Financial Considerations







Results

Have you/your organization accrued any impact of ACA RADV to your 2018 year-end financials?

CHOICE	VOTES		
Yes	8	16%	
No	25	51%	
I don't know	16	33%	






Results

Per the 2020 final payment notice, all collections and charges for 2017 RADV (impacting 2018 risk transfers) will take place in 2021. When do you plan on reflecting these results in your balance sheets?

CHOICE	VOTES		
Immediately in 2019	12	30%	
When it takes place in 2021	2	5%	
We are not sure yet...	4	10%	
I am not the right person to ask	22	55%	

Results

For 2020 ACA rate filing, have/will you reflect impact of ACA RADV in your pricing (under risk adjustment)?



CHOICE	VOTES		
Yes	11	23%	
No, our State does not allow for this in 2020	1	2%	
No, we haven't considered including this	13	28%	
To be determined	9	19%	
I am not the right person to ask	13	28%	

RADV Operational Considerations







Results

Are you or your fellow actuaries involved in your organization's RADV program?

CHOICE	VOTES		
Yes	33	83%	
No	7	18%	





Results

How do you rate your experience with your RADV Initial Validation Audit Entity (Auditors) during the 2017 RADV?

CHOICE	VOTES		
We work very well and communicate issues weekly during the IVA process.	8	57%	
We check in monthly	1	7%	
We check in every other month during IVA	0	0%	
We receive results from them but do not go back and forth	5	36%	




Results

What were your chart retrieval rates for the 2017 RADV?

CHOICE	VOTES		
Less than 50%	1	6%	
Between 50-70%	0	0%	
Between 70-90%	6	38%	
Higher than 90%	9	56%	

Results

For HCCs that failed substantiation, do you know why they have failed?





CHOICE	VOTES		
Yes	8	57%	
No	2	14%	
Some - but not all	4	29%	

Closing Thoughts and Remarks



Results

How much do you know about ACA RADV after today's session?

CHOICE	VOTES		
I remain clueless on this topic	1	3%	
I have some basic understanding about ACA RADV but I have questions	6	19%	
I have a very good understanding about ACA RADV, but still have some questions	21	68%	
I am an expert! Ask me anything/I have no further questions	3	10%	

Questions?



Appendices

How does RADV Sampling works?

- Each HIOS ID (both individual and small group) is sampled up to 200 members.
- These members are distributed amongst 10 strata.
 - Only 1 stratum includes members with no HCC.
- Members' charts are pulled and reviewed by IVA entities.
- SVA performs secondary check and a pairwise mean test is done to confirm IVA results.

How are the National Benchmarks determined?

- After the IVA and SVA results are determined, each issuer is given their own failure rates by HCCs
- These HCCs are sorted by frequency and failure rates nationally.
- 1/3 of all observed HCCs are split into Low, Medium, and High Group
- Within each group, the mean Failure Rate is determined, as well as the standard deviation to compute the 95% confidence interval

How do you get negative Failure Rates?

- For each HCCs, the Failure Rate is calculated as
 - $1 - ([\text{IVA or SVA recorded HCCs}] / [\text{EDGE recorded HCCs}])$
- There may be situations where HCCs were not initially recorded on EDGE, but found through IVA or SVA.
- Thus, there are scenarios where an issuer may have negative failure rates.

Resources

- **CMS 2017 RADV Results**

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/2017-Benefit-Year-HHS-Risk-Adjustment-Data-Validation-Results.pdf>

- **2018 RADV Timeline**

<https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2018Proposed-Updates-RADV-Timelines.pdf>

- **Wakely 2017 RADV Study**

https://www.wakely.com/sites/default/files/files/content/wakely-2017-radv-preliminary-error-rate-study-20190213-final_0.pdf

Contact Us

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