



institutionalized or in the community, or if the enrollment in the Duals Demonstration will reflect the mix of NHE eligibles. However, the demonstration savings will be evaluated relative to what is expected to occur if the FFS system remains in place, the Fee-For-Service Equivalent cost.

The MEMA must take into consideration the NHE risk mix that enrolls in each plan and each plan's ability to maintain members in the community. Over the course of the three-year demonstration, a plan that matches the underlying NHE-W enrollment mix could expect to break even financially for this cohort (assuming their cost per person within each category is consistent with the FFSE), while a plan that falls below the NHE-W proportion could expect to realize financial losses.

MEMA Adjustment Process

The first step in the process is to establish a baseline distribution of the NHE-I and NHE-W populations to provide a snapshot of the risk mix of enrollees at the start of the program, i.e. their beginning risk score or status. This risk designation for each individual will be held constant for different periods during the course of the demonstration. The following describes the methods that will be used to recalibrate the risk distribution and the resulting capitation rate throughout the demonstration.

- The current CY 2014 dual demonstration NHE capitation rate is developed separately for the two components of NHE-I and NHE-W and then calculated as a weighted average using the enrollment distribution as of the most recent available month, June 2013. Since the demonstration does not start until January 1, 2014, the weighted average will be recalculated using an eligibility distribution closer to the implementation date, with the same underlying CY 2014 per capita cost for each component.
- We will take a snapshot of the NHE eligibility mix at the start of the program. We suggest this snapshot be taken on January 1, 2014 when the demonstration begins. This snapshot will establish the risk mix of the NHE individuals eligible for enrollment and that weighting will establish the initial capitation rate. Each individual will receive a risk score based on their placement (NHE-I or NHE-W) at this snapshot date. This status will be held constant for the first demonstration year, which is from implementation of Phase I and Phase II beginning in March 2014 through the end of CY 2105 (December 31, 2015). Future calculations will adjust for members who leave the program, either voluntarily, or because of death.
- The weighted average capitation rate will be paid to health plans for any voluntary enrollment beginning in March 1, 2014 for Phase I and June 1, 2014 for Phase II. We expect that this rate will be developed separately for the Age 21-64 and the Age 65 and Over NHE rate cell in each region.



MCOs will continue to be paid this rate until a measurement of enrollment mix and recalibration of capitation rate takes place.

- We anticipate the second snapshot of enrollment mix and recalibration of the NHE rate will be at the Phase I and Phase II initial passive enrollment dates. Blended NHE rates will be calculated on a MCO-specific basis. This will be based upon the NHE eligibles that are enrolled as of those dates (both passively enrolled who have not opted-out and the voluntary enrollees). This rate will continue to be paid prospectively until a measurement of enrollment mix and recalibration of capitation rate is done at 90 days past each phase's initial passive enrollment date.
- In anticipation of additional opt-out after the initial passive enrollment dates, the third snapshot of the mix of the NHE population enrolled in Phase I and Phase II who remain enrolled will occur 90 days later after the second snapshot. The 90-day mark for Phase I is October 1, 2014; the 90-day mark for Phase II is January 1, 2015. This is the measure of the actual "at-enrollment" NHE mix. This will establish plan specific rates to be paid prospectively until the next measurement and recalibration.
- The risk mix will be recalibrated for each MCO at six-month intervals after the "at-enrollment" (third snapshot) NHE rates are established. For the extended first year of the demonstration, the 6-month intervals will be January 1, 2015, and July 1, 2015. For CY 2016, the recalibration will occur January 1, 2016, and July 1, 2016. For the last year of the demonstration, the recalibration will be January 1, 2017, and July 1, 2017. During the first 6 to 12 months, the enrollment mix will be monitored monthly to determine whether more frequent recalibration is appropriate.
- An item for further discussion is whether NHE eligibles must remain in the plan for a minimum time (e.g., 90-days) in order for their risk status to be included in the subsequent measurements and recalibrations.
- At each I/W mix measurement, the weighted average capitation rate will be recalibrated based on the mix of risk scores for all individuals. For the voluntary enrollment periods, this will be based on status of eligibles as established before the start of the demonstration. The "at-enrollment" mix and subsequent measures and recalibrations for the NHE rates will use the risk status at January 1, 2014 or the time of enrollment if later, and the actual enrollment in each MCO at that point in time. New Medicaid Dual eligibles and demonstration enrollees will be assigned a risk score at the time they become Nursing Home Eligible.
- The risk score assignment of individuals who becomes Nursing Home Eligible will be held constant for a period of time, but may change in the future years of the demonstration if they



remain in the demonstration and move between the population subgroups. The eligible assignment status will be established in the Demonstration year prior to the Demonstration payment year. This NHE blended rate will capture a lagged measure of the improvement in the proportion of the NHE-W population while maintaining the plan’s financial incentive to keep nursing home eligibles in the community.

- During CY 2104 and CY 2015 (Year 1), recalibration of the plan blended NHE rate will reflect the NHE mix of eligibles assigned to NHE as of January 1, 2014 and new entrants through July 30, 2015.
 - During CY 2016 (Year 2), recalibration of the plan blended NHE rate will reflect the NHE mix as assigned January 1, 2015 and new entrants through July 30, 2016.
 - During CY 2017 (Year 3), recalibration of the plan blended NHE rate will reflect the NHE mix as assigned January 1, 2016 and new entrants through July 30, 2017.
- Enrollees who switch plans will retain their risk status. Enrollees who opt-out and return to the demonstration will be assigned the risk status appropriate at the time of re-enrollment.
 - DMAS will apply any change in the weighted average capitation rate solely on a prospective basis. This new capitation rate will be paid for all enrollees for the subsequent time period, until an I/W mix is measured and the weighted average is again recalibrated.

Example

The following table provides an example of what each sub-population might look like over time and the timing of measurement of the I/W mix and rate recalibration. The number of individuals falling into each group and the capitation rate calculations are provided for illustrative purposes; the actual numbers will be based on experience.

Measurement Date	Time Period	Description of Individuals	Number of Individuals	Capitation Rate
January 1, 2014 (CY 2014 capitation rates)	<ul style="list-style-type: none"> ● Beginning of demonstration 	<ul style="list-style-type: none"> ● All eligibles 	#eligibles: 24,000 #NHE-I: 12,000 #NHE-W: 12,000	NHE-I: \$4,000 NHE-W: \$2,000 NHE: \$4,000 *%NHE-I + \$2,000 *%NHE-W = \$3,000



Measurement Date	Time Period	Description of Individuals	Number of Individuals	Capitation Rate
July 1, 2014	<ul style="list-style-type: none"> Phase I passive enrollment effective date 	<ul style="list-style-type: none"> Phase I voluntary enrollment Phase I pre-assignment who are enrolled Partial Phase II voluntary enrollment 	#enrollees: 12,000 #NHE-I: 7,000 #NHE-W: 5,000	NHE-I: \$4,000 NHE-W: \$2,000 NHE: \$4,000*%NHE-I + \$2,000 *%NHE-W = \$3,167
October 1, 2014	<ul style="list-style-type: none"> 90 days after Phase I passive enrollment Phase II passive enrollment effective date 	<ul style="list-style-type: none"> Phase I enrollment to-date Phase II voluntary enrollment Phase II pre-assignment who are enrolled 	#enrollees: 20,000 #NHE-I: 10,000 #NHE-W: 10,000	NHE-I: \$4,000 NHE-W: \$2,000 NHE: \$4,000*%NHE-I + \$2,000 *%NHE-W = \$3,000
January 1, 2015 (CY 2015 capitation rates)	90 days after Phase II passive enrollment	<ul style="list-style-type: none"> Phase I and Phase II enrollment to-date 	#enrollees: 22,000 #NHE-I: 10,000 #NHE-W: 12,000	NHE-I: \$4,500 NHE-W: \$2,500 NHE: \$4,500*%NHE-I + \$2,500*%NHE-W = \$3,409
July 1, 2015	6-month interval	<ul style="list-style-type: none"> Stabilized enrollment Rolling new enrollees 	#enrollees: 23,000 #NHE-I: 10,000 #NHE-W: 13,000	NHE-I: \$4,500 NHE-W: \$2,500 NHE: \$4,500*%NHE-I + \$2,500*%NHE-W = \$3,370



Issues for Consideration

There are a number of policy decisions and operational issues to consider:

- **Change in status for a fixed population:** DMAS will hold the risk score of the eligible population as of January 1, 2014 constant through the first year of the demonstration (January 2014 to December 2015). New enrollees entering the program as NHE will be given a risk score at the time of entry depending on placement into NHE-I or into NHE-W. Those risk scores will also be held constant through the first year of the demonstration. Individuals will be tracked and we have the ability to recalibrate the mix at each measurement point. The NHE status of continuous enrollees may change in years two and three of the demonstration.
- **Timing and frequency of adjusting the capitation rate for new enrollees:** The NHE-I and NHE-W mix will be measured first at the initial passive enrollment date, then 90 days after each phase's passive enrollment date and further at 6-month intervals. This decision may be modified as the growth rate of enrollment and turnover in the program is monitored. Because this is a new program and we anticipate a lot of movement in enrollment, a more frequent measurement and recalibration may be appropriate.
- **Retrospective v. Prospective adjustment:** DMAS will apply any change in the weighted average capitation rate as a result of risk mix changes solely on a prospective basis. A frequent recalibration schedule of every 6 months will help ensure the plans are being paid fairly.

Savings Adjustment

Once the FFSE is established, the required 1%, 2%, and 4% savings will be applied to the capitation rates.