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May 10, 2024

Chair, Michael J. Rodrigues
Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

Chair, Aaron Michlewitz
House Committee on Ways and Means
State House, Room 243
Boston, MA 02133

Dear Chairs Rodrigues and Michlewitz,

Line item 4000-0300 of Chapter 28 of the Acts of 2023 requires the Executive Office of Health and Human Services to submit a report to the House and Senate Committees on Ways and Means outlining the agency's methodology for projecting caseload and utilization. To comply with this requirement, we describe below the methodology that has been employed for fiscal year 2024.

MassHealth enrollment expanded dramatically from 2013 to 2015. During the 2014 launch of the Affordable Care Act, the Commonwealth's Health Insurance Exchange ("HIX") – the eligibility system serving both MassHealth and the Massachusetts Health Connector - failed, resulting in our inability to determine eligibility for most applicants to MassHealth. Temporary MassHealth eligibility was granted to all applicants in the period following this failure and enrollment surged to over 2 million members in December 2014. Since this time, MassHealth implemented a functioning HIX system and resumed annual redeterminations on all members. MassHealth has also implemented a series of eligibility integrity initiatives, including reducing HIX functionality defects, implementing new automated data matches with the Department of Revenue and other sources, and enforcing mandatory premium assistance for adults when other insurance (e.g., employer health insurance) is available and cost-effective.

In March 2020, MassHealth suspended eligibility redeterminations and began protecting members' coverage, in response to the federal COVID-19 public health emergency and in accordance with federal maintenance of effort (MOE) requirements. MassHealth restarted the process of redeterminations in May 2021 but has been protecting members' coverage if they are determined ineligible. As a result of the MOE, MassHealth membership grew by 650,000 members from March 2020 to the peak of 2.4 million members in spring 2023. As of January

2024, MassHealth's caseload is approximately 2.1 million members. Regular redetermination processes started again in April 2023 in accordance with federal requirements. Since full MOE redeterminations resumed, MassHealth's primary priority has been to right-size the caseload while ensuring individuals are in the appropriate coverage and minimizing administrative eligibility "churn" that results in health care coverage loss.

Caseload Forecast Methodology

In early 2013, MassHealth worked with Alan Clayton-Matthews, a professor at Northeastern University, to review our existing caseload forecasting methodology and to advise whether improved methodology was possible. Professor Clayton-Matthews tested two methodologies against the existing methodology (see attachment A for technical details of these models and the testing process) by feeding data from June 2006 to July 2009 into the models, using the models to forecast the caseload from July 2009 to June 2011, and comparing these forecasts to actual enrollment over the same period. Professor Clayton-Matthews found that both models presented a lower error rate than the existing methodology and recommended a switch. Based on these findings, MassHealth worked with Professor Clayton-Matthews to implement a new methodology, which is described below.

The caseload forecast begins with historical snapshots of enrollment data. An enrollment snapshot is a report of member eligibility at the time/date the report is run. The eligibility data in a snapshot is broken down by month and population group (there are over 100 population groups which are broken down using program type, managed care status, and demographic factors). Some examples of these groups are "PCC (Primary Care Clinician) Non-Disabled Children", "SCO (Senior Care Organization) Institutional", and "Standard Non-Disabled Children-Premium Assistance." A new enrollment snapshot is produced each month, adding the most recent month's data and updating previous months to account for any enrollment changes. As an example, the snapshot produced in December 2023 contains data through November 30, 2023. Similarly, the snapshot produced in January 2024 will contain data through December 31, 2023.

We use the snapshots to capture the pattern of enrollment for each population group over time and calculate completion factors. Completion factors are multipliers that address the issue of variance in eligibility data based on the effects of redeterminations, retroactive eligibility determinations, application verification eligibility appeals, and member movement among aid categories. See Step 1 of Attachment C for technical details about the completion process.

Once completion factors have been applied, we begin our statistical analysis using STATA, which is a data analysis and statistical software package. This program uses statistical calculations (see page 2 of Attachment A) to find the trend level and builds a trend line off the most recent month of enrollment data, extending through the next fiscal year, for each population group. Next, we adjust for impacts that cannot be captured by the historical trends alone and confirm forecast is consistent with long-term trends reported by CHIA. Finally, we sum all population groups to project the overall MassHealth caseload.

Implementation of this methodology was completed in mid-2013, and we intend to return to using this methodology once the MOE redetermination period concludes. However, due to the unprecedented experience during the MOE period (March 2020 – April 2023), we could not rely

on recent historical trends to inform FY24 caseload projections. For FY24, we developed projections based on the number of members going through redeterminations each month and assumed closure rates for different demographic groups. We also considered counts of members becoming newly eligible for MassHealth (i.e., no history of enrollment for 12+ months) and assumed reopening rates for different demographic groups (i.e., members re-enrolling within 12 months of being disenrolled).

Utilization and Price Methodology

For MassHealth's managed care capitation programs, MassHealth is mandated to develop actuarially sound capitation rates. MassHealth contracts with Mercer, a health care consulting firm, for this purpose. Mercer uses historical utilization and cost data from MassHealth and trends it forward into the current rate year. Mercer also makes various additional price and utilization adjustments (for example, an adjustment for the cost of new drug therapies coming to market). MassHealth then applies these rates to enrollment projections for each program to estimate total managed care spend for the fiscal year.

MassHealth contracts with the Center for Health Information and Analysis (CHIA) for its Fee-for-Service rate-setting activities. These rates are developed using historical utilization and cost data. MassHealth uses historical spending and enrollment data to calculate historical utilization patterns for each provider type and population group. MassHealth then projects future utilization by applying a best fit trend line using the method of least squares. Additional adjustments are then incorporated to capture the impacts of rate, policy, and regulatory changes. This projected utilization is combined with our caseload forecast to project total spend for the fiscal year.

I hope you find this report useful and informative. If you have any questions, please feel free to contact Sarah Nordberg at Sarah.Nordberg@mass.gov.

Sincerely,

Mike Levine

cc: Secretary Kathleen E. Walsh