

Implementation Sites: Key Facts

California: Pacific Business Group on Health

PURCHASER: Pacific Business Group on Health (PBGH) (until 7/1/99, known as the California Managed Risk Medical Insurance Board).

PRODUCT: PacAdvantage.

DATE: Originally the Health Insurance Plan of California (HIPCC), this health insurance purchasing pool for small employers was authorized under California Assembly Bill 1672 in 1992.

PREVIOUS METHOD OF PAYMENT: Capitation with demographic risk adjustment.

SIMULATION: Simulation was conducted for both MCO relative risk scores and MCO payment change. Unblinded results were released to plans.

	Year One	Current Year	Projected for Next Year
Groups Covered: SSI, Disabled TANF Dually Eligible, 65 and older Employees, dependents Retirees Other (describe)	✓	✓	✓
Number of participating plans	26	11	10
Number of covered lives	~ 120,000	140,000	Don't know
Phase-in of Payment Adjustment			
a. Percent of payment based on health-based risk adjustment			
b. Transitional risk corridors	Yes	Yes	Yes
c. Reporting adjuster for encounter data completeness	No	No	No
Risk assessment method:			
a. Diagnosis Grouper (name)	Marker Diagnosis Concurrent	Marker Diagnosis Concurrent	Marker Diagnosis Concurrent
b. Type of prediction model			
Basis of future payment to the plans: plan level risk score or based on the specific individuals who are enrolled at the time of payment	Plan	Plan	Plan
Relative value weights			
a. Source of weights (local or imported)	Local	Imported	Imported
b. Type of data used for weights	MCO	Blend	Blend
c. Time frame of the data used for weights	used off-the-shelf product	used off-the-shelf product	used off-the-shelf product
d. Size of population used to establish weights	used off-the-shelf product	used off-the-shelf product	used off-the-shelf product
e. Truncating outlier costs	No	No	No

Risk adjustment time frames: a. minimum enrollment before being included in the risk adjustment calculation b. minimum lag between the date the diagnosis was assigned and the date payment was adjusted based on that diagnosis c. Frequency for updating risk scores	No limit ~ 7-9 months Annually	No limit ~ 7-9 months Annually	No limit ~ 7-9 months Semi-annually
Risk sharing after any phase-in period a. Risk corridors b. Stop loss	No No	No No	No No
Carve-outs from risk adjustment model: a. Service categories, e.g., mental health, prenatal care b. Populations with defined conditions, e.g., beneficiaries with HIV/AIDS	None None	None None	None None
Encounter data collected from the MCOs for health-based risk adjustment a. Diagnosis codes b. Procedure codes c. Charges d. Identification of the treating provider	Yes No No No	Yes No No No	Yes No No No
Number of plan's risk scores that were affected by missing data from their providers	Don't know	Don't know	Don't know
Number of plan's risk scores that were affected by the plan's data system limiting the number of diagnoses per encounter	Don't know	Don't know	Don't know
Data audits: a. Audits using encounter data b. Audits using medical records	Yes Yes	No	No

ADDITIONAL INFORMATION:

Shewry, S., Hunt, S., Ramey, J., and Bertko, J. "Risk Adjustment: The Missing Piece of Market Competition." *Health Affairs* 15(1) (1996): 171-181.

Bertko, J. and Hunt, S. "Case Study: The Health Insurance Plan of California." *Inquiry* 35(2) (1998): 148-153.