

Addendum to Contract Between

**United States Department of Health and Human Services
Centers for Medicare & Medicaid Services**

In Partnership with

The Commonwealth of Massachusetts

and

**Commonwealth Care Alliance, Inc.
Fallon Total Care, Inc.
Tufts Health Public Plans, Inc.**

Issued: July 21, 2014

This is an Addendum to the Contract between the United States Department of Health and Human Services Centers for Medicare & Medicaid Services in Partnership with The Commonwealth of Massachusetts and _____ (the Contractor). The Contractor's principal place of business is _____.

WHEREAS, the United States Department of Health and Human Services, acting by and through the Centers for Medicare & Medicaid Services (CMS), the Commonwealth of Massachusetts, acting by and through the Executive Office of Health and Human Services (EOHHS), and _____ (Contractor) entered into the Contract with an effective date of _____ to provide medical services for the Massachusetts Capitated Financial Alignment Model (also known as the One Care program);

WHEREAS, CMS, EOHHS and the Contractor (collectively, the parties) desire to establish Risk Corridors for Demonstration Years 2 and 3, and pro-rate the application of the coding intensity adjustment for calendar year 2015 rates if appropriate based on continued enrollment phase-in from Medicare fee-for-service after September 30, 2014;

NOW, THEREFORE, in consideration of the mutual promises set forth in this Contract, the parties agree as follows:

1. This Addendum deletes the definition for "Risk Corridor Percentage" and replaces it with the following definition:

Risk Corridor Percentage — For each Demonstration Year, the Contractor's Total Adjusted Expenditures divided by the Adjusted Capitation Rate Revenue for the applicable Demonstration Year, rounded to the nearest one tenth of a percent.

2. This Addendum deletes Subsection 4.2.D.1.a and replaces it with the following Subsection 4.2.D.1:

- a. Coding Intensity Adjustment Factor

- (1) CMS will calculate calendar year 2013 rates as if the coding intensity adjustment factor were not applied, to reflect the fact that virtually all Enrollees were receiving care in FFS Medicare and thus there should be no coding pattern differences for which to adjust. Operationally CMS will still

apply the coding intensity adjustment factor to the risk scores but will increase the Medicare A/B baseline for non-ESRD beneficiaries and beneficiaries with an ESRD status of functioning graft, to offset this.

- (2) In calendar year 2014, CMS will calculate and apply a coding intensity adjustment reflective of all Demonstration Enrollees except as indicated in **Section 4.2.D.1.a(5)**. This will apply the prevailing Medicare Advantage coding intensity adjustment proportional to the anticipated proportion of Demonstration Enrollees in CY 2014 with Medicare Advantage experience in 2013, prior to the Demonstration.
- (3) In calendar year 2015, CMS will calculate and apply a coding intensity adjustment reflective of all Demonstration Enrollees except as indicated in **Section 4.2.D.1.a(5)**. This will apply the prevailing Medicare Advantage coding intensity adjustment proportional to the anticipated proportion of Demonstration Enrollees in CY 2015 with prior Medicare Advantage experience and/or Demonstration experience based on the Demonstration's enrollment phase-in as of September 30, 2014.
- (4) After calendar year 2015, CMS will apply the prevailing Medicare Advantage coding intensity adjustment to all Demonstration Enrollees, except as indicated in **Section 4.2.D.1.a(5)**.
- (5) The coding intensity adjustment factor will not be applied during the Demonstration to risk scores for Enrollees with an ESRD status of dialysis or transplant, consistent with Medicare Advantage policy.

3. This Addendum deletes Subsection 4.6 and replaces it with the following:

4.6 Risk Corridors

Risk corridors will be established for Demonstration Years 1, 2, and 3.

A. General Provisions

1. Calculation of Gains and Losses

The risk-sharing arrangement described in this section of the Contract may result in payment by EOHHS and CMS to the Contractor or by the Contractor to EOHHS and CMS.

- a. All payments to be made by EOHHS and CMS to the Contractor or by the Contractor to EOHHS and CMS will be calculated and determined jointly by EOHHS and CMS.
- b. All calculations, determined jointly by EOHHS and CMS, will be based on the Contractor's reporting of Actual and Adjusted Service and Non-Service Expenditures, as required in **Section 4.6.B.4** below. All financial reporting will be subject to review and/or audit at EOHHS' and CMS' discretion.
- c. CMS and EOHHS will perform interim and final settlements of the payments made by the Contractor to CMS and EOHHS, or by CMS and EOHHS to the Contractor, as described in **Section 4.6.B.4** below.

2. Allowable Expenditures

- a. CMS and EOHHS shall jointly determine the Adjusted Service Expenditures and the Adjusted Non-Service Expenditures, based on encounter data, cost data, and financial reporting data submitted by the Contractor (as required by **Section 4.6.B.4 below, and Section 2.15-2.17** of this Contract). CMS and EOHHS reserve the right to audit Actual and Adjusted Service and Non-Service Expenditure data.
- b. CMS, EOHHS, and the Contractor agree that to the extent there are differences in expenditure data reported across various sources, including the encounter, cost, financial reporting, or other data submitted by the Contractor, CMS, EOHHS and the Contractor will confer and make a good faith effort to reconcile those differences before the calculation of the interim and final settlements.

The review procedures may include a review of the Contractor's encounter data and/or audit, to be performed by the CMS and/or EOHHS, or either party's authorized agents, to verify

that all paid claims for Enrollees by the Contractor are for Covered Services and/or that provider reimbursement is not excessive.

- c. EOHHS and CMS reserve the right to adjust expenditures for services that are reimbursed at more than 5% above the average reimbursement rate of all ICOs. Notwithstanding any contractual provision or legal right to the contrary, the Contractor agrees that there shall be no redress against CMS or EOHHS for a determination to adjust or a failure to adjust expenditures for services of any ICO.

B. **Aggregate Risk Sharing Corridors**

The Demonstration will utilize a tiered Contractor-level symmetrical risk corridor to include all Medicare A/B and Medicaid eligible Adjusted Service and Non-Service Expenditures. The risk corridors will be reconciled after application of any HCRP or risk adjustment methodologies (e.g. CMS-HCC), and as if all Contractors had received the full quality withhold payment.

1. Risk Corridor Share

The Medicare and Medicaid contributions to risk corridor payments or recoupments will be in proportion to their contributions to the Adjusted Capitation Rate Revenue. For Demonstration Year 1 only, Medicare will participate in risk corridor payments/recoupments of 1.1% through 8.9% of Contractor gains or losses. All remaining payments or recoveries once Medicare has reached its maximum shall be treated as Medicaid expenditures eligible for FMAP. For Demonstration Years 2 and 3, Medicare will participate in the full range of applicable risk corridor payments/recoupments, as described in **Section 4.6.B.2.b.and c** below. Losses and gains will be determined using the Risk Corridor Percentage.

2. Risk Corridor Percentage and Payment/Recoupment

a. Demonstration Year 1

- (1) For the portion of gains and/or losses of 0 through 1.0%, the Contractor bears 100% of the gain/loss. For the portion of

gains and/or losses of 1.1% through 3.0%, the Contractor bears 10% of the gain/loss and EOHHS and CMS share in the other 90%, as described in **Section 4.6.B.1**. For the portion of gains and/or losses of 3.1% through 20.0%, the Contractor bears 50% of the gain/loss and EOHHS and CMS share in the other 50%, as described in **Section 4.6.B.1**. As further described in **Section 4.6.B.2.a.(2) and 4.6.B.2.a.(8)** below, for the portion of gains and/or losses of greater than 20.0%, the Contractor bears 100% of the gain/loss.

- (2) For Risk Corridor Percentages greater than 120.0%, EOHHS and CMS will make payment to the Contractor of 10.3% of the Adjusted Capitation Rate Revenue, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above. The Contractor is at full financial risk for amounts greater than 120.0%.
- (3) For Risk Corridor Percentages of 103.1% through 120.0% , EOHHS and CMS will make payment to the Contractor equaling the Adjusted Capitation Rate Revenue multiplied by 50% of [Risk Corridor Percentage minus 103.0%], plus the amount described in **Section 4.6.B.2.a(4)**, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above.
- (4) For Risk Corridor Percentages of 101.1% through 103.0% , EOHHS and CMS will make payment to the Contractor equaling the Adjusted Capitation Rate Revenue multiplied by 90% of [Risk Corridor Percentage minus 101.0%], with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above.
- (5) For Risk Corridor Percentages of 99.0% through 101.0%, no payment will be made by EOHHS and CMS to the Contractor, or by the Contractor to EOHHS and CMS.
- (6) For Risk Corridor Percentages of 97.0% through 98.9%, the Contractor will make payment to EOHHS and CMS equaling the Adjusted Capitation Rate Revenue multiplied by 90% of [99.0% minus the Risk Corridor Percentage], with the share of the payment made to EOHHS and CMS as described in **Section 4.6.B.1** above.

- (7) For Risk Corridor Percentages of 80.0% through 96.9%, the Contractor will make payment to EOHHS and CMS equaling the Adjusted Capitation Rate Revenue multiplied by 50% of [97.0% minus the Risk Corridor Percentage], plus the amount described in **Section 4.6.B.2.a(6)**, with the share of the payment made to EOHHS and CMS as described in **Section 4.6.B.1** above.
- (8) For Risk Corridor Percentages less than 80.0%, the Contractor will make payment to CMS and EOHHS of 10.3% of the Adjusted Capitation Rate Revenue, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above. The Contractor is not obligated to make any additional payment for amounts below 80.0%.

b. Demonstration Year 2

- (1) For the portion of gains and/or losses of 0 through 3.0%, the Contractor bears 100% of the gain/loss. For the portion of gains and/or losses of 3.1% through 10.0%, the Contractor bears 50% of the gain/loss and EOHHS and CMS share in the other 50%, as described in **Section 4.6.B.1**. For the portion of gains and/or losses of 10.1% and greater, the Contractor bears 100% of the gain/loss.
- (2) For Risk Corridor Percentages greater than 110.0%, EOHHS and CMS will make payment to the Contractor of 3.5% of the Adjusted Capitation Rate Revenue, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above. The Contractor is at full financial risk for amounts greater than 110.0%.
- (3) For Risk Corridor Percentages of 103.1 through 110.0%, EOHHS and CMS will make payment to the Contractor equaling the Adjusted Capitation Rate Revenue multiplied by 50% of [Risk Corridor Percentage minus 103.0%], with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above.
- (4) For Risk Corridor Percentages of 97.0% through 103.0%, no payment will be made by EOHHS and CMS to the Contractor, or by the Contractor to EOHHS and CMS.

- (5) For Risk Corridor Percentages of 96.9% through 90.0%, the Contractor will make payment to EOHHS and CMS equaling the Adjusted Capitation Rate Revenue multiplied by 50% of [97.0% minus the Risk Corridor Percentage], with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above.
- (6) For Risk Corridor Percentages less than 90.0%, the Contractor will make payment to CMS and EOHHS of 3.5% of the Adjusted Capitation Rate Revenue, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above. The Contractor is not obligated to make any additional payment for amounts below 90.0%.

c. Demonstration Year 3

- (1) For the portion of gains and/or losses of 0 through 4.0%, the Contractor bears 100% of the gain/loss. For the portion of gains and/or losses of 4.1% through 8.0%, the Contractor bears 50% of the gain/loss and EOHHS and CMS share in the other 50%, as described in **Section 4.6.B.1**. For the portion of gains and/or losses of 8.1% and greater, the Contractor bears 100% of the gain/loss.
- (2) For Risk Corridor Percentages greater than 108.0%, EOHHS and CMS will make payment to the Contractor of 2.0% of the Adjusted Capitation Rate Revenue, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above. The Contractor is at full financial risk for amounts greater than 108.0%.
- (3) For Risk Corridor Percentages of 104.1 through 108.0%, EOHHS and CMS will make payment to the Contractor equaling the Adjusted Capitation Rate Revenue multiplied by 50% of [Risk Corridor Percentage minus 104.0%], with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above.
- (4) For Risk Corridor Percentages of 96.0% through 104.0%, no payment will be made by EOHHS and CMS to the Contractor, or by the Contractor to EOHHS and CMS.

(5) For Risk Corridor Percentages of 95.9% through 92.0%, the Contractor will make payment to EOHHS and CMS equaling the Adjusted Capitation Rate Revenue multiplied by 50% of [96.0% minus the Risk Corridor Percentage], with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above.

(6) For Risk Corridor Percentages less than 92.0%, the Contractor will make payment to CMS and EOHHS of 2.0% of the Adjusted Capitation Rate Revenue, with the share of the payment made by EOHHS and CMS as described in **Section 4.6.B.1** above. The Contractor is not obligated to make any additional payment for amounts below 92.0%.

3. Risk Sharing Corridor Tables: (for illustrative purposes only)

a. Demonstration Year 1

| Incremental Loss or Gain (as % of Total Adjusted Capitation Rate Revenue)¹ | Corresponding Risk Corridor Percentage | % Contractor Risk Sharing | % EOHHS & CMS Risk Sharing | % CMS Risk Sharing² | % EOHHS Risk Sharing³ |
|--|---|----------------------------------|---------------------------------------|--|---|
| Loss >20% | >120.0% | 100% | 0% | 0% | 0% |
| Loss >3% and ≤ 20% | 103.1% to 120.0% | 50% | 50% | (50%) * (Medicare A/B Percent of Rate) | (50%)*(Medicaid Percent of Rate) |
| Loss >1% and ≤ 3% | 101.1% to 103.0% | 10% | 90% | (90%) * (Medicare A/B Percent of Rate) | (90%)*(Medicaid Percent of Rate) |
| Loss or Gain ≤ 1% | 99.0% to 101.0% | 100% | 0% | 0% | 0% |
| Gain >1% and ≤ 3% | 97.0% to 98.9% | 10% | 90% | (90%) * (Medicare A/B Percent of Rate) | (90%)*(Medicaid Percent of Rate) |

| | | | | | |
|-----------------------|-------------------|------|-----|--|---|
| | | | | Rate) | |
| Gain >3% and ≤ 20% | 80.0% to 96.9% | 50% | 50% | (50%) * (Medicare A/B Percent of Rate) | (50%)*(Medic aid Percent of Rate) |
| Gain >20% | < 80.0% | 100% | 0% | 0% | 0% |

¹ Loss and gain reflected on an incremental basis, rounded to the nearest one tenth of a percent. Loss or gain >20.0% still results in risk sharing reconciliation for the loss or gain between 1.1% and 20.0%.

² Up to the maximum Medicare participation described in **Section 4.6.B.1**. Beyond this point, all remaining risk sharing payments shall be treated as Medicaid expenditures eligible for FMAP.

³ All EOHHS Risk Sharing shall be treated as Medicaid expenditures eligible for FMAP.

b. Demonstration Year 2

| Incremental Loss or Gain (as % of Total Adjusted Capitation Rate Revenue)¹ | Correspondi ng Risk Corridor Percentage | % Contractor Risk Sharing | % EOHHS & CMS Risk Sharing | % CMS Risk Sharing | % EOHHS Risk Sharing² |
|--|--|--|---|--|---|
| Loss >10% | >110.0% | 100% | 0% | 0% | 0% |
| Loss >3% and ≤ 10% | 103.1% to 110.0% | 50% | 50% | (50%) * (Medicare A/B Percent of Rate) | (50%)*(Medic aid Percent of Rate) |
| Loss or Gain ≤ 3% | 97.0% to 103.0% | 100% | 0% | 0% | 0% |
| Gain >3% and ≤ 10% | 96.9% to 90.0% | 50% | 50% | (50%) * (Medicare A/B Percent of Rate) | (50%)*(Medic aid Percent of Rate) |
| Gain >10% | < 90.0% | 100% | 0% | 0% | 0% |

¹ Loss and gain reflected on an incremental basis, rounded to the nearest one tenth of a percent. Loss or gain >10.0% still results in risk sharing reconciliation for the loss or gain between 3.1% and 10.0%.

² All EOHHS Risk Sharing shall be treated as Medicaid expenditures eligible for FMAP.

c. Demonstration Year 3

| Incremental Loss or Gain (as % of Total Adjusted Capitation Rate Revenue)¹ | Corresponding Risk Corridor Percentage | % Contractor Risk Sharing | % EOHHS & CMS Risk Sharing | % CMS Risk Sharing | % EOHHS Risk Sharing² |
|--|---|----------------------------------|---------------------------------------|--|---|
| Loss >8% | >108.0% | 100% | 0% | 0% | 0% |
| Loss >4% and ≤ 8% | 104.1% to 108.0% | 50% | 50% | (50%) * (Medicare A/B Percent of Rate) | (50%)*(Medicaid Percent of Rate) |
| Loss or Gain ≤ 4% | 96.0% to 104.0% | 100% | 0% | 0% | 0% |
| Gain >4% and ≤ 8% | 95.9% to 92.0% | 50% | 50% | (50%) * (Medicare A/B Percent of Rate) | (50%)*(Medicaid Percent of Rate) |
| Gain >8% | < 92.0% | 100% | 0% | 0% | 0% |

¹ Loss and gain reflected on an incremental basis, rounded to the nearest one tenth of a percent. Loss or gain >8.0% still results in risk sharing reconciliation for the loss or gain between 4.1% and 8.0%.

² All EOHHS Risk Sharing shall be treated as Medicaid expenditures eligible for FMAP.

4. Risk Sharing Settlement:

CMS and EOHHS shall determine interim and final settlements of payments made by the Contractor to CMS and EOHHS or by CMS and EOHHS to the Contractor under this section. Interim and final

settlement amounts shall be calculated for each Demonstration Year; however, any Demonstration Year 2 payment shall be contingent upon Contractor participation in Demonstration Year 3, unless otherwise permitted by CMS and MassHealth.

- a. Interim Settlement: CMS and EOHHS shall determine an interim settlement based on 3 months of claims run-out beyond the end of each Demonstration Year and an incurred but not reported (IBNR) estimate.
 - (1) For the purpose of the interim settlement, the Contractor will jointly provide to CMS and EOHHS the following within 120 calendar days following the end of each Demonstration Year:
 - (A) A complete and accurate report of Actual Non-Service Expenditures for Enrollees in the Demonstration Year;
 - (B) A complete and accurate report of Actual Service Expenditures, based on category of services, for Enrollees based on claims incurred for the Demonstration Year, including 3 months of claims run-out;
 - (C) The Contractor's best estimate of any claims incurred but not reported (IBNR) for claims run-out beyond 3 months and any IBNR completion factors by category of service;
 - (D) A complete and accurate report of Part D revenue and expenditure, as required under 42 C.F.R. 423.514(a)(1);
 - (E) A complete and accurate report reflecting any recoveries from other payors outside of claims adjudication that are not reflected in the reported Actual Service Expenditures, including those pursuant to coordination of benefits, third party liability, rebates, supplemental payments, adjustments in claims paid, adjustments from providers including adjustments to claims paid, and Enrollee contributions to care (as described in **Section 4.3.B**);
 - (F) A complete and accurate report of net reinsurance costs that are included in the reported Actual Non-Service Expenditures; and

- (G) Encounter data, as required under **Section 2.17** of this Contract.
- (2) CMS and EOHHS shall provide the Contractor with an interim reconciliation under the risk corridor arrangement within 150 calendar days following the end of each Demonstration Year, unless otherwise permitted by CMS and EOHHS. Any balance due between the Contractor and CMS and EOHHS shall be paid within 60 days of the Contractor receiving the interim reconciliation from CMS and EOHHS.
- (3) The Contractor shall provide any additional information upon request from CMS and EOHHS necessary to calculate Total Adjusted Expenditures.
- b. Final Settlement: CMS and EOHHS shall determine a final settlement based on 15 months of claims run-out and an IBNR estimate.
 - (1) For the purpose of the final settlement, the Contractor will jointly provide to CMS and EOHHS the following within 480 calendar days following the end of each Demonstration Year:
 - (A) A complete and accurate report of Actual Non-Service Expenditures for Enrollees in the Demonstration Year;
 - (B) A complete and accurate report of Actual Service Expenditures, based on category of services, for Enrollees based on claims incurred for the Demonstration Year, including 15 months of claims run-out;
 - (C) The Contractor's best estimate of any claims incurred but not reported for claims run-out beyond 15 months and any IBNR completion factors by category of service;
 - (D) A complete and accurate report of Part D revenue and expenditure, as required under 42 CFR 423.514(a)(1) of this Contract;
 - (E) A complete and accurate report reflecting any recoveries from other payors outside of claims adjudication that are

not reflected in the reported Actual Service Expenditures, including those pursuant to coordination of benefits, third party liability, rebates, supplemental payments, adjustments in claims paid, adjustments from providers including adjustments to claims paid, and Enrollee contributions to care (as described in **Section 4.3.B**);

(F) A complete and accurate report of net reinsurance costs that are included in the reported Actual Non-Service Expenditures;

(G) Financial Reports;

(H) Encounter data, as required under **Section 2.17** of this Contract;

(I) CMS and EOHHS shall provide the Contractor with a final reconciliation under the risk corridor arrangement by within 510 calendar days following the end of each Demonstration Year, unless otherwise permitted by CMS and EOHHS. Any balance due between the Contractor and CMS and EOHHS, net of any payments made for the interim settlement, shall be paid within 60 days of the Contractor receiving the final reconciliation from CMS and EOHHS; and

(J) The Contractor shall provide any additional information upon request from CMS and EOHHS necessary to calculate Total Adjusted Expenditures.

4. This Addendum adds the following new requirements in Appendix N, immediately below “For the purpose of the Final Settlement, the Contractor will jointly provide to CMS and EOHHS requested information within 480 calendar days following the end of Demonstration Year 1. (Section 4.6.B)”:

- For the purpose of the Interim Settlement, the Contractor will jointly provide to CMS and EOHHS requested information within 120 calendar days following the end of Demonstration Year 2 and Demonstration Year 3. (**Section 4.6.B**)

- For the purpose of the Final Settlement, the Contractor will jointly provide to CMS and EOHHS requested information within 480 calendar days following the end of Demonstration Year 2 and Demonstration Year 3.
(Section 4.6.B)

In Witness Whereof, CMS, EOHHS, and the Contractor have caused this Agreement to be executed by their respective authorized officers:

(Insert Contractor Signatory Name and Title)

(Date)

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In Witness Whereof, CMS, EOHHS, and the Contractor have caused this Agreement to be executed by their respective authorized officers:

(Authorized Signatory)
(Title)

(Date)

(Authorized Signatory)
(Title)

(Date)

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In Witness Whereof, CMS, EOHHS, and the Contractor have caused this Agreement to be executed by their respective authorized officers:

(Authorized Signatory)
(Title)

(Date)

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