

SMDL# 01-028

August 28, 2001

Dear State Medicaid Director:

In September 2000, the Centers for Medicare & Medicaid Services (CMS), the agency formerly known as the Health Care Financing Administration, awarded a contract to Actuarial Research Corporation (ARC), with a subcontract to the University of Maryland's Center for Health Program Development and Management (CHPDM), to provide technical assistance to states concerning health-based risk adjustment payment systems for Medicaid. Both organizations have experience consulting with organizations that have successfully developed and implemented risk adjustment payment models. The primary objective of the project is to assist states in creating equitable payment systems for their managed care organizations and prepaid health plans by risk adjusting payments using health status and other characteristics of Medicaid beneficiaries.

On Sunday, October 14, 2001, from 3:00 p.m. to 5:00 p.m., CMS invites you, or a designee, to attend an executive level session on this topic for State Medicaid Directors at the fall American Public Human Services Association meeting at the Hyatt Regency Bethesda in Bethesda, Maryland. John Kaelin, executive director of CHPDM, will facilitate this session, which will include a reactor panel of your colleagues who have successfully implemented risk adjustment payment models. The discussion will provide practical information about the opportunities and risks of adopting a health-based risk adjustment payment system.

Currently, 10 states have implemented comprehensive health based risk adjustment payment systems. The CHPDM surveyed these states about their experiences and, in April 2001, held the first of two intensive forums with these states. The second forum will be held in September 2001. The goal of the forums is to address key issues that states must tackle when moving to risk adjustment payment systems. State staff exchanged information on issues, challenges, experiences, tools, and the information systems capacity needed to implement risk adjustment payment models.

The product of these forums will be a comprehensive guidance manual for states on choices and challenges they may face when developing and implementing these systems.

If you want to learn more about risk adjustment and its principles or are preparing to implement a risk adjustment payment methodology, you will greatly benefit from this session. Please call John Mark Young, CMS Project Officer, at (410) 786-0505 by October 5, 2001, to confirm your, or a designee's attendance. Also, feel free to call John if you have questions about this session.

Sincerely,

/s/

Dennis G. Smith
Center for Medicaid and State Operations

Enclosure

cc:

CMS Regional Administrators

CMS Associate Regional Administrators for Medicaid and State Operations

Lee Partridge
Director, Health Policy Unit
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors' Association

Brent Ewig
Senior Director, Access Policy
Association of State and Territorial Officials

Sally McElroy
Associate Legislative Director
National Association of Counties