

DEPARTMENT OF HEALTH & HUMAN  
SERVICES Health Care Financing Administration

Center for Medicaid and State Operations 7500 Security Boulevard Baltimore, MD 21244-1850

December 14, 2000

Dear State Medicaid Director:

The Health Care Financing Administration (HCFA) has 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 risk adjustment payment systems for Medicaid. These organizations have significant experience in consulting with entities 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. The technical assistance will address the generic elements of risk adjustment payment systems, as well as particular models available for States to adopt.

Currently, we are aware that eight States (Colorado, Delaware, Maryland, Michigan, Minnesota, New Jersey, Oregon, Utah) have implemented comprehensive risk adjustment payment systems. The CHPDM will survey these States about their experiences and invite them to participate in two forums. The two intensive forums will be held in February and July of 2001. The forums will address key issues that States must tackle when moving to risk adjustment payment systems. Staff from the eight States will have the opportunity to exchange information on issues, challenges, experiences, tools, and information systems capacity needed to implement risk adjustment payment models.

The product of these forums will be a comprehensive guidance manual for States that are considering or developing risk adjustment payment systems. We expect the manual to be completed in December 2001. Its content will include elements of risk adjustment that a State should consider when developing its system, including staff resources, data, systems design, and cost.

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If you have questions, please call John Mark Young, HCFA Project Officer at (410) 786-0505.

Sincerely,

/s/

Timothy M. Westmoreland

Director

cc:  
HCFA Regional Administrators

HCFA 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

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