



STATE OF VERMONT  
Vermont Health Access

**MEMORANDUM**

**TO: Joint Fiscal Committee**

**FROM: Cory Gustafson, Commissioner, Department of Vermont Health Access**

**DATE: July 21, 2017**

**SUBJECT: 2016 Qualified Health Plan Reconciliation**

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The Joint Fiscal Office's Medicaid Year-end report released July 21, 2017 contains information related to Qualified Health Plan reconciliation between Blue Cross Blue Shield of Vermont (BCBSVT) and the State of Vermont for calendar year 2016. This memo intends to provide Legislators with greater detail related to the reconciliation and its status.

**Why reconciliation payment?**

As Vermonters' incomes and household situations change, the programs that they qualify for can change – from full price for private health insurance to receiving financial assistance to qualifying for public health coverage through Medicaid. If the change isn't made promptly across all systems, claims could be submitted to the incorrect insurer or under the wrong circumstance. The reconciliation process was instituted in response to the high volume of discrepancies between systems and operational backlogs that lead to delayed processing when Vermont Health Connect (VHC) launched in 2014. Vermont has made two reconciliation payments to BCBSVT. The last payment of \$3.5 million was made at the end of 2016 for the 2015 plan year. The reconciliation in process now is related to the 2016 plan year.

**How much is the current estimate?**

**\$10.3 million-** The Department of Vermont Health Access received a letter from Blue Cross Blue Shield of Vermont on July 6, 2017 stating that in accordance with an MOU signed December 19, 2016, the State of Vermont owed BCBSVT \$8.9 million in premiums related to periods of enrollment that were retroactively cancelled for reasons not related to non-payment. The letter also stated that Blue Cross Blue Shield of Vermont is due \$1.39 million for outstanding accounts receivable. The numbers will be reviewed by an independent third party for validation, they have 60 days to complete their work once a contract is signed.

**Why is it higher than last year?**

**Change in methodology-**For the 2014 and 2015 plan years, the reconciliation process and payments were based on claims. For 2016, the previous administration agreed to pay Blue Cross Blue Shield of Vermont based on premiums rather than claims incurred for retroactive periods, resulting in a higher dollar value in 2016 compared to previous years.

**Large volume of retroactivity-** Vermont Health Connect accrued significant backlogs due to system issues 2014 and 2015. 2016 was a year of stabilization for VHC, with the State implementing some significant operational and system improvements. As a result, the State could eliminate its backlogs by the end of 2016. However, addressing operational backlogs resulted in a great deal of retroactivity in 2016 because the State processed eligibility and plan updates based on the date originally reported by the customer.

**What can we expect next year?**

In 2017, the current plan year, Vermont Health Connect has no significant operational backlogs and is reconciling with carriers monthly. As a result, the State believes that this will be the final year that financial reconciliation payments will need to occur. Specifically:

- 1)VHC is current on processing, with no significant operational backlogs. Over 98 percent of members' change requests made between May 16<sup>th</sup> and June 15<sup>th</sup> met the target of being completed by the next invoice (July 5).
- 2) The integration of member cases from the VHC system to partner systems is working well. Notably, the VHC-Carrier error rate fell below 1% for the second time this year in June. The 0.9% error rate was more than four times better than last June's 4.0% rate. All other key integration metrics are also surpassing target levels.
- 3) Reconciliation between VHC, BCBSVT, and payment processor WEX has been conducted monthly throughout 2017 and has consistently met its targets. In June, the Reconciliation team completed work on 100% of discrepancies with the Blue Cross Blue Shield of Vermont and Northeast Delta Dental systems within 30 days.