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Latest News for Health Insurance Exchange

Final 2018 Regulations for Patient Protection & Affordable Care Act

December 19, 2016

On December 16th, CMS released final regulations for the Patient Protection and Affordable Care Act in HHS' Notice of Benefit and Payment Parameters for 2018. This document highlights the proposed items affecting risk adjustments.

Risk Adjustment Model

HHS made the following updates to the risk adjustment model:

Partial Year Enrollment

- Recalibrating the 2017 risk adjustment adult model to reflect the incorporation of partial year enrollment duration (ED) factors—*Reference pages 55, 58*
- Incorporating partial year enrollment duration factors in the 2018 risk adjustment adult model (not applicable to child or infant models)—*Reference page 60*

Rx Model Additions

- Incorporating a small number of prescription drugs in the risk adjustment model for the 2018 benefit year—*Reference page 75*
- A small number of drug-diagnosis pairs (RXC-HCC) will be included in the proposed hybrid adult risk adjustment model, beginning in the 2018 benefit year—*Reference page 85*

High Risk Enrollee Pooling

- Altering the risk adjustment methodology to better account for high-cost enrollees—*Reference page 92*
  - ◊ Adjusting the risk adjustment model for high-cost enrollees by excluding a percentage of costs above a certain threshold level in the calculation of enrollee-level plan liability risk scores so that risk adjustment factors are calculated without the high-cost risk—*Reference page 83*
  - ◊ A uniform percentage of premium adjustment across all States for the individual (including catastrophic and non-catastrophic plans and merged market plans) and small group markets—*Reference page 91*
  - ◊ Applying an adjustment for each issuer of a risk adjustment covered plan to account for a percentage of all high-cost enrollees' costs above an established threshold of $1 million and a coinsurance rate of 60 percent (where the issuer would be liable for 40 percent of costs above $1 million) for the 2018 benefit year (proposed at $2 million)—*Reference page 94*

Risk Adjustment Model Recalibrations

- Continue using blended, three-year data coefficients for 2018 benefit year recalibration—*Reference page 102*
- To provide draft coefficients in an annual Payment Notice, as well as the intended datasets to be used to calculate final coefficients and the date by which the final coefficients will be released in guidance—*Reference page 103*

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Risk Adjustment Model Recalibrations, cont.

- In addition to the RXCs, the Chronic Hepatitis HCC will be separated into two new HCCs for Hepatitis C and Hepatitis A and B, in the adult, child, and infant models—*Reference page 107*
- Continue including an adjustment for the receipt of cost-sharing reductions in the model to account for increased plan liability due to increased utilization of health care services by enrollees receiving cost-sharing reductions—*Reference page 142*
- Recalibrating the risk adjustment model using masked, enrollee-level EDGE server data from the 2016 benefit year beginning for the 2019 benefit year—*Reference page 153*
- Finalized all diagnosis and interaction factors—*Reference pages 108-128, 133-142*
- Finalized all Enrollment Duration factors but one—*Reference pages 128-132*

Other Considerations

- Use of a constrained regression approach, under which HHS would estimate the adult risk adjustment model using only the age-sex variables and then re-estimate the model using the full set of HCCs, while constraining the value of the age-sex coefficients to be same as those from the first estimation—*Reference pages 98-99*
- Creating separate models for enrollees with and without HCCs to derive two separate sets of age-sex coefficients, as well as an approach in which HHS would directly adjust plan liability risk scores outside the model for these subpopulations—*Reference pages 98-99*
- Use of 2013, 2014, and 2015 MarketScan® data for 2018 risk adjustment, publishing the final, blended coefficients in the early spring of 2019, prior to final 2018 benefit year risk adjustment calculations (proposed for 2015, 2016, and 27)—*Reference page 104*

R-Squared Statistic

- Blend the coefficients from separately solved models based on MarketScan® 2013 and 2014 data in the proposed rule
  - R-squared statistics have been published for each model and year to verify their statistical validity—*Reference page 144*

Risk Adjustment User Fee

- Amend §153.610(f)(2) to revise the calculation of the risk adjustment user fee to be equal to the product of an issuer's billable monthly enrollment (billable member months) and the per enrollee per month risk adjustment user fee specified in the annual HHS notice of benefit and payment parameters—*Reference page 162*
  - HHS will implement this change beginning with the 2016 benefit year risk adjustment user fee collection, which will be collected in 2017, maintaining the user fee rate set in the 2016 and 2017 Payment Notices—*Reference page 162*
  - Risk adjustment user fee will *increase* from $1.56 per enrollee per year to $1.68 per billable enrollee per year for 2018 year (proposed to *decrease* to $1.32)—*Reference pages 163-164*

Payment Transfer Formula

- Account for high-cost enrollees through transfer terms (a payment term and a charge term) that would be calculated separately from the State transfer formula—*Reference page 146*
- Statewide average premium in risk adjustment transfer formula will be reduced by a fixed rate of 14%—*Reference pages 148-150*

CSR

- 2.8% increase above the 2017 maximum annual limitation parameters on cost sharing—*Reference page 296*

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RADV

- Establishing a materiality threshold which releases qualified issuers from the annual Initial Validation Audit requirements; issuers at or below the threshold of total premiums of $15 million would instead be subject to an IVA approximately once every three years—*Reference page 336*
  - ◊ Issuers not required to perform an Initial Validation Audit would still have their payments adjusted based on an error rate)—*Reference pages 165-167*
  - ◊ Considering an error rate for an issuer not subject to an Initial Validation Audit in a particular year that could be the average negative error rate nationally, or the average negative error rate within a State, or its error rate in past audits)—*Reference page 166*
- Require issuers to provide an Initial Validation Audit entity on all paid pharmacy claims for an enrollee, against which the Initial Validation Audit entity will validate the associated prescription drug class in the HHS risk adjustment methodology and the impact on the enrollee's risk score—*Reference page 169*
- Clarifying that an issuer may appeal the findings of a Second Validation Audit or the calculation of a risk score error rate—*Reference page 170*
- Setting a deadline of 30 calendar days to request reconsideration from the date of the notification of the findings of a Second Validation Audit and the calculation of a risk score error rate as a result of Risk Adjustment Data Validation—*Reference page 337*
- Codification of the process by which an issuer may file an appeal of the findings of a Second Validation Audit or the calculation of a risk score error rate—*Reference pages 170-171*
- Providing an administrative appeals right to issuers to contest only a processing error by HHS, HHS' incorrect application of the relevant methodology, or HHS' mathematical error with respect to the findings of a Second Validation Audit as a result of Risk Adjustment Data Validation; or the calculation of a risk score error rate as a result of Risk Adjustment Data Validation (limited to administrative appeals with respect to risk adjustment data for the 2016 benefit year and beyond) —*Reference page 171*

Miscellaneous

- Communicating with States that use a combined individual and small group experience to establish a market-adjusted index rate to determine whether they elect to be treated as a merged market for purposes of HHS risk adjustment—*Reference page 53-54*
- Issuers must submit or make accessible all required risk adjustment data for its risk adjustment covered plans in accordance with the risk adjustment data collection approach established by the State, or by HHS on behalf of the State, including any data that is "protected health information" as that term is defined at 45 CFR 160.103 for purposes of recalibrating the HHS risk adjustment model, in the form and manner specified by HHS—*Reference page 371*

CONTACT US

We're pleased to bring you this important insight. Should you have any questions about this information, please do not hesitate to contact your Cognisight Account Manager or:

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