

# Latest News for Health Insurance Exchange

March 1, 2016

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## Final Regulations for the Patient Protection and Affordable Care Act

On February 29, 2016, CCIIO posted final regulations for the Patient Protection and Affordable Care Act as announced in HHS' Notice of Benefit and Payment Parameters for 2017. This document highlights the final items affecting risk adjustments.

### Risk Adjustment Model Recalibrations

HHS will continue use of the same risk adjustment model with the changes below:

- ◆ Claims data from 2012/2013/2014 Truven Health Analytics
- ◆ To accurately account for conditions with high-cost treatments, HHS will also trend specialty and traditional drug expenditures at separate growth rates from medical expenditures

HHS will also explore incorporating the following:

- ◆ Preventive services into simulation of plan liability to reflect more current data
- ◆ Enrollee-level data in future risk adjustment recalibrations
- ◆ Whether accounting for socioeconomic status is feasible in the future
- ◆ Prescription drugs in the risk adjustment model

### R-Squared Statistic for HHS Risk Adjustment Model

The R-squared statistics for 2014 market scan data have been added and 2011 has dropped off. Table 8, page 88 has the R-squared statistics.

### Risk Adjustment User Fee

The risk adjustment user fee would decrease from \$1.75 per enrollee per year to \$1.56 per enrollee per year for 2017.

### Default Risk Adjustment Charges

HHS will raise the default risk adjustment charge from the 75th percentile to the 90th percentile of absolute transfers nationwide as a percent of state average premium beginning in the 2015 benefit year.

HHS finalized a separate, lower default risk adjustment charge beginning for the 2016 benefit year for small issuers, defined as issuers with 500 or fewer billable member months in a state's individual and small group markets, in recognition of the disproportionately high administrative costs of setting up an EDGE server relative to the transfers that would occur.

### Payment Transfer Formula

There are no changes to the payment transfer formula.

### CSR

The proposed cost-sharing reduction adjustment factors for 2017 risk adjustment are unchanged from those finalized in the 2016 Payment Notice. Table 7, page 86 details the cost-sharing reduction adjustments.

### Supplemental Chart Reviews, Prospective Assessments, & RADV

There was no language in the final regulations regarding RADV or the 6-step process that includes Initial Validation Audits (IVAs). These items continue to be addressed through REGTAP. ■

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- RADV/IVA
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