



KAY IVEY  
GOVERNOR

MARK FOWLER  
ACTING COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351  
TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: www.aldoi.gov

DEPUTY COMMISSIONER  
JIMMY W. GUNN

CHIEF EXAMINER  
SHEILA TRAVIS

STATE FIRE MARSHAL  
SCOTT F. PILGREEN

GENERAL COUNSEL  
REYN NORMAN

August 1, 2022

The Honorable Xavier Becerra  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Ave., S.W.  
Washington, D.C. 20201

Dear Mr. Secretary,

The Alabama Department of Insurance (DOI) again provides additional support for the DOI's initial request made on November 27, 2017, to modify Affordable Care Act (ACA) Small Group Market Risk Adjustment transfers. The DOI continues to believe the national risk adjustment program is unable to work as precisely in the Alabama Market. We provided support for our initial request the past four years. As before, we do not assert that the risk adjustment formula is flawed, only that it produces imprecise results in Alabama. Therefore, we ask that you continue to rule favorably upon our request to reduce small group risk adjustment transfers by 50% in addition to the administrative costs reduction, for the 2024 benefit year.

We also provide support for our initial request made on July 30, 2019, to modify ACA Individual Market Risk Adjustment transfers and ask that you continue to rule favorably upon our request to reduce individual market risk adjustment transfers by 50% in addition to the administrative costs reduction, for both catastrophic and non-catastrophic risk pools.

Impact of Risk Adjustment Transfer Reductions for the Small Group Market

Alabama believes removing one half of the calculated risk adjustment transfers would provide additional stability to our market. We have four issuers in the Small Group Market in Alabama, still representing just three corporate groups. The four issuers that have experience to report for 2018, 2019, 2020 and 2021 are Blue Cross and Blue Shield of Alabama, (BCBSAL), UnitedHealthcare of Alabama, Inc., (UHCA), UnitedHealthcare Insurance Company (UHIC), and VIVA Health, Inc., (VIVA). DOI provides the same formatted two tables to illustrate the financial impact of reductions in transfers.

Table 1 on page 4 provides data on premium, claims and transfers for these four issuers in the Small Group Market for 2018, 2019, 2020 and 2021 benefit years. Table 2 on page 5 then shows how a reduction in transfers by 50% would impact financial results.

De Minimis Impact on Premium in the Small Group Market

The Federal regulation asks that we demonstrate our proposal would have a de minimis impact on necessary premium. We have relied upon rate filings to evaluate the impact of reducing risk adjustment transfers. The impact of the reduction in transfers did not result in an adjustment to any rate exceeding a de minimis level of increase, (i.e. not more than one percentage premium).

### Future Expectations for the Small Group Market

We continue to lack credible information to project results beyond what our issuers have provided in their rate filings. However, based upon the results of the last four years we do anticipate that large transfers will continue to flow from the small issuer (about 2% market share) to the issuer with a dominant market share (about 98% market share). A reduction was approved in 2019, 2020, 2021 and 2022 for 2020, 2021, 2022 and 2023 benefit years, so rates for 2023 were developed anticipating the reduction.

### Impact of Risk Adjustment Transfer Reductions for the Individual Market

Alabama believes removing one half of the calculated risk adjustment transfers would provide additional stability to our market. We have two issuers in the Individual Market in Alabama. The two issuers are Blue Cross and Blue Shield of Alabama, (BCBSAL), and Bright Health Insurance Company, Inc., (BHIC). Starting in 2022, we have a new issuer to join the Individual Market in Alabama. The new issuer is UnitedHealthcare Ins Co (UHIC). Starting in 2023, we will have two new issuers join the Individual Market in Alabama. The new issuers are US Health and Life Insurance Company and Centene Corporation. DOI provides the same formatted two tables to illustrate the financial impact of reductions in transfers.

On page 6, Table 3 provides data on premiums, claims, and transfers for the current two issuers in the Individual Market for 2018, 2019, 2020, and 2021 benefit years. Table 4 then shows how a reduction in transfers by 50% would impact financial results.

### De Minimis Impact on Premium in the Individual Market

The Federal regulation asks that we demonstrate our proposal would have a de minimis impact on necessary premium. We have relied upon rate filings to evaluate the impact of reducing risk adjustment transfers. The impact of the reduction in transfers did not result in an adjustment to any rate exceeding a de minimis level of increase, (i.e. not more than one percentage premium).

### Future Expectations for the Individual Market

We continue to lack credible information to project results beyond what our issuers have provided in their rate filings. However, based upon the results of the last three years we do anticipate that large transfers will continue to flow from the small issuer (about 1% market share) to the issuer with a dominant market share (about 99% market share). A reduction was approved in 2021 and 2022 for 2022 and 2023 benefit years, so rates for 2023 were developed anticipating the reduction.

### Conclusion

In summary, we continue to believe that in a market like Alabama's, with an extremely unbalanced market share, the risk adjustment program lacks the precision it exhibits in other markets.

If our request is not approved, we believe we will have only two corporate groups providing coverage in the Alabama Small Group Market and one of our current carriers will be leaving Individual Market.



However, we believe that if we continue to have the modified risk adjustment program transferring one half the calculated transfers, we may grow the market in Alabama. We believe our carrier issuers will remain in the market.

We ask that you continue your approval of our request for flexibility on risk adjustment transfers, extending it for the 2024 benefit year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Fowler', written in a cursive style.

Mark Fowler  
Acting Commissioner

cc: Jeff Grant, Deputy Director of Operations, CCIIO  
Jeff Wu, Deputy Director for Policy, CCIIO

Table 1: Alabama Small Group Premium, Claims, and Risk Adjustment Transfers								
2021	(1)		(2)	(2)/(1)	(3)	abs{(3)/(1)}	(4)=(2)-(3)	(4)/(1)
	Premium	Share	Claim	%	100% Transfer	%	Combined	%
BCBSAL					2,896,196			
UHCA					(1,095,485)			
UHIC					(808,746)			
VIVA					(991,965)			
Total					-			
Non-BCBSAL					(2,896,196)			
2020								
BCBSAL					(433,571)			
UHCA					(336,057)			
UHIC					857,611			
VIVA					(87,982)			
Total					-			
Non-BCBSAL					433,571			
2019								
BCBSAL					2,173,185			
UHCA					(1,960,118)			
UHIC					154,618			
VIVA					(367,685)			
Total					-			
Non-BCBSAL					(2,173,185)			
2018								
BCBSAL					2,587,810			
UHCA					(920,616)			
UHIC					(1,087,486)			
VIVA					(579,708)			
Total					-			
Non-BCBSAL					(2,587,810)			



Table 2: Alabama Small Group Premium, Claims, and Modified Risk Adjustment Transfers (adjusted)								
2021	(1)		(2)	(2)/(1)	(3)	abs[(3)/(1)]	(4)=(2)-(3)	(4)/(1)
	Premium	Share	Claim	%	50% Transfer	%	Combined	%
BCBSAL					1,448,098			
UHCA					(547,743)			
UHIC					(404,373)			
VIVA					(495,983)			
Total					-			
Non-BCBSAL					(1,448,098)			
2020								
BCBSAL					(216,786)			
UHCA					(168,028)			
UHIC					428,805			
VIVA					(43,991)			
Total					-			
Non-BCBSAL					216,786			
2019								
BCBSAL					1,086,593			
UHCA					(980,059)			
UHIC					77,309			
VIVA					(183,843)			
Total					-			
Non-BCBSAL					(1,086,593)			
2018								
BCBSAL					1,293,905			
UHCA					(460,308)			
UHIC					(543,743)			
VIVA					(289,854)			
Total					-			
Non-BCBSAL					(1,293,905)			

Table 3: Alabama Individual Market Premium, Claims, and Risk Adjustment Transfers										
	(1)		(2)	(2)/(1)	(3)	(4)	(5)=(3)-(4)	ABS[(5)/(11)]	(6)=(2)-(5)	(6)/(1)
	Premium	Share	Claim	%	100% Transfer			%	Combined	%
					Non-Catastrophic	Catastrophic	All risk pools			
2021										
BCBSAL					8,054,780	(45,095)	8,009,685			
BHIC					(8,054,780)	45,095	(8,009,685)			
Total					-	-	-			
2020										
BCBSAL					9,092,597	48,481	9,141,078			
BHIC					(9,092,597)	(48,481)	(9,141,078)			
Total					-	-	-			
2019										
BCBSAL					6,135,530	(47,856)	6,087,674			
BHIC					(6,135,530)	47,856	(6,087,674)			
Total					-	-	-			
2018										
BCBSAL					2,970,458	13,570	2,984,028			
BHIC					(2,970,458)	(13,570)	(2,984,028)			
Total					-	-	-			
Table 4: Alabama Individual Market Premium, Claims, and Modified Risk Adjustment Transfers (adjusted)										
	(1)		(2)	(2)/(1)	(3)	(4)	(5)=(3)-(4)	ABS[(5)/(11)]	(6)=(2)-(5)	(6)/(1)
	Premium	Share	Claim	%	50% Transfer			%	Combined	%
					Non-Catastrophic	Catastrophic	All risk pools			
2021										
BCBSAL					4,027,390	(22,548)	4,004,843			
BHIC					(4,027,390)	22,548	(4,004,843)			
Total					-	-	-			
2020										
BCBSAL					4,546,299	24,241	4,570,539			
BHIC					(4,546,299)	(24,241)	(4,570,539)			
Total					-	-	-			
2019										
BCBSAL					3,067,765	(23,928)	3,043,837			
BHIC					(3,067,765)	23,928	(3,043,837)			
Total					-	-	-			
2018										
BCBSAL					1,485,229	6,785	1,492,014			
BHIC					(1,485,229)	(6,785)	(1,492,014)			
Total					-	-	-			

Data from these tables is taken from issuer's "Supplemental Health Care Exhibit", (SHCE) published by the National Association of Insurance Commissioners, and from the "Summary Report on Permanent Risk Adjustment Transfers", (Summary Report), released by the Center for Consumer Information and Insurance Oversight.

- Premium is developed from Part 1, line 1.1 of the SHCE with adjustments to remove Risk Adjustment accruals as identified in the table following Part 1.
- Claims are taken from Part 1, line 5.0 of the SHCE.
- Transfers are taken from Table 4 of section VI of the Summary Report.