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Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
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INTERIM SUMMARY REPORT ON RISK ADJUSTMENT FOR THE 2018 BENEFIT YEAR

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I. Background

Section 1343 of the Patient Protection and Affordable Care Act (PPACA) establishes a permanent risk adjustment program to provide payments to health insurance issuers that offer plans that attract higher-than-average risk enrollees, such as those with chronic conditions, thereby reducing the incentive for issuers to structure their plan benefit designs or marketing strategies to avoid such enrollees and lessening the potential influence of risk selection on the premiums that plans charge. HHS regulations implementing section 1343 require that issuers are notified of the program's results by June 30th every year. In response to issuer feedback, HHS also began releasing an interim summary report to provide issuers additional information on the progress of the risk adjustment program for the applicable benefit year prior to this date.

The risk adjustment methodology developed by the Department of Health and Human Services (HHS) is based on the premise that premiums should reflect differences in plan benefits, quality, and efficiency rather than the health status of the enrolled population. The HHS-operated risk adjustment methodology determines each plan's risk adjustment transfer amount based on the actuarial risk of enrollees, the actuarial value (AV) of coverage, utilization and the cost of doing business in local rating areas, and the effect of different cost-sharing levels on utilization. For the 2018 benefit year, HHS applied this methodology in all 50 states and the District of Columbia.

Beginning for the 2018 benefit year, HHS introduced the high-cost risk pool (HCRP) within the HHS-operated risk adjustment methodology. The HCRP reimburses issuers of risk adjustment covered plans for a portion of each enrollee's aggregated issuer plan paid amounts that meet certain parameters. Because the interim summary risk adjustment report is based on issuers submitting at least 90% of three quarters of 2018 benefit year claims data, we expect that many issuers will submit their more expensive and complicated claims towards the end of the data submission period. Therefore, HCRP interim estimates have not been included in the interim summary risk adjustment report.

Additionally, the 2018 benefit year is the first year risk adjustment risk scores account for certain drug classes in the risk adjustment models for adults in the individual and small group (or merged) markets.

II. Description of Data

As described in the November 15, 2018, "Evaluation of EDGE Data Submissions for the 2018 Benefit Year" bulletin,¹ HHS evaluated whether issuers provided access to EDGE server data sufficient for HHS to calculate and release an interim risk adjustment summary report for each state and the District of Columbia. HHS evaluated each issuer's data to determine if the issuer loaded at least 90% of its enrollment data and 90% of its claims data linked to enrollees (i.e., non-orphaned medical and pharmacy claims data) for the first three quarters of the 2018 benefit year (the data "quantity" evaluation). HHS also evaluated each issuer's EDGE server data to investigate outliers on a number of criteria (the data "quality" evaluation). If an issuer had a specific data outlier, the issuer was provided an opportunity to explain the outlier status. If the outlier was determined to be a true data quality issue, or if the issuer submitted no explanation, the issuer failed the data quality evaluation. As described in the bulletin, HHS will issue interim risk adjustment summary information for a state and the District of Columbia *only* if

¹ Available at: <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/EDGE-2018.pdf>.

all credible issuers in that state passed both data quantity and quality thresholds.² For the 2018 benefit year risk adjustment interim summary results, **all 50 states and the District of Columbia are eligible for the 2018 benefit year interim risk adjustment report.**

The data displayed in this report are preliminary. Final risk adjustment data may differ significantly and therefore result in significantly different magnitude and direction of the transfers from the data presented in this report. As described above, to qualify for interim risk adjustment reporting, issuers were required to submit at least 90% of three quarters of enrollment and claims data; however, many issuers have submitted more than this threshold amount. Because an issuer's risk adjustment transfer amount is dependent on the data submitted by other issuers within a state market risk pool, a stable risk score between interim and final risk adjustment may not reflect a stable risk adjustment transfer amount. The final risk adjustment transfer results and final state average calculations, based on issuers' final data submissions, may diverge from the data patterns reflected in this report.

The risk scores provided in this interim risk adjustment report will not necessarily be predictive of final 2018 benefit year risk adjustment risk scores. If an issuer wishes to use this interim information to assist in estimating the 2018 benefit year risk adjustment transfer amounts, it should do so with caution and in combination with other significant data. In particular, smaller issuers may experience a wider degree of variation, given the impact larger issuers have on transfers within a state market risk pool.

However, the data released in this report may be useful to issuers seeking additional information about the progress of the risk adjustment program prior to publication of the annual summary report by June 30th, especially for those that participate in other regulatory programs that may have earlier submission deadlines, such as rate review for certain states. This report also contains data, such as billable member months and statewide average premiums, which may have utility beyond risk scores or risk adjustment.

III. Comparison of Interim and Final Risk Adjustment Results for the 2017 Benefit Year

As we discussed in the 2017 Benefit Year Summary Risk Adjustment Report, we conducted additional analysis comparing the 2017 benefit year interim and final risk adjustment results to examine predictability and variation.³

For the 2015 benefit year, the initial year CMS provided interim risk scores, 20 states plus the District of Columbia received interim risk adjustment results. For the 2016 benefit year, 48 states plus the District of Columbia received interim results, marking a significant improvement in the quantity and quality of issuer data submissions. In addition to the significant increase in the number of issuers and states eligible for interim risk scores for the 2016 benefit year, there was also a marked improvement in predictability of transfers by risk score quartile as compared with 2015 in both the individual (including catastrophic) and small group markets. This improved predictability in the 2016 benefit year was sustained in 2017, but varied by risk score quartile compared with 2016. This improved predictability in 2016 and 2017 associated with interim risk scores reflects higher quantity and quality data earlier in the data submission process year over year, and provides more reliable estimates prior to final data submission that can be used in combination with other significant data for issuers' rate setting and

² Issuers were generally deemed credible if they had at least 0.5% market share.

³ Available at: <https://downloads.cms.gov/ccio/Summary-Report-Risk-Adjustment-2017.pdf>.

financial forecasts.

We compared the national data quantity completion rate at the data submission deadlines for the interim reports for the 2017 and 2018 benefit years, which were determined by comparing each issuer’s EDGE server data submission to their final baseline representing the full year of data for 2017 and 2018. For the 2017 benefit year interim risk adjustment estimates, we calculated a data completion of 90.7% as of the interim deadline of January 13, 2018. For the 2018 benefit year interim risk adjustment estimates, we calculated a data completion of 92.5% with a similar interim deadline of January 17, 2019. We note that depending on issuers’ data quantity submissions beyond three quarters of data for all issuers in a given state market risk pool, the estimates from interim to final could change significantly, depending on issuers’ relative portion of data submitted by the interim deadline and market share and claims costs once final data has been loaded.

In particular, the lack of a full year of claims data has an impact on risk scores which can cause them to increase from interim to final. As demonstrated in Table 1 below, 2018 benefit year interim risk scores were lower by an average of 5 percent in both the individual (including catastrophic plans) and small group markets compared to final 2017 risk adjustment. However, we also note that risk scores from different benefit years cannot be accurately compared due to changes in risk adjustment modeling from year to year. Therefore, changes in risk score from one year to another may in part be a reflection of factors other than actual changes in enrollees’ health.

Table 1. Percent Change in Select Risk Adjustment Variables, 2018 Interim to 2017 Final, in States Eligible for BY18 Interim Risk Adjustment Report

	INDIVIDUAL MARKET		SMALL GROUP MARKET	
	Mean	Standard Deviation	Mean	Standard Deviation
Plan Liability Risk Score	-4.5%	3.5%	-4.5%	3.5%
Billable Member Months	-9.2%	9.3%	3.0%	9.3%
Monthly Premiums	26.3%	11.1%	8.1%	11.1%
Age Rating Factor	3.0%	1.2%	2.6%	1.2%
Actuarial Value	-0.3%	0.8%	-0.3%	0.8%

IV. HHS-operated Risk Adjustment Program State-specific Data

Included in this report are the key elements of the risk adjustment transfer formula for the states that met the credibility requirements.

Table 2. Description of Risk Adjustment Data

DATA ELEMENT	DESCRIPTION
State Average Monthly Premium	The state average premium for state market risk pool is the weighted average monthly premium for the state market risk pool, weighted by plan share of statewide enrollment in the state market risk pool. Beginning in the 2018 benefit year, a 14% administrative cost adjustment is applied to the state average monthly premium. This value is used in the state payment transfer formula calculations of risk adjustment payments and charges.
State Average Monthly Premium Before Adjustment	The state average premium for state market risk pool is the weighted average monthly premium for the state market risk pool, weighted by plan share of statewide enrollment in the state market risk pool before the 14% administrative cost adjustment is applied. This value is for informational purposes only and is not used in the calculation of risk adjustment payments and charges.
State Average Plan Liability Risk Score (PLRS)	The state average PLRS is calculated as the summed products of PLRS and billable member months for all plans within the state market risk pool divided by total billable months for all plans within the state market risk pool.
State Average Allowable Rating Factor (ARF)	The state average ARF is calculated as the summed products of ARF and billable member months for the plans within the state market risk pool divided by total billable member months for all plans in the state market risk pool.
State Average Actuarial Value (AV)	The state average AV is calculated as the summed products of AV and billable member months for the plans within the state market risk pool divided by the total billable member months within the state market risk pool. AV corresponds with metal and catastrophic tiers as follows: *Catastrophic: 0.57 *Bronze: 0.60 *Silver: 0.70 *Gold: 0.80 *Platinum: 0.90
State Average Induced Demand Factor (IDF)	The state average IDF is calculated as the summed products of IDF and billable member months for the plans within the state market risk pool divided by the total billable member months within the state market risk pool. IDF corresponds with metal and catastrophic tiers as follows: *Catastrophic: 1.00 *Bronze: 1.00 *Silver: 1.03 *Gold: 1.08 *Platinum: 1.15
Billable Member Months	Billable member months are the member months of an individual or family policy that are included when setting the policy's premium rate.

Table 3. Interim Risk Adjustment State Averages with State Billable Member Months⁴

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
AK	Individual	\$690.87	\$803.33	1.344	1.647	0.650	1.016	200,587.4
	Small Group	\$669.01	\$777.92	1.064	1.478	0.707	1.038	133,641.9
AL	Individual	\$572.18	\$665.32	1.957	1.646	0.695	1.030	2,116,062.8
	Small Group	\$371.75	\$432.27	1.353	1.512	0.769	1.068	2,514,836.2
	Catastrophic	\$227.73	\$264.80	1.103	1.111	0.570	1.000	13,074.5
AR	Individual	\$412.92	\$480.14	1.728	1.504	0.695	1.029	3,615,783.7
	Small Group	\$356.78	\$414.86	1.277	1.448	0.787	1.076	440,794.3
	Catastrophic	\$149.84	\$174.23	0.332	1.038	0.570	1.000	3,487.0
AZ	Individual	\$554.71	\$645.02	1.479	1.720	0.675	1.023	1,711,891.0
	Small Group	\$358.84	\$417.26	1.111	1.425	0.724	1.047	1,842,734.2
	Catastrophic	\$199.20	\$231.63	0.368	0.930	0.570	1.000	5,745.4
CA	Individual	\$452.31	\$525.94	1.243	1.641	0.694	1.034	23,468,886.3
	Small Group	\$410.74	\$477.61	1.066	1.408	0.772	1.072	23,699,766.9
	Catastrophic	\$171.29	\$199.17	0.272	0.991	0.570	1.000	294,702.3
CO	Individual	\$505.08	\$587.30	1.242	1.673	0.653	1.017	2,273,126.6
	Small Group	\$383.38	\$445.79	1.025	1.398	0.725	1.047	3,037,899.1
	Catastrophic	\$199.11	\$231.52	0.374	0.997	0.570	1.000	78,572.9
CT	Individual	\$590.82	\$687.01	1.483	1.777	0.671	1.023	1,501,261.5
	Small Group	\$478.95	\$556.91	1.203	1.513	0.717	1.044	1,831,196.2
	Catastrophic	\$184.77	\$214.85	0.317	1.032	0.570	1.000	22,106.8

⁴ State catastrophic risk pools where there are no issuers offering risk adjustment covered plans are listed as “N/A.”

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
DC	Individual	\$375.02	\$436.07	1.264	1.093	0.728	1.054	190,191.6
	Small Group	\$422.38	\$491.14	1.095	1.037	0.822	1.100	919,938.9
	Catastrophic	\$96.69	\$112.43	0.266	0.735	0.570	1.000	9,156.0
DE	Individual	\$653.29	\$759.64	1.527	1.737	0.675	1.024	282,165.0
	Small Group	\$530.09	\$616.38	1.190	1.475	0.753	1.060	312,425.4
	Catastrophic	\$288.62	\$335.60	0.453	1.014	0.570	1.000	1,608.7
FL	Individual	\$513.66	\$597.28	1.500	1.678	0.673	1.023	19,285,977.1
	Small Group	\$448.11	\$521.05	1.268	1.489	0.764	1.066	3,818,820.3
	Catastrophic	\$157.38	\$183.00	0.691	1.134	0.570	1.000	9,682.4
GA	Individual	\$533.39	\$620.22	1.522	1.646	0.691	1.029	4,601,006.2
	Small Group	\$438.19	\$509.52	1.237	1.445	0.742	1.054	2,341,372.3
	Catastrophic	\$238.78	\$277.66	0.465	1.075	0.570	1.000	32,227.0
HI	Individual	\$512.78	\$596.25	1.432	1.697	0.723	1.050	347,780.6
	Small Group	\$389.56	\$452.98	1.259	1.487	0.886	1.140	505,371.1
	Catastrophic	\$158.46	\$184.26	0.150	0.954	0.570	1.000	2,574.4
IA	Individual	\$869.77	\$1,011.36	1.497	1.904	0.666	1.021	495,931.4
	Small Group	\$373.32	\$434.09	1.164	1.448	0.723	1.045	1,252,548.9
	Catastrophic	\$285.15	\$331.57	0.208	0.986	0.570	1.000	5,477.1
ID	Individual	\$448.90	\$521.97	1.304	1.612	0.663	1.021	1,165,197.4
	Small Group	\$326.10	\$379.18	1.024	1.393	0.741	1.053	658,423.1
	Catastrophic	\$148.21	\$172.34	0.516	0.965	0.570	1.000	15,994.7
IL	Individual	\$547.00	\$636.05	1.451	1.714	0.668	1.022	4,336,098.8
	Small Group	\$442.05	\$514.01	1.220	1.456	0.783	1.077	4,667,779.3
	Catastrophic	\$259.20	\$301.39	0.448	0.999	0.570	1.000	21,379.2

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
IN	Individual	\$418.94	\$487.14	1.607	1.765	0.679	1.024	1,616,903.7
	Small Group	\$441.11	\$512.92	1.222	1.479	0.721	1.044	1,307,751.7
	Catastrophic	\$288.09	\$334.99	0.372	1.033	0.570	1.000	89.3
KS	Individual	\$531.41	\$617.91	1.618	1.672	0.698	1.035	1,127,046.4
	Small Group	\$360.31	\$418.97	1.207	1.431	0.762	1.065	1,095,712.0
	Catastrophic	\$234.62	\$272.81	0.420	1.061	0.570	1.000	7,042.5
KY	Individual	\$476.33	\$553.87	1.658	1.760	0.671	1.023	926,197.3
	Small Group	\$411.19	\$478.13	1.311	1.463	0.742	1.053	761,782.6
	Catastrophic	\$163.33	\$189.92	0.336	0.988	0.570	1.000	9,955.6
LA	Individual	\$560.79	\$652.08	1.744	1.702	0.677	1.025	1,287,230.0
	Small Group	\$400.51	\$465.71	1.256	1.440	0.762	1.065	1,546,258.7
MA	Merged	\$406.48	\$472.65	1.266	1.510	0.735	1.051	8,788,161.7
	Catastrophic	\$224.03	\$260.50	0.315	1.196	0.570	1.000	12,669.3
MD	Individual	\$536.88	\$624.28	1.514	1.676	0.701	1.036	2,152,234.2
	Small Group	\$385.58	\$448.35	1.115	1.450	0.748	1.058	3,172,165.4
	Catastrophic	\$148.58	\$172.77	0.303	0.997	0.570	1.000	85,338.7
ME	Individual	\$608.54	\$707.61	1.327	1.761	0.660	1.019	866,539.9
	Small Group	\$386.50	\$449.42	1.036	1.510	0.692	1.032	621,357.1
	Catastrophic	\$193.11	\$224.55	0.442	1.123	0.570	1.000	10,592.3
MI	Individual	\$395.36	\$459.72	1.410	1.710	0.658	1.019	3,818,317.6
	Small Group	\$354.30	\$411.98	1.230	1.438	0.792	1.081	4,574,397.6
	Catastrophic	\$165.36	\$192.28	0.422	0.997	0.570	1.000	76,038.9

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
MN	Individual	\$452.27	\$525.89	1.222	1.819	0.652	1.018	1,716,665.4
	Small Group	\$400.13	\$465.27	1.049	1.471	0.739	1.054	3,386,685.3
	Catastrophic	\$150.37	\$174.85	0.276	1.016	0.570	1.000	55,080.5
MO	Individual	\$559.38	\$650.44	1.615	1.704	0.672	1.022	2,484,075.7
	Small Group	\$423.73	\$492.71	1.295	1.443	0.744	1.055	1,345,157.5
	Catastrophic	\$224.74	\$261.32	0.370	0.945	0.570	1.000	7,454.7
MS	Individual	\$552.71	\$642.68	1.800	1.655	0.706	1.034	998,829.2
	Small Group	\$357.72	\$415.95	1.131	1.384	0.758	1.061	348,893.5
MT	Individual	\$556.33	\$646.90	1.194	1.755	0.641	1.013	608,815.5
	Small Group	\$390.76	\$454.37	0.953	1.439	0.708	1.040	535,746.1
	Catastrophic	\$213.09	\$247.78	0.258	0.986	0.570	1.000	6,370.5
NC	Individual	\$669.35	\$778.31	1.460	1.667	0.684	1.027	5,674,658.0
	Small Group	\$437.08	\$508.23	1.149	1.482	0.738	1.052	1,967,886.8
	Catastrophic	\$174.79	\$203.24	0.498	1.025	0.570	1.000	153,037.5
ND	Individual	\$428.00	\$497.67	1.311	1.586	0.697	1.035	439,071.7
	Small Group	\$373.26	\$434.03	1.082	1.337	0.820	1.099	386,206.7
	Catastrophic	\$134.57	\$156.48	0.356	1.000	0.570	1.000	28,613.5
NE	Individual	\$747.51	\$869.20	1.344	1.609	0.658	1.018	978,435.0
	Small Group	\$411.24	\$478.19	1.148	1.429	0.713	1.041	576,981.5
	Catastrophic	\$298.79	\$347.44	0.597	1.042	0.570	1.000	12,844.7
NH	Individual	\$520.86	\$605.65	1.646	1.630	0.686	1.026	1,019,997.8
	Small Group	\$431.38	\$501.61	1.179	1.512	0.727	1.045	706,500.3
	Catastrophic	\$170.08	\$197.77	0.324	1.014	0.570	1.000	12,607.9

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
NJ	Individual	\$504.53	\$586.66	1.408	1.696	0.681	1.025	3,702,811.0
	Small Group	\$512.47	\$595.90	1.272	1.478	0.751	1.059	3,657,406.1
	Catastrophic	\$188.71	\$219.43	0.366	1.014	0.570	1.000	45,116.0
NM	Individual	\$447.08	\$519.86	1.438	1.803	0.711	1.040	699,879.3
	Small Group	\$420.76	\$489.26	1.156	1.493	0.768	1.067	602,042.3
	Catastrophic	\$158.63	\$184.45	0.504	0.976	0.570	1.000	3,879.5
NV	Individual	\$429.78	\$499.74	1.331	1.640	0.665	1.021	1,206,258.4
	Small Group	\$352.95	\$410.41	1.064	1.385	0.747	1.057	1,181,746.2
	Catastrophic	\$172.78	\$200.91	0.750	0.989	0.570	1.000	13,363.0
NY	Individual	\$494.01	\$574.44	1.531	0.983	0.715	1.047	3,540,849.9
	Small Group	\$595.20	\$692.09	1.547	0.975	0.771	1.072	11,017,486.7
	Catastrophic	\$161.73	\$188.06	0.254	0.995	0.570	1.000	151,784.7
OH	Individual	\$435.79	\$506.73	1.552	1.778	0.661	1.019	2,571,327.1
	Small Group	\$479.41	\$557.46	1.479	1.514	0.734	1.050	1,236,930.0
	Catastrophic	\$170.00	\$197.67	0.442	1.026	0.570	1.000	20,845.8
OK	Individual	\$587.91	\$683.62	1.861	1.630	0.673	1.023	1,653,662.7
	Small Group	\$390.10	\$453.60	1.274	1.466	0.753	1.060	1,679,613.5
	Catastrophic	\$256.83	\$298.64	1.206	1.028	0.570	1.000	5,450.4
OR	Individual	\$439.12	\$510.61	1.266	1.667	0.677	1.026	2,239,434.6
	Small Group	\$369.31	\$429.43	1.048	1.414	0.765	1.067	2,208,512.5
	Catastrophic	\$173.60	\$201.86	0.272	0.912	0.570	1.000	5,043.2
PA	Individual	\$566.46	\$658.68	1.586	1.770	0.711	1.039	5,408,331.9
	Small Group	\$443.68	\$515.91	1.353	1.494	0.788	1.079	4,941,183.5
	Catastrophic	\$206.08	\$239.63	0.401	1.029	0.570	1.000	27,735.2

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
RI	Individual	\$375.03	\$436.08	1.498	1.710	0.706	1.038	530,585.0
	Small Group	\$447.73	\$520.62	1.420	1.527	0.809	1.091	653,346.3
SC	Individual	\$557.21	\$647.92	1.701	1.699	0.677	1.024	2,393,229.4
	Small Group	\$454.08	\$527.99	1.218	1.455	0.736	1.050	807,426.6
	Catastrophic	\$189.78	\$220.68	0.398	1.056	0.570	1.000	25,731.2
SD	Individual	\$534.63	\$621.66	1.471	1.593	0.662	1.019	393,241.7
	Small Group	\$408.14	\$474.58	1.103	1.431	0.700	1.035	395,980.8
	Catastrophic	\$210.22	\$244.44	0.341	0.984	0.570	1.000	13,100.9
TN	Individual	\$692.94	\$805.75	1.878	1.748	0.677	1.023	2,443,787.5
	Small Group	\$367.64	\$427.49	1.184	1.473	0.729	1.049	2,265,223.3
	Catastrophic	\$265.50	\$308.72	0.704	1.111	0.570	1.000	2,318.3
TX	Individual	\$472.80	\$549.77	1.562	1.645	0.676	1.024	11,825,586.6
	Small Group	\$461.24	\$536.32	1.256	1.436	0.733	1.051	7,523,038.7
	Catastrophic	\$206.86	\$240.54	0.624	1.048	0.570	1.000	70,203.7
UT	Individual	\$418.33	\$486.43	1.160	1.555	0.658	1.018	2,248,399.8
	Small Group	\$315.69	\$367.08	1.027	1.413	0.758	1.061	1,471,717.0
	Catastrophic	\$180.45	\$209.82	0.403	1.153	0.570	1.000	17,453.9
VA	Individual	\$561.78	\$653.23	1.501	1.637	0.680	1.026	3,997,761.4
	Small Group	\$417.74	\$485.74	1.175	1.416	0.782	1.077	4,209,835.3
	Catastrophic	\$247.48	\$287.77	0.550	1.094	0.570	1.000	43,484.8
VT	Merged	\$482.68	\$561.26	1.396	0.981	0.739	1.056	869,648.9
	Catastrophic	\$214.18	\$249.04	0.165	0.999	0.570	1.000	3,420.3

State	Risk Pool	State Average Premium	State Average Premium Before Adjustment	State Average Plan Liability Risk Score	State Average Allowable Rating Factor	State Average Actuarial Value	State Induced Demand Factor	State Billable Member Months
WA	Individual	\$436.09	\$507.08	1.345	1.737	0.675	1.025	2,855,756.0
	Small Group	\$399.46	\$464.49	1.152	1.469	0.764	1.066	2,691,350.2
	Catastrophic	\$160.71	\$186.87	0.320	1.004	0.570	1.000	32,729.1
WI	Individual	\$643.09	\$747.78	1.477	1.847	0.677	1.026	2,449,652.5
	Small Group	\$439.20	\$510.70	1.138	1.452	0.749	1.059	1,346,803.4
	Catastrophic	\$210.95	\$245.29	0.380	1.022	0.570	1.000	23,207.7
WV	Individual	\$731.53	\$850.61	1.841	1.899	0.673	1.023	308,689.5
	Small Group	\$508.20	\$590.93	1.308	1.498	0.752	1.059	218,403.6
	Catastrophic	\$301.46	\$350.53	1.152	1.026	0.570	1.000	890.5
WY	Individual	\$827.15	\$961.80	1.539	1.628	0.724	1.047	300,896.4
	Small Group	\$493.61	\$573.96	1.091	1.385	0.718	1.042	96,854.9

Table 3 above is also included in Excel format as a separate link, titled Appendix A.

V. HHS-operated Risk Adjustment Geographic Cost Factor (GCF) – Appendix B

The purpose of the geographic cost factor (GCF) adjustment is to remove differences in premium caused by allowable geographic rating variations. GCFs are calculated for each rating area established by the state under 45 C.F.R. § 147.102(b).

The GCFs are calculated based on the observed average silver plan premium for the metal-level risk pool (calculated separately for individual and small group if the state does not have a merged market) or catastrophic plan premium for the catastrophic risk pool, in a geographic area relative to the statewide average silver or catastrophic plan premium. Calculation of the GCF involves three steps. First, the average premium is computed for each silver or catastrophic plan, as applicable, in each rating area (using the same formula that is used to compute plan premiums in the statewide average premium calculation). The second step is to generate a set of plan average premiums that standardizes the premiums for age rating. Plan premiums are standardized for age by dividing the average plan premium by the plan rating factor (calculated at the rating area level), the enrollment-weighted rating factor applied to all billable members. Lastly, a GCF is computed for each rating area. The GCF is simply the ratio of the enrollment-weighted average age-standardized premium revenue for a rating area to the overall statewide enrollment-weighted average age-standardized premium revenue for all silver

plans. The enrollment-weighted statewide average of plan GCF values will equal 1.0, so the GCF can be interpreted as the percentage by which any geographic area's costs deviate from the state average.⁵

⁵ A GCF of zero indicates no silver plans in the rating area. In final risk adjustment calculations, a GCF of zero will have an imputed value of one.