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Centers for Medicare & Medicaid Services  
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# **INTERIM SUMMARY REPORT ON RISK ADJUSTMENT FOR THE 2019 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. These payments reduce 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. In response to stakeholder feedback, HHS also began releasing an interim summary report to provide issuers and states with additional information on the progress of the risk adjustment program for the applicable benefit year prior to publication of the final report.

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, the cost of doing business in local rating areas, and the effect of different cost-sharing levels on utilization. For the 2019 benefit year, HHS applied this methodology in all 50 states and the District of Columbia.

This interim summary report on risk adjustment is based on issuers submitting at least 90% of three quarters of 2019 benefit year claims data and 90% of enrollment data for the 2019 benefit year. In the 2018 benefit year, HHS introduced the high-cost risk pool (HCRP) within the HHS-operated risk adjustment methodology, which reimburses issuers for a portion of each enrollee's aggregated plan paid amounts that meet certain parameters. As in the 2018 interim report, HCRP interim estimates have not been included because we expect that many issuers will submit their more expensive and complicated claims towards the end of the data submission period.

## II. Description of Data

As described in the November 7, 2019, "Evaluation of EDGE Data Submissions for the 2019 Benefit Year" bulletin,<sup>1</sup> HHS evaluated whether issuers provided access to EDGE server data sufficient for HHS to calculate and release an interim summary risk adjustment 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 for the full 2019 benefit year, 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 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 unresolved 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 all credible issuers in that state passed both data quantity and quality

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<sup>1</sup> Available at <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/EDGE-2019-QQ-Guidance.pdf>.

thresholds.<sup>2</sup> For the 2019 benefit year risk adjustment interim summary results, all 50 states and the District of Columbia are eligible for inclusion in the 2019 benefit year interim risk adjustment report.

The data displayed in this report are preliminary. Final risk adjustment data may differ and therefore result in significantly different magnitude and direction of the transfers from the data presented in this report. 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 for an issuer between interim and final risk adjustment may not reflect a stable risk adjustment transfer amount. In addition, many issuers submitted more than the required threshold amount described above. 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 2019 benefit year risk adjustment risk scores. If an issuer wishes to use this interim information to assist in estimating the 2019 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, 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 2018 Benefit Year**

As we discussed in the 2018 Benefit Year Risk Adjustment Summary Report, we conducted additional analysis comparing the 2018 benefit year interim and final risk adjustment results to examine predictability and variation.<sup>3</sup>

For the 2015 benefit year, the first year HHS provided interim risk scores, 20 states plus the District of Columbia received interim risk adjustment results; the following year, 48 states plus the District of Columbia received interim results.<sup>4</sup> Since the 2017 benefit year, all 50 states plus the District of Columbia have received interim results, marking a significant improvement in the

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<sup>2</sup> Issuers were deemed credible if they had at least 0.5% market share in a state.

<sup>3</sup> Available at <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Report-Risk-Adjustment-2018.pdf>.

<sup>4</sup> Massachusetts operated a state-based risk adjustment program for the 2014 through 2016 benefit years; therefore, the Commonwealth was not eligible for inclusion in the interim report issued by HHS for these benefit years. HHS began operating risk adjustment in all states (including Massachusetts) and the District of Columbia starting with the 2017 benefit year.

quantity and quality of issuer data submissions. In addition, preliminary regression modeling based on data from benefit years 2016-2018 suggests a strong predictive relationship between total transfers and risk scores from interim to final, with continued improvement from year to year. This trend reflects and depends on higher quantity and quality data earlier in the data submission process, 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 financial forecasts. This relationship between interim and final results was stronger for issuers in the individual market than those in the small group market.

We compared the national data quantity completion rate at the data submission deadlines for the interim reports for the 2018 and 2019 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 2018 and 2019. For the 2018 benefit year interim risk adjustment estimates, we calculated a data completion of 92.5% as of the interim deadline of January 17, 2019. For the 2019 benefit year interim risk adjustment estimates, we calculated a data completion of 92.0% with a similar interim deadline of January 16, 2020.

We note that depending on issuers' data quantity submissions beyond three quarters of data in a given state market risk pool, issuers' relative portion of data submitted by the interim deadline, issuers' market share, and data quality once final data has been loaded, the estimates from interim to final could still change significantly. For example, the regression modeling indicated that predictability of final risk adjustment results from interim in a given state market risk pool can be drastically reduced by a single issuer outlier with incomplete or erroneous data, even one with relatively few enrollees.

In addition to interim risk scores not reflecting the final risk scores, risk scores changes over benefit years do not necessarily reflect changes in population health risk as risk scores changes year over year are also affected by changes in plan enrollment (metal or cost sharing), coding practices, and the risk adjustment methodology. We estimate that changes in risk adjustment model updates from 2018 to 2019 benefit years will result in an overall risk score decrease after final 2019 benefit year risk scores are calculated, with most of this decrease being due to changes in recalibration data with the addition of enrollee-level EDGE data to the model recalibration.<sup>5</sup> **Therefore, risk score differences indicated below in Table 1 comparing interim 2019 and final 2018 data submission are not comparable due to data completeness and model differences by year.**

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<sup>5</sup> See the HHS Notice of Benefit and Payment Parameters for 2019; Final Rule, 83 FR 16930 at 16939 – 16952 (April 17, 2018).

**Table 1. Percent Change in Select Risk Adjustment Variables, 2019 Interim to 2018 Final<sup>6</sup>**

	<b>INDIVIDUAL MARKET<sup>7</sup></b>		<b>SMALL GROUP MARKET</b>	
	<b>Mean</b>	<b>Standard Deviation</b>	<b>Mean</b>	<b>Standard Deviation</b>
Plan Liability Risk Score	-4.2%	-5.0%	-4.5%	-4.9%
Billable Member Months	-4.6%	-5.4%	-2.4%	-1.9%
Monthly Premiums	0.4%	-0.4%	3.1%	3.8%
Age Rating Factor	0.5%	0.7%	0.4%	0.4%
Actuarial Value	0.0%	0.2%	0.3%	0.4%

<sup>6</sup> Percent change in risk score is calculated based on unadjusted risk scores. Mean percent changes are weighted by billable member months.

<sup>7</sup> Individual Market includes the Massachusetts and Vermont merged markets.

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

Included in Table 2 are the key elements of the risk adjustment state payment transfer formula for states that met the credibility requirements.

**Table 2. Description of Risk Adjustment Data**

DATA ELEMENT	DESCRIPTION
<b>State Average Monthly Premium</b>	The state average premium for a 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. 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.
<b>State Average Monthly Premium Before Adjustment</b>	The state average premium for a 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.
<b>State Average Plan Liability Risk Score (PLRS)</b>	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.
<b>State Average Allowable Rating Factor (ARF)</b>	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.
<b>State Average Actuarial Value (AV)</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• Catastrophic: 0.57</li> <li>• Bronze: 0.60</li> <li>• Silver: 0.70</li> <li>• Gold: 0.80</li> <li>• Platinum: 0.90</li> </ul>
<b>State Average Induced Demand Factor (IDF)</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• Catastrophic: 1.00</li> <li>• Bronze: 1.00</li> <li>• Silver: 1.03</li> <li>• Gold: 1.08</li> <li>• Platinum: 1.15</li> </ul>
<b>Billable Member Months</b>	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 Months<sup>8</sup>**

Table 3 below is provided in Excel format as a separate link, titled Appendix A.

State	Risk Pool	Average Premium	Average Premium Before Adjustment	Average Plan Liability Risk Score	Average Allowable Rating Factor	Average Actuarial Value	Induced Demand Factor	Billable Member Months
AK	Individual	\$636.65	\$740.30	1.359	1.631	0.669	1.025	196,672.4
	Small Group	\$688.31	\$800.36	1.103	1.481	0.721	1.044	159,526.9
AL	Individual	\$570.13	\$662.94	2.057	1.653	0.695	1.030	2,021,930.5
	Small Group	\$362.30	\$421.28	1.402	1.515	0.772	1.069	2,455,296.0
	Catastrophic	\$228.32	\$265.48	1.232	1.114	0.570	1.000	12,235.7
AR	Individual	\$399.54	\$464.58	1.774	1.525	0.695	1.029	3,308,983.6
	Small Group	\$364.38	\$423.70	1.245	1.457	0.788	1.076	513,999.5
	Catastrophic	\$163.47	\$190.09	0.380	1.008	0.570	1.000	2,423.3
AZ	Individual	\$516.44	\$600.51	1.488	1.739	0.670	1.022	1,533,126.5
	Small Group	\$380.96	\$442.97	1.120	1.429	0.726	1.048	1,685,765.3
	Catastrophic	\$220.41	\$256.29	0.490	0.979	0.570	1.000	6,103.8
CA	Individual	\$492.39	\$572.55	1.264	1.654	0.694	1.034	22,477,066.1
	Small Group	\$427.21	\$496.76	1.059	1.412	0.774	1.074	23,989,975.6
	Catastrophic	\$171.01	\$198.85	0.283	0.983	0.570	1.000	312,092.7
CO	Individual	\$526.10	\$611.74	1.288	1.686	0.650	1.016	2,220,590.3
	Small Group	\$400.96	\$466.23	1.032	1.397	0.729	1.049	3,015,334.9
	Catastrophic	\$202.70	\$235.69	0.391	0.994	0.570	1.000	59,002.0
CT	Individual	\$554.76	\$645.07	1.478	1.804	0.661	1.020	1,360,138.4
	Small Group	\$516.46	\$600.54	1.254	1.526	0.722	1.047	1,543,306.1
	Catastrophic	\$167.59	\$194.88	0.318	1.034	0.570	1.000	22,602.8
DC	Individual	\$425.16	\$494.37	1.336	1.109	0.734	1.056	178,822.6
	Small Group	\$437.91	\$509.19	1.097	1.036	0.821	1.099	943,870.4
	Catastrophic	\$106.42	\$123.74	0.298	0.737	0.570	1.000	8,420.2
DE	Individual	\$715.84	\$832.37	1.537	1.740	0.697	1.036	273,474.2
	Small Group	\$547.41	\$636.52	1.227	1.490	0.767	1.068	302,555.9
	Catastrophic	\$268.78	\$312.54	0.301	1.025	0.570	1.000	1,721.6

<sup>8</sup> States with no breakout for catastrophic risk pools did not have issuers offering risk adjustment covered plans in the catastrophic risk pool in the 2019 benefit year.

State	Risk Pool	Average Premium	Average Premium Before Adjustment	Average Plan Liability Risk Score	Average Allowable Rating Factor	Average Actuarial Value	Induced Demand Factor	Billable Member Months
FL	Individual	\$527.55	\$613.43	1.525	1.677	0.676	1.024	20,066,352.6
	Small Group	\$459.15	\$533.90	1.297	1.493	0.766	1.067	4,066,305.4
	Catastrophic	\$201.64	\$234.46	0.632	1.171	0.570	1.000	11,640.9
GA	Individual	\$518.24	\$602.61	1.547	1.655	0.686	1.027	4,640,080.7
	Small Group	\$480.41	\$558.61	1.310	1.458	0.755	1.061	1,962,667.0
	Catastrophic	\$175.72	\$204.33	0.568	1.100	0.570	1.000	41,690.1
HI	Individual	\$543.33	\$631.78	1.324	1.717	0.729	1.053	352,565.2
	Small Group	\$408.62	\$475.14	1.190	1.486	0.885	1.139	540,996.9
	Catastrophic	\$122.26	\$142.17	0.176	0.926	0.570	1.000	5,230.5
IA	Individual	\$792.61	\$921.64	1.603	1.879	0.708	1.039	545,206.9
	Small Group	\$390.47	\$454.03	1.147	1.457	0.722	1.045	1,234,414.1
	Catastrophic	\$241.91	\$281.29	0.337	0.996	0.570	1.000	3,780.2
ID	Individual	\$458.46	\$533.09	1.296	1.600	0.659	1.019	1,168,815.6
	Small Group	\$327.70	\$381.05	1.020	1.394	0.740	1.053	754,154.6
	Catastrophic	\$183.35	\$213.19	0.369	0.967	0.570	1.000	10,404.1
IL	Individual	\$549.32	\$638.74	1.499	1.733	0.671	1.024	4,017,193.8
	Small Group	\$444.18	\$516.49	1.225	1.461	0.788	1.079	4,878,376.2
	Catastrophic	\$256.27	\$297.99	0.558	0.994	0.570	1.000	20,386.4
IN	Individual	\$425.01	\$494.20	1.709	1.774	0.681	1.025	1,510,718.2
	Small Group	\$471.94	\$548.77	1.252	1.488	0.727	1.046	1,248,377.6
	Catastrophic	\$314.97	\$366.24	0.066	1.004	0.570	1.000	49.7
KS	Individual	\$562.69	\$654.30	1.714	1.684	0.705	1.038	1,047,084.3
	Small Group	\$370.74	\$431.09	1.236	1.436	0.766	1.068	1,082,077.9
	Catastrophic	\$232.72	\$270.61	0.275	1.061	0.570	1.000	4,814.2
KY	Individual	\$514.80	\$598.60	1.693	1.767	0.667	1.021	893,119.5
	Small Group	\$453.88	\$527.76	1.439	1.470	0.751	1.058	651,950.1
	Catastrophic	\$155.07	\$180.32	0.287	0.992	0.570	1.000	12,207.3
LA	Individual	\$524.88	\$610.33	1.816	1.724	0.679	1.026	1,184,384.8
	Small Group	\$407.11	\$473.38	1.257	1.444	0.767	1.068	1,557,941.0
MA	Catastrophic	\$223.37	\$259.73	0.333	1.185	0.570	1.000	14,115.9

State	Risk Pool	Average Premium	Average Premium Before Adjustment	Average Plan Liability Risk Score	Average Allowable Rating Factor	Average Actuarial Value	Induced Demand Factor	Billable Member Months
	Merged	\$413.46	\$480.76	1.252	1.517	0.729	1.047	8,949,349.6
MD	Individual	\$471.41	\$548.15	1.543	1.690	0.714	1.042	2,157,893.2
	Small Group	\$396.07	\$460.54	1.118	1.456	0.749	1.059	3,132,491.3
	Catastrophic	\$103.52	\$120.37	0.324	0.990	0.570	1.000	83,142.9
ME	Individual	\$572.63	\$665.85	1.251	1.755	0.649	1.015	782,378.2
	Small Group	\$419.43	\$487.71	1.054	1.514	0.697	1.034	591,834.1
	Catastrophic	\$181.14	\$210.63	0.539	1.117	0.570	1.000	10,841.5
MI	Individual	\$438.20	\$509.53	1.413	1.724	0.658	1.019	3,580,585.2
	Small Group	\$348.29	\$404.99	1.213	1.441	0.794	1.082	4,483,504.1
	Catastrophic	\$164.09	\$190.81	0.410	0.998	0.570	1.000	68,235.5
MN	Individual	\$388.91	\$452.22	1.237	1.808	0.660	1.021	1,755,331.4
	Small Group	\$432.96	\$503.44	1.090	1.473	0.739	1.055	3,258,356.2
	Catastrophic	\$138.32	\$160.84	0.305	1.015	0.570	1.000	50,046.6
MO	Individual	\$563.45	\$655.17	1.774	1.730	0.677	1.023	2,165,560.9
	Small Group	\$441.02	\$512.82	1.350	1.456	0.748	1.058	1,305,756.8
	Catastrophic	\$235.12	\$273.40	0.440	1.044	0.570	1.000	4,887.9
MS	Individual	\$532.18	\$618.81	1.811	1.651	0.706	1.034	1,061,111.8
	Small Group	\$361.89	\$420.80	1.102	1.384	0.760	1.062	382,097.0
MT	Individual	\$575.04	\$668.65	1.238	1.755	0.640	1.013	590,323.0
	Small Group	\$386.32	\$449.21	0.966	1.439	0.710	1.042	555,049.8
	Catastrophic	\$246.97	\$287.17	0.238	1.013	0.570	1.000	4,704.6
NC	Individual	\$634.14	\$737.37	1.483	1.667	0.684	1.027	5,467,153.7
	Small Group	\$445.99	\$518.59	1.162	1.490	0.742	1.054	2,128,731.9
	Catastrophic	\$183.31	\$213.15	0.514	1.039	0.570	1.000	104,109.3
ND	Individual	\$457.02	\$531.42	1.301	1.597	0.691	1.033	420,122.3
	Small Group	\$400.03	\$465.15	1.027	1.343	0.821	1.100	450,451.2
	Catastrophic	\$135.93	\$158.06	0.321	1.000	0.570	1.000	25,232.8
NE	Individual	\$742.62	\$863.51	1.439	1.586	0.701	1.037	1,003,939.7
	Small Group	\$440.01	\$511.64	1.138	1.439	0.712	1.041	577,983.6
	Catastrophic	\$265.37	\$308.56	0.808	1.043	0.570	1.000	9,893.7

State	Risk Pool	Average Premium	Average Premium Before Adjustment	Average Plan Liability Risk Score	Average Allowable Rating Factor	Average Actuarial Value	Induced Demand Factor	Billable Member Months
NH	Individual	\$469.53	\$545.97	1.364	1.804	0.667	1.021	515,920.8
	Small Group	\$446.22	\$518.86	1.118	1.518	0.728	1.046	689,376.3
	Catastrophic	\$139.09	\$161.73	0.256	1.022	0.570	1.000	13,865.2
NJ	Individual	\$450.15	\$523.43	1.421	1.704	0.681	1.025	3,580,531.1
	Small Group	\$528.20	\$614.18	1.279	1.483	0.750	1.059	3,499,997.8
	Catastrophic	\$164.52	\$191.30	0.248	1.018	0.570	1.000	45,427.1
NM	Individual	\$424.46	\$493.56	1.389	1.824	0.698	1.035	628,924.9
	Small Group	\$444.29	\$516.61	1.144	1.495	0.765	1.066	571,669.4
	Catastrophic	\$167.39	\$194.64	0.460	0.983	0.570	1.000	3,452.4
NV	Individual	\$428.04	\$497.72	1.391	1.658	0.665	1.021	1,120,869.1
	Small Group	\$367.31	\$427.10	1.048	1.390	0.748	1.058	1,006,198.0
	Catastrophic	\$193.59	\$225.10	0.475	0.987	0.570	1.000	9,246.5
NY	Individual	\$510.24	\$593.30	1.525	0.984	0.699	1.039	3,523,090.2
	Small Group	\$622.07	\$723.34	1.562	0.975	0.769	1.071	10,520,214.3
	Catastrophic	\$154.50	\$179.66	0.245	0.996	0.570	1.000	129,276.2
OH	Individual	\$468.41	\$544.66	1.621	1.812	0.658	1.018	2,386,194.8
	Small Group	\$527.69	\$613.59	1.589	1.526	0.740	1.054	973,014.3
	Catastrophic	\$172.71	\$200.83	0.417	1.021	0.570	1.000	26,142.1
OK	Individual	\$566.26	\$658.44	1.873	1.604	0.690	1.031	1,784,295.9
	Small Group	\$375.06	\$436.11	1.289	1.469	0.757	1.062	1,757,505.3
	Catastrophic	\$241.75	\$281.10	0.593	1.031	0.570	1.000	5,179.9
OR	Individual	\$455.02	\$529.09	1.315	1.688	0.675	1.026	2,077,415.3
	Small Group	\$377.40	\$438.83	1.045	1.409	0.766	1.067	2,246,691.7
	Catastrophic	\$150.43	\$174.91	0.187	0.942	0.570	1.000	11,007.8
PA	Individual	\$539.82	\$627.69	1.580	1.791	0.699	1.034	4,901,949.9
	Small Group	\$447.93	\$520.84	1.360	1.504	0.787	1.079	4,890,991.4
	Catastrophic	\$217.08	\$252.42	0.441	1.030	0.570	1.000	21,822.6
RI	Individual	\$396.84	\$461.44	1.513	1.714	0.708	1.039	530,581.4
	Small Group	\$467.68	\$543.82	1.411	1.532	0.818	1.096	620,320.0
SC	Individual	\$567.17	\$659.50	1.569	1.699	0.671	1.023	2,446,797.3

State	Risk Pool	Average Premium	Average Premium Before Adjustment	Average Plan Liability Risk Score	Average Allowable Rating Factor	Average Actuarial Value	Induced Demand Factor	Billable Member Months
	Small Group	\$476.57	\$554.15	1.170	1.464	0.735	1.049	811,072.0
	Catastrophic	\$185.55	\$215.75	0.396	1.048	0.570	1.000	25,908.6
SD	Individual	\$552.59	\$642.54	1.455	1.597	0.659	1.018	380,526.7
	Small Group	\$426.24	\$495.63	1.103	1.433	0.695	1.033	400,490.0
	Catastrophic	\$206.09	\$239.64	0.342	0.977	0.570	1.000	11,430.2
TN	Individual	\$571.06	\$664.03	1.925	1.765	0.665	1.020	2,192,026.0
	Small Group	\$373.65	\$434.47	1.239	1.480	0.734	1.052	2,212,312.4
	Catastrophic	\$250.30	\$291.05	1.051	1.091	0.570	1.000	5,054.8
TX	Individual	\$470.71	\$547.34	1.613	1.648	0.676	1.025	11,816,360.9
	Small Group	\$455.76	\$529.96	1.272	1.440	0.741	1.055	7,847,620.2
	Catastrophic	\$211.62	\$246.07	0.587	1.047	0.570	1.000	65,403.1
UT	Individual	\$399.81	\$464.89	1.155	1.538	0.655	1.017	2,331,334.5
	Small Group	\$318.98	\$370.91	1.020	1.416	0.750	1.057	1,496,898.5
	Catastrophic	\$178.05	\$207.04	0.756	1.145	0.570	1.000	13,924.3
VA	Individual	\$589.50	\$685.46	1.459	1.673	0.687	1.030	3,149,910.0
	Small Group	\$435.83	\$506.78	1.175	1.430	0.779	1.075	4,079,983.2
	Catastrophic	\$242.26	\$281.70	0.421	1.017	0.570	1.000	26,259.5
VT	Catastrophic	\$212.02	\$246.53	0.257	0.999	0.570	1.000	3,838.1
	Merged	\$508.69	\$591.51	1.375	0.982	0.742	1.058	822,535.8
WA	Individual	\$487.70	\$567.09	1.396	1.750	0.672	1.024	2,609,324.0
	Small Group	\$406.18	\$472.30	1.161	1.470	0.765	1.066	2,686,259.6
	Catastrophic	\$186.93	\$217.36	0.365	1.001	0.570	1.000	28,797.2
WI	Individual	\$602.34	\$700.39	1.477	1.866	0.678	1.026	2,335,913.2
	Small Group	\$449.68	\$522.89	1.150	1.453	0.757	1.063	1,378,086.5
	Catastrophic	\$189.49	\$220.33	0.325	1.024	0.570	1.000	20,458.2
WV	Individual	\$803.33	\$934.11	1.872	1.930	0.674	1.023	257,565.5
	Small Group	\$544.96	\$633.68	1.345	1.512	0.755	1.061	211,009.0
	Catastrophic	\$294.72	\$342.70	2.071	0.974	0.570	1.000	1,246.1
WY	Individual	\$818.03	\$951.20	1.408	1.624	0.730	1.049	299,536.3
	Small Group	\$534.92	\$622.00	0.945	1.403	0.720	1.044	88,067.2

## **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.<sup>9</sup>

Appendix B is provided in Excel format as a separate link.

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<sup>9</sup> 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.