



Date: December 12, 2016

From: Center for Consumer Information & Insurance Oversight (CCIIO), Centers for Medicare & Medicaid Services (CMS)

Title: Temporary Manual Adjustment for Policy-Based Payments – INFORMATION

Subject: Policy-Based Payments: Temporary Manual Adjustment - Easing Cash Flow Impact of the 2017 Transition for Issuers on Policy-Based Payments

I. Purpose

This bulletin provides guidance on how the Centers for Medicare & Medicaid Services (CMS) will assist issuers to ensure they have sufficient cash flow during the time lag involved with the transition to the 2017 coverage year as issuers collect premiums and report effectuations to CMS during the 2017 Open Enrollment. The experience of implementing policy-based payments demonstrated that this time lag has the potential to significantly affect issuer advance payments in the January and February 2017 monthly payment cycles. CMS will therefore implement a temporary manual adjustment to the January and February 2017 policy-based payments for Federally-facilitated Marketplace (FFM) issuers and issuers in State-based Marketplaces using the Federal platform (SBM-FP) offering major medical plans. This approach will help mitigate the cash flow impact of the transition to 2017 for issuers on policy-based payments.

II. Temporary Manual Adjustment for Policy-Based Payments

CMS will implement a temporary manual adjustment to January and February 2017 policy-based payments for FFM and SBM-FP issuers offering major medical plans. CMS will calculate this adjustment using a payment estimate equal to 80 percent of the estimated policy-based payments on effectuated enrollment plus enrollment still in “initial” status.¹ If the issuer’s calculated policy-based payments are less than 80 percent of this amount, CMS will apply an adjustment to increase the issuer’s advance payment, net of FFM user fees, up to the 80 percent threshold. This adjustment will show on issuers’ Preliminary Payment Report (PPR) and HIX-820s as three separate manual adjustments to the (1) advance payment of the premium tax credit, (2) cost-sharing reduction portion of the advance payment, and (3) FFM user fee charged to issuers.² CMS will reverse these manual adjustments when the year-to-date total policy-based payment reaches the 80 percent threshold or in the March 2017 payment cycle, whichever comes first, so that advance

¹ In past guidance CMS has referred to this estimate based on enrollment that is in initial or effectuated status as “Upper Bound.”

² These temporary adjustments apply only to payments and charges to issuers. CMS will not adjust FFM user fees charged to SBM-FPs States electing to be billed directly by CMS.

payments and FFM user fee charges as of March 2017 accurately reflect reconciled enrollment by March.

CMS will not make any downward payment adjustments to issuers whose total calculated policy-based payments are above the 80 percent threshold.

III. How to Notify CMS

An issuer with questions or seeking assistance regarding the reversible manual adjustment for policy-based payments can notify CMS by sending an email to fmcc@cms.hhs.gov. The email's subject line should indicate the issuer's HIOS ID(s).