
Date: March 22, 2016

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

Title: Policy-Based Payments Bulletin Transition in April 2016 – INFORMATION

Subject: Policy-Based Payments: April 2016 Transition of All Issuers to Policy-based Payments and Subsequent Adjustments Only in Cases of Extreme Variation Between Policy-based Payments and the Manual Payment Process

I. Purpose

This bulletin modifies the December 4, 2015, “Policy-based Payments: Approach to 2016 Marketplace Payment Program Integrity, Withholding for Issuers Delayed on Policy-Based Payments Implementation, and Payment Adjustment for Issuers Deemed Policy-Based Payments Ready” guidance.¹ CMS will transition all issuers to policy-based payments for the April, 2016 payment cycle. CMS will also provide an additional month before ending adjustments to the calculated policy-based payment amount to the manual workbook submitted payment amount, ending these adjustments except in cases of extreme (>25%) variation in the May 2016 payment cycle.

II. Background

Starting with the implementation of the Marketplaces for the 2014 benefit year, advance payments have been remitted via an interim manual payment process. The manual payment process requires Health Insurance Marketplace issuers to self-report enrollment and payment amount requests on a monthly basis, with adjustments to previous months’ requests, via a manual submission.

Beginning in January 2016, CMS implemented an automated payment approach, called policy-based payments, in determining an issuer’s advance payment using enrollment and payment data in the Federally-facilitated Marketplace (FFM). The December 4, 2015, guidance laid out the criteria that CMS considered for determining that issuers were ready to transition to policy-based payments before the January 2016 payment cycle. It also set forth the approach to partially withholding advance payments of Marketplace financial assistance for issuers deemed non-compliant with the policy-based payment process and the policy and operational approach to transitioning issuers, when deemed ready, to policy-based payments in early 2016.

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

III. Transitioning All Issuers to Policy-based Payments in April 2016

To better support all issuers with payment data that will help inform discrepancy submission and improve data quality, CMS will transition all remaining issuers to policy-based payments in the April 2016 payment cycle. CMS will continue to work with all issuers, regardless of transition timing, to identify and resolve data quality concerns through technical assistance and through the discrepancy process.

IV. Adjustments Only in Cases of Extreme Variation Between Policy-based Payments and the Manual Payment Process – One Month Delay

In the December 4, 2015, guidance, CMS stated that to allow for a smooth transition to policy-based payments, a temporary adjustment would be applied to the January 2016 through March 2016 policy-based payments. CMS is modifying the December 4, 2015 guidance by providing an additional month before ending the adjustment, so that a temporary adjustment will be applied to the January 2016 through April 2016 policy-based payments. This adjustment will be the amount of the difference between an issuer's manual payment process and policy-based payment calculated amounts. The manual payment adjustment will increase or decrease the policy-based payment calculated payment for that month.

Providing an additional month before ending the adjustment means for the May 2016 payment, CMS will adjust that month's policy-based payment calculated payment to account for the manual payment adjustments applied for the January 2016 through April 2016 payments. Consistent with our previous guidance, after this adjustment is made, issuers will be paid their calculated policy-based payments except in cases of extreme variation (>25%) from the manual payment amount. If such a discrepancy is identified, CMS will work closely with the issuer to address the data misalignment. While the discrepancy is being addressed, CMS will apply a manual payment adjustment to the issuer's policy-based payment calculated payment so that that the issuer is paid no less than 75% of the submitted manual workbook amount (capped in cases where the manual workbook submission is greater than the Upper Bound value calculated by CMS) as laid out in the December 4, 2015, guidance. This 75% of manual workbook floor on payment will be continued for 3 months beginning with the May payment cycle. The timing of these adjustment amounts will apply to all issuers with extreme variation between their manual payment and the policy based payment amount, regardless of the month in which they were transitioned to policy-based payments.

CMS expects that issuers will continue to work to submit timely and high-quality data updates via inbound 834 and monthly reconciliation files. CMS retains the flexibility to apply payment penalties in future months in cases where these requirements are not consistently met.

V. How to Notify CMS

Issuers with questions or seeking assistance regarding policy-based payment implementation 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).