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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: Reversal of January 2016 – April 2016 Adjustments in the May and June Payment Cycles

I. Purpose

This bulletin modifies the March 22, 2016, “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” guidance.¹ Consistent with the March 22, 2016 guidance, all issuers were transitioned to policy-based payments for the April, 2016 payment cycle, and CMS is ending adjustments to the calculated policy-based payment amount to the manual workbook submitted payment amount (except in cases of extreme (>25%) variation) in the May 2016 payment cycle. This guidance sets forth the approach CMS will take to smooth the cash-flow implications of this transition for issuers whose total adjustments for January through April were net-positive.

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). CMS originally issued guidance on December 4, 2015, and later amended this guidance on March 22, 2016. 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/FT_PBPGuidance_5CR_032116.pdf. Please note the March 22, 2016 guidance revised earlier guidance issued December 4, 2015 which is available at: <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Policy-based-Payment-Guidance.pdf>.

III. Two Month Transition for Reversing Positive Adjustments

In the December 4, 2015 and March 22, 2016, guidance, CMS stated that a temporary adjustment accounting for the difference between an issuer's manual payment process and policy-based payment calculated amounts would be applied from January 2016 through April 2016. This adjustment either increased or decreased the calculated policy-based payment payments for the months of January through April.

As noted in the March 22nd guidance, CMS is ending these adjustments in May 2016, and will be reversing past adjustments paid in January through April 2016 to reconcile year-to-date payments to the policy-based payment calculated amount. For example, if an issuer has had 5 percent adjustments upward each month, January through April, the full dollar value of the sum of those 4 months of adjustments would be deducted from the issuer's May payment. If that reversal were equal to 5 percent of policy-based payments to date, then if the issuer's payments were consistent month-to-month this would result in a 20% reduction in the issuer's May payment.

To smooth this transition for issuers, CMS will implement the following approach for issuers where the remaining manual workbook is greater than the policy-based payment amount in the May payment cycle. CMS will smooth the reversal of any remaining year-to-date variation over two payment cycles, with 50 percent of the variation deducted in each month. In other words, if an issuer's backed out adjustments would result in remaining year-to-date variation of \$100,000, the issuer's May payment would be adjusted to reduce that variation to \$50,000. In the June 2016 payment cycle, the additional \$50,000 would be deducted. As such, the impact of the adjustment reversals would span over two months, rather than a one-time impact.

CMS will also establish a 90% threshold, so that an issuer's May 2016 payment will be adjusted to bring total year-to-date payments to not less than 90% of the issuer's manual payment process year-to-date amount. Therefore, if the smoothing described above would bring the issuer's total payments for the year to only 86% of the issuer's manual payment process year-to-date amount, then CMS will increase the May 2016 payment so that the total payments for the year reach the 90% threshold. This 90% threshold on payment will be lowered to 75% of the manual payment process year-to-date amount for the June 2016 and July 2016 payment cycles, consistent with previous guidance for June and July. Any remaining adjustments will be backed out in the August payment cycle so that all issuers' payments will be based entirely on policy-based payments from August forward.

Please note that these changes would apply only to issuers with more than \$1,000 in year-to-date payments whose manual payment process payment are below calculated policy-based payments amounts. For all other issuers, all past adjustments will be reversed in the May 2016 payment cycle as set forth in the March 22, 2016 guidance, and these issuers will be paid exclusively on policy-based payments for the May 2016 payment cycle and all future payment cycles.

IV. 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).