Cost-Sharing Reductions Reconciliation

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CENTERS for MEDICARE and MEDICAID SERVICES

Center for Consumer Information and Insurance Oversight

March 2013

Overview of Cost-Sharing Reductions (CSRs)

Sections 1402 and 1412 of the Affordable Care Act direct QHP issuers to:

- Reduce cost sharing for essential health benefits (EHB) for eligible individuals with low and moderate household incomes, who are enrolled in a silver level QHP, through an individual market Exchange;

- Eliminate cost sharing for Indians with household incomes under 300% of FPL who are enrolled in a QHP through an individual market Exchange; and

- Eliminate cost sharing for Indians enrolled in a QHP through an individual market Exchange, regardless of income, when services are provided by the Indian Health Service or related providers.

Standards Related to CSRs in Final Payment Notice

- The Exchange Establishment Rule (77 Fed.Reg. 18310 (Mar. 27, 2012)) sets some basic standards for Exchanges and QHP issuers related to the administration of CSRs.
- In the final Payment Notice (78 FR 15410 (Mar. 11, 2013)), we finalized the proposed policy that QHP issuers will develop variations of their QHPs.
  - Under these variations, a portion of the cost sharing would be paid by the Federal government, and the remainder would be paid by the enrollee.
- QHP issuers will be required to assign eligible enrollees to the appropriate plan variation based on an eligibility determination made by the Exchange.
- This approach ensures that eligible enrollees receive the appropriate cost-sharing reductions at the point of service.

CSR Advance Payments

- HHS will pay a per member per month CSR advance payment amount for each plan variation (issuers will receive the same amount for all enrollees within a plan variation, each month).
- CSR advance payment amounts will be calculated using issuer's QHP certification data:
  - EHB portion of allowed claims from the rate review template – adjusted by a set induced utilization factor,
  - Standard plan and plan variation AVs from the benefit template,
  - Issuers requesting advance payments for limited cost sharing plan variations must provide an advance payment estimate on the benefit template.

CSR Reconciliation

- After the close of the benefit year, QHP issuers will be required to provide CMS with data on the value of the cost-sharing reductions provided to enrollees (and reimbursed to providers).

- We will calculate CSR reconciliation payments based on the difference between issuer's CSR advance payments and the value of cost-sharing reductions provided. This is true for both the "standard" and "simplified" methodologies described later.

- Issuers will be notified of CSR reconciliation payments by June 30 of the year following the benefit year in order to facilitate compliance with requirements for risk corridors and MLR calculations.

CSR Reconciliation (cont.)

- For each plan variation policy, that a QHP issuer offers on the Exchange, it must submit the EHB costs, broken down by the following:

1. The amount the issuer paid;
2. The amount the enrollee(s) paid;
3. The amount the enrollee(s) would have paid under the standard plan without cost-sharing reductions.

CSR Reconciliation (cont.)

CSR Reconciliation Payment =

Advance Payments – Actual Value of CSRs Provided

Actual Value of CSRs Provided =

Standard Plan Cost Sharing – Plan Variation Cost Sharing

Standard Plan Cost Sharing Calculated Using the Standard or Simplified Methodology

Options for Calculating Cost Sharing Under the Standard Plan

- On March 11th, an interim final rule with comment (IFC) was published (78 FR 15541) that amended the CSR reconciliation requirements of the final Payment Notice.

- QHP issuer's have two options for calculating the cost sharing that the enrollee would have paid under the standard plan:
  1. Standard methodology (described in the final Payment Notice)
  2. Simplified methodology (described in the IFC).

Standard Methodology For Calculating Cost Sharing Under the Standard Plan

- For each plan variation policy, QHP issuers calculate the amount of cost sharing the enrollee(s) would have paid under the standard plan by applying the cost-sharing requirements for the standard plan to the plan variation policy claims data.

- This method ensures that issuers will receive dollar-for-dollar reimbursement for the value of the cost-sharing reductions provided to enrollees.

- We received comments on the proposed Payment Notice that this option could be difficult for some issuers to implement with their existing claims systems, in a short timeframe.

Simplified Methodology for Calculating Cost Sharing Under the Standard Plan

- Under this methodology, QHP issuers will use the standard plan population claims data to develop a set of summary cost-sharing parameters for the standard plan.
  - The effective deductible;
  - The effective pre-deductible coinsurance rate;
  - The effective post-deductible coinsurance rate; and
  - The effective claims ceiling.
- For each plan variation policy, QHP issuers will then calculate the amount of cost sharing the enrollee(s) would have paid under the standard plan by applying the summary cost-sharing parameters for the standard plan to the plan variation policy claims data.
- Summary parameters must be developed for self-only and other than self-only coverage.

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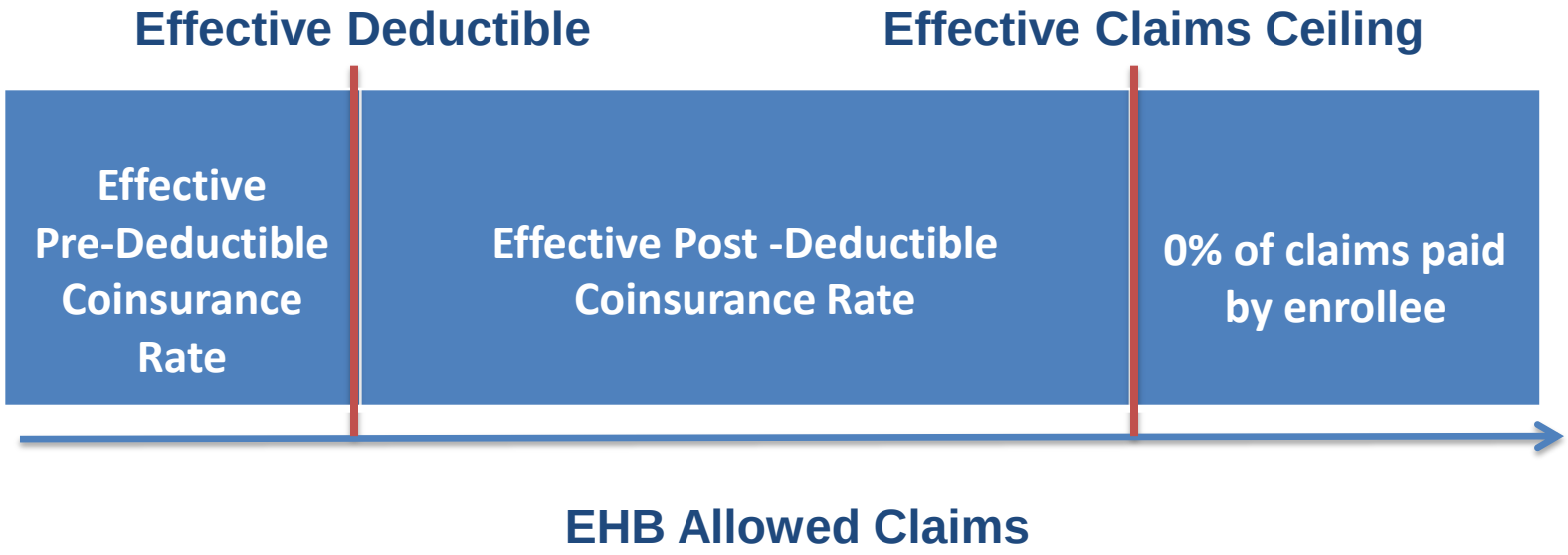
Simplified Methodology Step 1

The standard plan population claims data is used to develop summary cost-sharing parameters for the standard plan.



Effective Deductible

- The effective deductible is equal to the actual plan deductible if a plan has only one deductible.
- If a plan has more than one deductible, the effective deductible is equal to the EHB claims-weighted average of the plan deductibles.
- Example: (0.65*500+0.3*1000)/0.95 = $658

	In-Network	Out-of-Network
Deductible	$500	$1000
% Claims	65%	30%

Effective Pre-Deductible Coinsurance Rate

- Based on the subset of claims data for standard plan policies with EHB allowed claims ≤ effective deductible.

- Calculated as the proportion of EHB allowed claims payable by the enrollees as cost sharing.

Effective Pre-Deductible Coinsurance Rate =

(Cost Sharing/EHB Allowed Claims)

- Will not be equal to 100% because no cost sharing for certain preventative services.

Effective Post-Deductible Coinsurance Rate

- Based on the subset of claims data for standard plan policies with EHB allowed claims costs between the effective deductible and the annual limitation on cost sharing.
- Calculated as the proportion of EHB allowed claims minus the effective deductible payable by enrollees as cost sharing.

Effective Post-Deductible Coinsurance Rate =

(Cost Sharing Other Than Deductibles)/(EHB Allowed Claims Costs – Effective Deductible)

Effective Claims Ceiling

- Estimate of the total EHB allowed claims amount when the annual limitation on cost sharing (AL) is triggered.

- The effective claims ceiling is calculated as:

$$\text{Effective Deductible} + \left[\frac{\text{AL} - \text{Effective Deductible}}{\text{Effective Post-Deductible Coinsurance}} \right]$$

Simplified Methodology Step 2

- For each plan variation policy, QHP issuers will calculate the amount of cost sharing the enrollee(s) would have paid under the standard plan by applying the summary cost-sharing parameters for the standard plan to the plan variation policy claims data.

- Formula A, B, or C is used to apply the summary cost-sharing parameters, depending on the utilization pattern under the plan variation policy.

Formula A: Policies With Allowed Costs ≤ Effective Deductible

- QHP issuers must calculate the amount that the enrollee(s) would have paid under the standard plan for plan variation policies with total allowed costs for EHB for the benefit year that are less than or equal to the effective deductible using the following formula:

EHB Allowed Claims Cost * Effective Pre-Deductible Coinsurance

Formula B: Policies With Allowed Costs > Effective Deductible < Effective Claims Ceiling

- QHP issuers must calculate the amount that the enrollee(s) would have paid under the standard plan for plan variation policies with total allowed costs for EHB for the benefit year that are greater than the effective deductible but less than the effective claims ceiling using the following formula:

Effective Deductible + ((EHB Allowed Claims Cost – Effective Deductible) * Effective Post-Deductible Coinsurance)

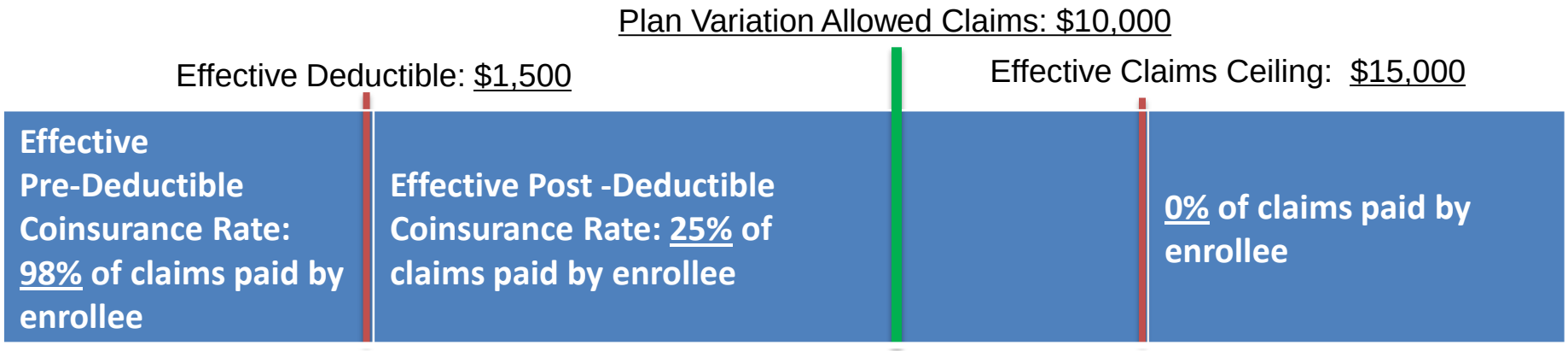
Formula C: Policies With Allowed Costs > Effective Claims Ceiling

- QHP issuers must calculate the amount that the enrollee(s) would have paid under the standard plan for plan variation policies with total allowed costs for EHB for the benefit year that are greater than the effective claims ceiling using the following formula:

Effective Deductible + ((Effective Claims Ceiling – Effective Deductible) * Effective Post-Deductible Coinsurance)

Example of Simplified Methodology

Step 1: Develop summary parameters:



Step 2: Use formula B and apply summary parameters to allowed claims

- Plan variation policy has $10,000 in EHB allowed claims costs (greater than the effective deductible and less than the effective claims ceiling)
- User formula B to calculate the cost sharing the enrollee would have paid under the standard plan:

  Effective Deductible + ((EHB Allowed Claims Cost – Effective Deductible) * Effective Post-Deductible Coinsurance)

$1,500 + (8,500*.25) = $3,625

Credibility Standards for the Simplified Methodology

- As summary cost-sharing parameters are calculated based on average experience of enrollees in standard plan, low enrollment could lead to inaccurate parameters.
- The four subgroups used to calculate the summary parameters (individual and family above and below the deductible) must each have at least 12,000 member months.
- Plans that do not meet this credibility standard will have to use the standard plan actuarial value (from the AV calculator) to estimate cost sharing under the standard plan.

Selection of Methodology

- QHP issuers must select either the “standard” or “simplified” methodology prior to the start of the benefit year.
- Issuers must apply the same methodology to all plan variations.
- Because the simplified methodology is intended as a transitional option, issuers that select the standard methodology will not be allowed to switch to simplified methodology in future years.

Next Steps

- The final Payment Notice can be found at: http://ofr.gov/OFRUpload/OFRData/2013-04902_PI.pdf
- The IFC can be found at:
- http://ofr.gov/OFRUpload/OFRData/2013-04904_PI.pdf
- The IFC comment period closes April 30, 2013.
- Questions?