



## MEMORANDUM

### **Re: Summary of Rate Filing and Rate Review Related Issues from Notice of Benefit and Payment Parameters for 2020 – Final Rule**

#### Formulary

CMS did not finalize a proposal that would have allowed issuers to make formulary changes during the plan year only when a generic equivalent of a prescription drug becomes available although they stated they will continue to be examine the issue. They stated their expectation that in the meantime, to the extent issuers make mid-year formulary changes consistent with applicable state law, issuers will continue to provide certain consumer protections that are generally consistent with current industry practice.

#### Special Enrollment Period

CMS added a special enrollment period for off-Exchange individuals to enroll in Exchange coverage if they experience a decrease in household income and receive a new determination of eligibility for APTC by an Exchange. They noted a similar special enrollment period is already available to individuals on exchange and those in employer-sponsored coverage.

#### Premium Adjustment Percentage

CMS finalized a new growth measure which impacts the maximum annual limitation on cost sharing, the required contribution percentage, and the employer share responsibility payment amounts.

The new growth measure results in a required contribution percentage of 8.24 percent for the 2020 benefit year. The required contribution percentage is used to determine whether individuals above the age of 30 qualify for an affordability exemption that would allow them to enroll in catastrophic coverage.

The new growth measure accounts for individual market health insurance premiums as well as employer-sponsored insurance, as they believe individual market premiums have stabilized. The new measure is approximately 3.4 percentage points greater than under the old measure.

#### Exchange User Fee

CMS finalized a user fee rate of 3.0 percent of monthly premium for all FFE issuers and 2.5 percent of monthly premium for SBE-FP issuers for the 2020 benefit year, a decrease of 0.5 percent from 2019.

#### Silver Loading

CMS expressed interest in addressing the practice of loading silver QHPs due to the defunding of CSRs but did not make any change in policy in this rule.



## Essential Health Benefits

CMS finalized EHB-benchmark plan selection submission deadlines as May 6, 2019 for the 2021 plan year and May 8, 2020 for the 2022 plan year. Although not a requirement, CMS recommends that states submit applications at least 30 days prior to the submission deadlines.

## Maximum Annual Limitation on Cost Sharing

CMS finalized a 2020 maximum annual limitation on cost sharing of \$8,150 for self-only coverage and \$16,300 for other than self-only coverage, a 3.16 percent increase above the 2019 parameters.

Beginning on or after January 1, 2020, to the extent permitted by applicable state law, amounts paid toward cost sharing using drug manufacturer coupons or any other form of direct support offered by drug manufacturers for specific brand drugs with generic equivalents are not required to be counted toward annual limitation on cost sharing.

## Risk Adjustment

The risk adjustment and reinsurance programs will be sequestered at a rate of 6.2 percent for payments made from funds collected during the 2019 fiscal year. Although federal reinsurance ended in 2016, they continue to make payments for close-out activities.

CMS will operate risk adjustment in every state and DC for the 2020 benefit year.

For the 2020 benefit year, the risk adjustment model will be recalibrated using 2016 and 2017 EDGE data (the most recent data available) and 2015 MarketScan data. It was originally proposed to use 2017 MarketScan data, but they finalized an approach more closely related to prior years. Same age, sex, enrollment duration, HCC, RXC and severity categories will continue for the 2020 benefit year model. A pricing adjustment was made to the Hepatitis C RXC coefficient to mitigate overprescribing incentives.

CMS that maintain the risk adjustment high-cost risk pooling parameters that applied to the 2018 and 2019 benefit years. An adjustment for the receipt of CSRs in the risk adjustment model will be maintained as finalized in the 2019 payment notice. CMS is maintaining the use of statewide average premium as the cost-scaling factor in the state payment transfer formula. The administrative cost percentage of 14 percent is also maintained.

States that wish to request a reduction to risk adjustment transfers under the CMS-operated risk adjustment methodology to account for differences in actuarial risk in the applicable state's market compared to the national dataset must submit the request by August 1<sup>st</sup> of the calendar year that is 2 calendar years prior to the beginning of the applicable benefit year. CMS will allow states to request that certain supporting evidence be kept confidential. Alabama submitted a request to reduce risk adjustment transfers by 50 percent, which was approved.

CMS is finalizing their proposal to create and make available, on an annual basis, enrollee-level EDGE data as a limited data set file for qualified requestors who seek these data for research purposes. This will not be available for public health or health care operations activities.



CMS will allow HHS to use enrollee-level EDGE data and reports extracted from issuers' EDGE servers to calibrate and operationalize market programs, including recalibrating the risk adjustment program and updating the AV Calculator, and to conduct policy analysis.

The 2018 benefit year summary risk adjustment transfer report will be issued by June 30, 2019 and will not reflect the impact of the 2017 benefit year risk adjustment validation adjustments on the 2018 risk adjustment transfers.

The total cost to operate the risk adjustment program for 2020 was determined to be approximately \$50 million, and the risk adjustment user fee would be \$0.18 PMPM.