

CHOICES

CONSUMERS FOR HEALTH OPTIONS, INSURANCE COVERAGE IN EXCHANGES IN STATES

CHOICES

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November 4, 2015

The Honorable Sylvia Burwell
Secretary, Department of Health and Human Services
200 Independence Ave., SW
Washington, DC 20201

RE: Technical Issues with Risk Adjustment and Risk Corridor Programs

Dear Secretary Burwell:

On behalf of the CHOICES coalition, we respectfully submit to you the attached white paper which identifies serious technical issues with the Risk Adjustment and Risk Corridor programs and outlines the financial impact those flaws are having on the market.

Consumers are being harmed through higher than necessary premiums due to the current versions of the Risk Adjustment and Risk Corridor programs, and without changes it is very likely that there will be fewer insurance choices available to consumers for 2017. Those innovative healthplan options that remain risk being forced to file significantly higher premium rates. Fortunately, there are relatively simple steps that HHS can take to help these programs stabilize the market as required by statute.

We support the intent of these programs to protect the interests of the sicker members of our society and to encourage all healthplans to develop innovative and cost-effective ways of helping members address health issues. Unfortunately, the initial version of Risk Adjustment inadvertently penalizes many of the plans that are delivering the very innovations the ACA seeks to promote. Limitations in the current Risk Adjustment and Risk Corridor programs have an unintended adverse financial impact on new health insurance plans, those experiencing rapid growth in enrollment, and any insurer that focuses on efficient, innovative, and value-driven care. These limitations have already contributed to the withdrawal or outright failure of a number of marketplace plans. Confusion regarding the administration of the program has forced plans and state regulators to question the financial future after the Reinsurance and Risk Corridor programs sunset next year. Unless HHS addresses the Risk Adjustment and Risk Corridor problems, more withdrawals of plans of all kinds are likely and the benefits of innovation and robust marketplace competition will be greatly reduced.

The attached paper was written with the technical assistance of Richard S. Foster, who served as Chief Actuary of the Centers for Medicare and Medicaid Services from 1995 through 2012, and it identifies seven “technical issues” with the current risk programs that have posed for the market. These include the following:

1. the timing of the data and the data sources is flawed;
2. the methodology over-scores some HCC codes and penalizes others; and
3. the market average premium rewards more expensive health plans while penalizing low cost health plans, unrelated to risk score
4. flaws in the risk adjustment program are contributing to the insolvency of the risk corridor program

The risk adjustment and risk corridor programs were designed with considerable thought and care. Nonetheless, the technical problems described in the attached white paper are serious and warrant immediate attention. The CHOICES coalition respectfully requests that you implement corrections to the Risk Adjustment and Risk Corridor programs both prospectively and retrospectively to prevent further market instability and harm to consumers. We have outlined several immediate solutions to help alleviate the dramatic consequences these flaws are having on health insurers, including:

- Exempting new and fast-growing plans from risk adjustment for the first 3-5 years;
- Applying a “credibility-based” approach to participation in risk adjustment;
- Placing an upper bound on the amount of a plan’s risk adjustment transfer charge;

In addition to short-term ‘circuit breaker’ solutions like those above, we encourage HHS to revisit the sources and timing of data used, the methodology employed, and the entire premise of the use of the market average premium for Risk Adjustment. Every risk adjustment program in use today – from Medicare Advantage to various voluntary commercial methodologies – has gone through such reviews and adjustments. The assumptions used to create this critical program can now be tested with real data, and practical outcomes can more closely track the policy intent as expressed through statute.

We look forward to working with you and HHS to ensure that the risk stabilization programs are corrected so they can work as intended for the overall benefit of marketplace enrollees across the country.

Sincerely,

CHOICES members:

Health New England
HealthyCT
Land of Lincoln
Melody Health Care
Minuteman Health, Inc.
NASHCO
New Mexico Health Connections

CHOICES is a new and growing multi-state coalition of health care plans concerned that the current formulation and administration of the 3Rs (reinsurance, risk adjustment, and risk corridors) are driving up premiums for consumers and small businesses, reducing competition, preventing market innovation, and will slow a shift to efficient, risk-bearing provider networks. CHOICES members are non-profit and investor-owned, health system-sponsored and independent, and startups as well as companies with decades of experience as members of their local communities