
CHOICES

For Immediate Release

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Risk Adjustment Transfers Devastating for Small and Fast-Growing Health Plans

Washington, D.C., July 1, 2016 — On June 30, the Centers for Medicare and Medicaid Services (CMS) released the final transfer payments under the authority of the risk adjustment program for insurance companies operating in the individual and small group markets for Plan Year 2015. These payments continue to demonstrate an imbalance, or asymmetry, in the market place that exists between young, small, and/or fast-growing plans and their larger, established competitors. The variability from 2014 results to 2015 results, with many 2014 “receivers” becoming large 2015 “payers,” is an additional challenge for insurance companies and the consumers they serve.

While this transfer methodology *may* be directionally accurate, we strongly maintain our assertion that there are structural flaws pertaining to data inclusion, risk profiling/scoring, and HCC score structure. In recent weeks, actuaries, regulators, insurance trade groups, media, and financial analysts have joined the chorus of voices advocating for immediate changes to both the program and its implementation.

We recognize that an effective and accurate risk adjustment is necessary for the successful operation of these new insurance markets, and we applaud CMS for engaging the community in recent months and for beginning to promulgate longer-term changes to the program in 2018 and beyond.

However, it’s not enough.

Combined with other challenges related to this market, the ongoing deficiencies of the risk adjustment program is driving competition out of the market, preventing newly capitalized competition from entering the market, and ultimately leaving consumers with far less choice. This has already forced some premiums up, and upward pressure will increase significantly if this is not addressed immediately. Neither of these are tenable or acceptable outcomes for tax payers who have subsidized both the creation and operation of this market.

We are extending an urgent call on CMS and the administration to work collaboratively with their state regulatory counterparts and quickly redress lopsided transfers that could have a destabilizing impact on the market and leave consumers with limited options. (Regulators can use this [resource](#) as a tool to determine whether such asymmetric transfers have occurred in their state and local markets.) Changes should be implemented before transfers are required to be made on August 15. While we believe such remediation should be conducted carefully and thoughtfully, this exercise is critical to ongoing viability of certain carriers in the marketplace. It is existential to others. If no remediation is made, premiums will increase and options will decrease.

Further, the administration needs to deliberately promulgate more changes to the program that would be applied retrospectively, contemporaneously, and (at the very least) prospectively. A list of such changes can be found in a recently published [white paper](#). Other considerations can be found in a recent Milliman [analysis](#).

We are confident that all interested stakeholders can work to find consensus on what's best for the consumers in these markets. We strongly encourage CMS to accelerate their efforts to address the deficiencies of the risk adjustment program and to work with state regulators to implement immediate steps to prevent further disruption of the health insurance market.

About CHOICES

Consumers for Health Options, Insurance Coverage in Exchanges in States (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. CHOICES will convene members and other interested parties on July 11 to discuss the 2015 report and how member companies can fulfill their fiduciary duties in light of the report.