

September 6, 2018

Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
Attention: CMS-9919-P
P.O. Box 8016
Baltimore, MD 21244-8016

To Whom It May Concern:

The following comments on the proposed risk adjustment methodology for 2018 (the NPRM), as published in the *Federal Register* on August 10, 2018, are submitted on behalf of the members of the National Association of Insurance Commissioners (NAIC), which represents the chief insurance regulators in the 50 states, the District of Columbia, and the 5 United States territories.

NAIC generally supports a budget-neutral risk adjustment program and the use of the statewide average premium in the risk adjustment methodology for plan year 2018. As important stakeholders in risk adjustment, state insurance regulators believe CMS has provided adequate explanation of its risk adjustment methods and sufficiently justified its use of the statewide average premium.

Section 1343 of the Affordable Care Act directs HHS to develop the risk adjustment methods, specifically referencing Medicare parts C and D as models. Risk adjustment under parts C and D seeks to achieve actuarial equivalence, that is, to use charges and payments to reach a balance across issuers of their risk. Reaching balance means that risk adjustment is budget neutral, with charges to lower-risk issuers equaling payments to higher-risk issuers.

All states currently rely on CMS to administer risk adjustment charges and payments. Due to both the goal of balancing risk and the lack of any appropriated funding to supplement the risk adjustment charges collected from lower-risk health insurers, the risk adjustment program must remain budget neutral. Using the statewide average premium presents a method to assure that budget neutrality is maintained and prevents a shortfall in risk adjustment funding. Using a method that does not ensure risk adjustment charges equal payments would add uncertainty for insurers as to the amounts they would pay or receive through risk adjustment, which would likely reduce market stability and raise overall premiums.

Further, we specifically support CMS' use of the statewide average premium in the risk adjustment methodology for plan year 2018 to maintain continuity from year to year. CMS has already finalized rules for plan years 2017 and 2019 under which it would employ the statewide average premium. Using a different methodology for plan year 2018 would add unnecessary complication and burden for insurers and regulators and introduce additional instability into insurance markets. NAIC supports a more stable and predictable federal policy environment for health insurance markets and maintaining the risk adjustment methodology that was previously announced for 2018 and that issuers and regulators relied on for this year is an important way to protect stability.

Along with a predictable federal policy environment, NAIC strongly supports flexibility for states to adapt federal policy to meet state needs, when necessary. With regard to federal risk adjustment methods, the authority for states to request adjustments to the federal calculations is one important way for states to improve risk adjustment outcomes for their markets without undertaking full responsibility for risk adjustment. We support CMS' decision

to provide states the flexibility to make such requests, starting with plan year 2020, and we urge that it be maintained.

Thank you for this opportunity to comment. As state regulators continue to monitor the effects of risk adjustment on market competition, premiums, and consumer choices, we will continue to provide comments. We are available to discuss these or other issues as the NPRM is finalized.

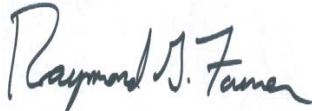
Sincerely,



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