



May 31, 2017

Ms. Seema Verma
Administrator, Centers for Medicare and Medicaid Services
U.S. Department of Health & Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

RE: Guidance on Funding Cost Sharing Reduction in the Event of Change of Federal Policy to Directly Support

Administrator Verma,

Given the ongoing uncertainty with regard to federal payments for cost-sharing reductions (CSRs), and the very pressing timeline for health plans which are pricing for the 2018 plan year, Covered California has issued the attached guidance to California Qualified Health Plans on how to increase premium rates in the event they do not receive CSR reimbursements.

As you well know, while there are various elements that contribute to market stability, continued direct federal funding for CSRs is one critical factor needed to stabilize markets in 2018. Without such funding, individual markets throughout the nation remain in uncertainty. Covered California's earlier analysis found that Silver Premiums would need to increase by an average of 16.6 percent to cover the costs of non-funding and cost the federal government \$200 million more than if funded directly ([link](#)). Beyond the risk of spikes in premiums, the risk of plans' leaving the individual market entirely is real and imminent.

Covered California's guidance directs health plans to submit both their base rates and an additional rate that they would charge if the CSR program is not funded, by loading the rate increase attributable to the CSR program only on the standard Silver qualified health plan, including the mirrored Silver plan sold outside of Covered California. As our analysis details, we believe this method is consistent with federal and state law and would minimize the negative impacts on consumers as well as to the individual health insurance market as a whole.

Additionally, as a condition of participation in Covered California, we intend to amend our health plan contracts to require the offering of an additional, separately rated, non-mirrored Silver plan outside of Covered California that would still comply with Covered California patient-centered benefit designs. For this product, health plans would not build any costs attributable to the CSR program into the premium. This is intended to protect unsubsidized consumers by providing a plan option to those who do not qualify for CSRs from having to bear the costs of CSRs in their premiums. Additionally, by shielding them from the higher premium costs, they would be more inclined to purchase and maintain their coverage, thus helping to maintain a healthy risk pool.

We fully expect that in the event a final decision is made to alter the ways CSRs have been supported by the federal government, guidance from the Centers for Medicare and Medicaid Services (CMS) would be forthcoming. We reflect this fact in our guidance. However, given plan negotiation and filing deadlines, as well as considerations regarding operational readiness, Covered California must move forward with 2018 planning and provide plans guidance they need should CSR payments not be made. Please know that we are committed to working with you upon any new developments with CSR payments.

We are hopeful that it will not be necessary to implement the directives outlined in this guidance, and we will continue to work with health plans, regulators, and our state and federal partners to resolve any uncertainty before rates must be finalized. In the meantime, please know that we plan to continue to serve as a resource, and are hopeful that through sharing our insight and experience, we can continue to help inform the national health policy dialogue. Please do not hesitate to reach out to us if you have any questions.

Sincerely,



Peter V. Lee
Executive Director

Attachment: Covered California: Update to Rate Filing Instructions Related to the Cost-Sharing Reduction Program, May 31, 2017

cc: The Honorable Dave Jones, California Insurance Commissioner
Shelley Rouillard, Director, California Department of Managed Health Care
Randall Pate, Director, Center for Consumer Information and Insurance Oversight