State of Utah
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Insurance Department

TODD E. KISER
Insurance Commissioner

NOTICE

TO:	Health Insurers Offering Individual Health Benefit Plans
FROM:	Todd E. Kiser, Utah Insurance Commissioner
DATE:	June 2, 2017
SUBJECT:	**2018 Plan Year Rate Filing Submission Requirements for Individual Health Benefit Plans**

This Notice pertains to an insurer offering a health benefit plan in the individual market. This Notice serves as an addendum to Bulletin 2017-1(a), 2018 Plan Year Requirements for Health Benefit Plan and Stand-Alone Dental Plan Filings Subject to PPACA.

As you are aware, the federal government has been unclear as to the funding of cost-sharing reductions (CSR) for individual qualified health plans. Therefore, to the extent the Department is able to meet the deadlines of the Department of Health and Human Services, we are committed to being as flexible as possible in preparation for the 2018 plan year.

The Department is requiring insurers to submit their initial rate filings with the assumption the federal CSR payments will not be funded, and that the cost of the CSRs be attributed to the silver on-exchange plans. If, prior to the final rate transfer date, CRS are funded for 2018, the Department will allow changes to the rate and binder filings to reflect the funding. Initial rate filings are due to the Department on June 30, 2017 as indicated in Bulletin 2017-1(a).

The requirements outlined in this Notice should not be interpreted as an endorsement of any plan to remove the CSRs nor as an indication of a position on the potential funding for 2018. Rather, this requirement is related to the uncertainty surrounding the further funding of the CSRs. The Department feels that to provide for a proper rate review and given the uncertainty of the CSR funding, it is easier to undo the effects of non-funding than it is to put those effects in at the last minute.

The rate filing should clearly indicate the assumptions about population movements on and off-exchange, as well as within plan metal tiers that are associated with non-funding of CSRs. The filing should also clearly indicate the rate impact and change in risk adjustment associated with the non-funding of CSRs. While the Department recognizes that incorporating the effects of unfunded CSRs affects many aspects of the filing, insurers must also provide a single factor adjustment that provides an estimation of the rates if CSRs are funded. The factor adjustment should be outlined by Plan ID in the actuarial memorandum. Since off-exchange only insurers may experience some enrollment changes, depending on CSR funding assumptions, it is anticipated that a similar factor may be indicated in off-exchange only filings.

The Department anticipates that if CSRs are not funded, some on-exchange insurers will want to have the flexibility of offering some silver metal plans exclusively off-exchange. The Plan and Benefits Template is due as part of the binder filing on June 15, 2017, and requires that all plans be incorporated. Insurers must also have time to request HIOS Product IDs for these plans. The Department will allow insures the flexibility of withdrawing any plans that were solely added because of the assumption that CSRs are unfunded, and are subsequently funded before the final rate transfer date.

The 2018 Unified Rate Review Instructions section 4.6.4 discusses the allowable modifiers for a Plan Adjusted Index Rate. One of the modifiers is "Actuarial value and cost-sharing design of the plan." The Department believes this is an appropriate place to make the adjustments to account for the non-funding of the CSRs. If the CSRs are not funded, the true actuarial value of the silver on-exchange plans could be more like a high gold or platinum plan. Making the adjustment here has a few effects: 1) it will increase the second-lowest silver plan as well as the advanced premium tax credit; 2) it allows a insurer participating on-exchange to offer a silver plan exclusively off exchange that can still have a 70% actuarial value that does not incorporate the cost of the CSRs; and 3) it distorts the relativities of the on-exchange metal level plans. Here are some articles that speak to possible effects of unfunded CSRs:

- New Analysis: Potential Impact of Defunding CSR Payments, http://health.oliverwyman.com/transform-care/2017/05/impact_defunding_CSR_payments.html

- A Bridge Too Far? The Most Likely Fates of ACA CSR Payments and Impacts on the Individual Market, http://www.milliman.com/uploadedFiles/insight/2017/ACA-CSR-payment-likely-fates.pdf

The Department recognizes the challenges of these additional filing requirements. It has been contemplated for weeks on how to allow for insurer flexibility while addressing the uncertainty of the CSR funding. The Department supports this option as the best alternative to allow for adequate review of the rates, while still providing future flexibility.