

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



INTERIM SUMMARY REPORT ON RISK ADJUSTMENT FOR THE 2017 BENEFIT YEAR

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I. Background

Section 1343 of the Patient Protection and Affordable Care Act establishes a permanent risk adjustment program to provide payments to health insurance issuers that attract high-risk enrollees, such as those with chronic conditions, thereby reducing the incentive for issuers to avoid those enrollees and lessening the potential influence of risk selection on the premiums that plans charge.

The risk adjustment methodology developed by the Department of Health and Human Services (HHS) is based on the premise that premiums should reflect differences in plan benefits, quality, and efficiency rather than the health status of the enrolled population. The HHS-developed risk adjustment methodology determines each plan's risk adjustment transfer amount based on the actuarial risk of enrollees, the actuarial value (AV) of coverage, utilization and the cost of doing business in local rating areas, and the effect of different cost-sharing levels on utilization. HHS applied this methodology in all 50 states and the District of Columbia for the 2017 benefit year.

II. Description of Data

As described in the November 3, 2017, "Evaluation of EDGE Data Submissions for 2017 Benefit Year" bulletin,¹ HHS evaluated whether issuers provided access to EDGE server data sufficient for HHS to release an interim risk adjustment summary report for each specific state. HHS evaluated each issuer to determine if the issuer loaded at least 90% of its enrollment data and 90% of its claims data linked to enrollees (i.e., non-orphaned medical and pharmacy claims data) for the first three quarters of the 2016 benefit year (the data "quantity" evaluation). HHS also evaluated each issuer's EDGE server data to investigate outliers on a number of criteria (the data "quality" evaluation). If an issuer had a specific data outlier, the issuer was provided an opportunity to explain the outlier. If the outlier was determined to be a true data quality issue, or if the issuer submitted no explanation, the issuer failed data quality. As described in the bulletin, HHS is issuing interim risk adjustment summary information for a state *only* if all credible issuers in that state pass both data quantity and quality thresholds.² For 2017 benefit year risk adjustment interim summary results, **all 50 states and the District of Columbia are eligible for the 2017 benefit year interim risk adjustment report.**

The data displayed in this report is preliminary – final risk adjustment data may differ significantly in magnitude and possibly direction of the transfers from the data presented in this report. To qualify for interim risk adjustment reporting, issuers were required to submit at least 90% of their first three quarters of enrollment and claims data; however, many issuers have submitted more than this threshold amount. Because an issuer's risk adjustment transfer amount is dependent on the data other issuers within a risk pool market and state submit, a stable risk score between interim and final risk adjustment may not reflect a stable risk adjustment transfer amount. The final risk adjustment transfer results and final state average calculations based on issuers' final data submissions may diverge from the data patterns reflected in this report.

Therefore, the risk scores provided in this interim risk adjustment report will not necessarily be predictive of final 2017 benefit year risk adjustment transfers. If an issuer wishes to use this interim information to assist in estimating the 2017 benefit year risk adjustment amounts, it should do so with

¹ Available at: <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/EDGE-Submissions-2017.pdf>.

² Issuers were generally deemed credible if they had at least 0.5% market share.

caution and in combination with other significant data. In particular, smaller issuers may experience a wider degree of variation, given the impact larger issuers have on transfers within a state and market.

III. Comparison of Interim and Final Risk Adjustment Results for the 2016 Benefit Year

As we discussed in the 2016 Benefit Year Summary Risk Adjustment Report, issued on June 30, 2017, we have conducted additional analysis comparing the 2016 benefit year interim and final risk adjustment results to illustrate predictability and variation.³

Predictability between interim and final risk scores was noticeably improved in the 2016 benefit year. For the 2015 benefit year, the initial year CMS provided interim risk scores, 20 states plus the District of Columbia received interim risk adjustment results. For the 2016 benefit year, 48 states plus the District of Columbia received interim results, marking a significant improvement in the quality and quantity of issuer data submissions. In addition to the significant increase in the number of issuers and states eligible for interim risk scores for the 2016 benefit year, there was also marked improvement in predictability of transfers by risk score quartile as compared with 2015 in both markets. This increased predictability associated with interim risk scores reflected higher quality data earlier in the data submission process and provided more reliable estimates prior to final data submission for issuers' rate setting and financial forecasts in 2016.

We compared the national data quantity completion rate at the data submission deadlines for the interim reports for the 2016 and 2017 benefit years, which were determined by comparing each issuer's EDGE server data submission to their final baseline representing the full year of data for 2016 and 2017. For the 2016 benefit year interim risk adjustment estimates excluding Hawaii and Massachusetts,⁴ we calculated a data completion of 94.6% as of an interim deadline of February 9, 2017. For 2017 benefit year interim risk adjustment estimates, we calculated a data completion of 90.7% with a much earlier interim deadline of January 13, 2018. We note that depending on issuers' data quantity submissions beyond three quarters of data for all issuers in a given state market risk pool, the estimates from interim to final could change significantly, depending on issuers' relative portion of data submitted by the interim deadline and market share and claims costs once final data has been loaded. As demonstrated in Table 1 below, 2016 benefit year interim risk scores rose an average of 6 percent in the small group market and 7 percent in the individual market from interim to final 2016 risk adjustment.

³ Available at: <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Reinsurance-Payments-Risk-2016.pdf>.

⁴ These states were excluded from the 2016 benefit year summary interim report because Hawaii had two (2) credible issuers who were unable to pass the quantity threshold and Massachusetts operated its own State-operated risk adjustment program for the 2016 benefit year.

Table 1. Percent Change in Select Risk Adjustment Variables, Interim to Final, in States Eligible for BY16 Interim Risk Adjustment Report

Variable	Individual Market		Small Group Market	
	Mean	Standard Deviation	Mean	Standard Deviation
Plan Liability Risk Score	7.15%	4.91%	6.04%	3.36%
Billable Member Months	0.05%	1.24%	1.12%	2.40%
Monthly Premiums	-1.00%	6.57%	-0.20%	1.16%
Age Rating Factor	-0.01%	0.14%	-0.09%	0.38%
Actuarial Value	0.02%	0.06%	0.00%	0.10%

IV. HHS-operated Risk Adjustment Program State-specific Data

Included in this report are the key elements of the risk adjustment transfer formula for the states that met the credibility requirements.

Table 2. Description of Risk Adjustment Data

DATA ELEMENT	DESCRIPTION
State Average Monthly Premium	The state average premium for state market risk pool is the weighted average monthly premium for the state market risk pool, weighted by plan share of statewide enrollment in the state market risk pool.
State Average Plan Liability Risk Score (PLRS)	The state average PLRS is calculated as the summed products of PLRS and billable member months for all plans within the state market risk pool divided by total billable months for all plans within the state market risk pool.
State Average Allowable Rating Factor (ARF)	The state average ARF is calculated as the summed products of ARF and billable member months for the plans within the state market risk pool divided by total billable member months for all plans in the state market risk pool.
State Average Actuarial Value (AV)	The state average AV is calculated as the summed products of AV and billable member months for the plans within the state market risk pool divided by the total billable member months within the state market risk pool. AV corresponds with metal and catastrophic tiers as follows: *Catastrophic: 0.57 *Bronze: 0.60 *Silver: 0.70 *Gold: 0.80 *Platinum: 0.90

DATA ELEMENT	DESCRIPTION
State Average Induced Demand Factor (IDF)	The state average IDF is calculated as the summed products of IDF and billable member months for the plans within the state market risk pool divided by the total billable member months within the state market risk pool. IDF corresponds with metal and catastrophic tiers as follows: *Catastrophic: 1.00 *Bronze: 1.00 *Silver: 1.03 *Gold: 1.08 *Platinum: 1.15
Billable Member Months	Billable member months are the member months of an individual or family policy that are included when setting the policy's premium rate.

Table 3. Interim Risk Adjustment State Averages with State Billable Member Months⁵

State	Risk Pool	STATE AVERAGE MONTHLY PREMIUMS	STATE AVERAGE PLAN LIABILITY RISK SCORE	STATE AVERAGE ALLOWABLE RATING FACTOR	STATE AVERAGE ACTUARIAL VALUE	STATE INDUCED DEMAND FACTOR	STATE BILLABLE MEMBER MONTHS
AK	Individual	\$1,048.27	1.320	1.628	0.650	1.015	190,351.5
	Small Group	\$734.60	1.036	1.430	0.700	1.035	130,143.4
	Catastrophic	N/A	N/A	N/A	N/A	N/A	N/A
AL	Individual	\$574.08	1.922	1.626	0.695	1.030	2,274,896.1
	Small Group	\$439.22	1.404	1.473	0.770	1.068	2,473,696.4
	Catastrophic	\$253.35	0.966	1.107	0.570	1.000	13,325.4
AR	Individual	\$390.14	1.797	1.464	0.699	1.030	4,050,114.9
	Small Group	\$391.05	1.265	1.407	0.787	1.076	353,016.8
	Catastrophic	\$156.79	0.250	0.987	0.570	1.000	4,989.7
AZ	Individual	\$629.90	1.427	1.652	0.679	1.024	1,758,065.9
	Small Group	\$385.23	1.104	1.373	0.730	1.050	1,713,170.6
	Catastrophic	\$168.63	0.399	0.854	0.570	1.000	15,121.8
CA	Individual	\$440.43	1.236	1.593	0.694	1.034	24,864,256.6
	Small Group	\$453.11	1.056	1.371	0.769	1.072	23,760,296.2
	Catastrophic	\$180.01	0.290	0.946	0.570	1.000	330,231.2
CO	Individual	\$438.56	1.141	1.593	0.656	1.018	2,741,868.8
	Small Group	\$426.57	1.010	1.363	0.724	1.046	2,833,634.7
	Catastrophic	\$194.57	0.441	0.963	0.570	1.000	86,233.4
CT	Individual	\$536.74	1.444	1.708	0.684	1.027	1,718,611.6
	Small Group	\$495.84	1.175	1.464	0.722	1.045	2,017,375.8
	Catastrophic	\$184.82	0.386	1.011	0.570	1.000	22,918.8
DC	Individual	\$366.16	1.175	1.084	0.723	1.051	201,779.0
	Small Group	\$475.05	1.126	1.039	0.825	1.102	891,542.9
	Catastrophic	\$96.15	0.273	0.735	0.570	1.000	9,299.4
DE	Individual	\$572.92	1.481	1.643	0.681	1.027	312,233.9
	Small Group	\$568.87	1.141	1.442	0.751	1.059	329,323.4

⁵ State catastrophic risk pools where there are no issuers offering risk adjustment covered plans are listed as "N/A."

State	Risk Pool	STATE AVERAGE MONTHLY PREMIUMS	STATE AVERAGE PLAN LIABILITY RISK SCORE	STATE AVERAGE ALLOWABLE RATING FACTOR	STATE AVERAGE ACTUARIAL VALUE	STATE INDUCED DEMAND FACTOR	STATE BILLABLE MEMBER MONTHS
	Catastrophic	\$264.03	0.236	0.988	0.570	1.000	1,973.9
FL	Individual	\$460.75	1.510	1.652	0.688	1.028	18,407,372.4
	Small Group	\$494.35	1.228	1.452	0.761	1.065	3,525,820.9
	Catastrophic	\$209.87	0.499	1.067	0.570	1.000	24,706.5
GA	Individual	\$442.96	1.448	1.573	0.682	1.025	5,805,129.9
	Small Group	\$465.52	1.156	1.404	0.736	1.050	2,091,160.7
	Catastrophic	\$170.32	0.412	1.009	0.570	1.000	92,570.8
HI	Individual	\$476.70	1.628	1.648	0.722	1.048	383,194.1
	Small Group	\$419.74	1.331	1.456	0.886	1.140	458,977.0
	Catastrophic	\$184.80	0.162	0.905	0.570	1.000	1,220.1
IA	Individual	\$541.34	1.452	1.734	0.664	1.019	666,063.6
	Small Group	\$406.49	1.154	1.395	0.736	1.051	1,107,526.9
	Catastrophic	\$196.18	0.277	0.954	0.570	1.000	7,965.5
ID	Individual	\$431.52	1.360	1.571	0.677	1.025	1,179,945.5
	Small Group	\$376.01	1.075	1.351	0.747	1.056	555,225.9
	Catastrophic	\$181.73	0.416	0.898	0.570	1.000	14,553.4
IL	Individual	\$521.54	1.353	1.655	0.670	1.022	4,574,728.0
	Small Group	\$481.00	1.169	1.401	0.782	1.078	4,332,054.2
	Catastrophic	\$276.57	0.311	0.955	0.570	1.000	16,175.8
IN	Individual	\$432.35	1.497	1.699	0.679	1.025	1,990,914.0
	Small Group	\$478.69	1.201	1.432	0.719	1.042	1,163,390.3
	Catastrophic	\$212.05	0.443	0.931	0.570	1.000	18,104.8
KS	Individual	\$465.62	1.547	1.587	0.683	1.027	1,321,665.3
	Small Group	\$398.82	1.173	1.383	0.763	1.065	926,003.1
	Catastrophic	\$196.43	0.316	0.917	0.570	1.000	16,046.8
KY	Individual	\$406.29	1.560	1.671	0.684	1.027	1,114,081.9
	Small Group	\$438.82	1.290	1.416	0.736	1.050	715,253.1
	Catastrophic	\$151.44	0.290	0.966	0.570	1.000	8,705.0
LA	Individual	\$560.40	1.656	1.627	0.682	1.027	1,598,548.5
	Small Group	\$438.40	1.236	1.393	0.764	1.066	1,419,619.5
	Catastrophic	\$177.94	0.202	1.001	0.570	1.000	5,719.7
MA	Merged	\$438.14	1.278	1.506	0.757	1.061	9,221,126.0
	Catastrophic	\$206.80	0.311	1.210	0.570	1.000	15,032.7
MD	Individual	\$434.52	1.382	1.592	0.688	1.029	2,573,685.1
	Small Group	\$431.70	1.097	1.404	0.751	1.060	2,999,578.0
	Catastrophic	\$117.56	0.320	0.972	0.570	1.000	100,031.6
ME	Individual	\$519.76	1.297	1.729	0.672	1.022	907,572.7
	Small Group	\$400.04	0.984	1.478	0.691	1.032	612,132.1
	Catastrophic	\$203.98	0.325	1.063	0.570	1.000	10,731.5
MI	Individual	\$410.34	1.414	1.659	0.670	1.022	4,296,557.1
	Small Group	\$413.11	1.262	1.391	0.793	1.082	4,280,551.8
	Catastrophic	\$165.10	0.357	0.972	0.570	1.000	85,303.3
MN	Individual	\$557.43	1.225	1.810	0.650	1.017	1,790,594.0

State	Risk Pool	STATE AVERAGE MONTHLY PREMIUMS	STATE AVERAGE PLAN LIABILITY RISK SCORE	STATE AVERAGE ALLOWABLE RATING FACTOR	STATE AVERAGE ACTUARIAL VALUE	STATE INDUCED DEMAND FACTOR	STATE BILLABLE MEMBER MONTHS
	Small Group	\$424.44	1.053	1.467	0.740	1.055	3,624,730.1
	Catastrophic	\$189.52	0.293	1.019	0.570	1.000	63,185.4
MO	Individual	\$479.80	1.577	1.637	0.671	1.022	2,798,925.8
	Small Group	\$459.51	1.247	1.399	0.741	1.053	1,305,241.4
	Catastrophic	\$207.41	0.369	0.892	0.570	1.000	29,836.2
MS	Individual	\$466.02	1.767	1.641	0.705	1.034	968,238.3
	Small Group	\$406.37	1.176	1.390	0.754	1.059	283,519.1
	Catastrophic	\$213.07	0.624	1.039	0.570	1.000	2,621.9
MT	Individual	\$580.64	1.169	1.704	0.653	1.017	667,304.7
	Small Group	\$408.70	0.926	1.389	0.715	1.043	587,888.0
	Catastrophic	\$227.52	0.296	0.941	0.570	1.000	7,963.6
NC	Individual	\$676.28	1.377	1.614	0.685	1.026	5,699,731.5
	Small Group	\$496.55	1.127	1.443	0.740	1.053	1,644,869.0
	Catastrophic	\$186.76	0.394	0.952	0.570	1.000	143,998.4
ND	Individual	\$428.62	1.239	1.525	0.708	1.040	464,774.8
	Small Group	\$403.74	1.059	1.286	0.825	1.102	401,725.3
	Catastrophic	\$129.37	0.365	0.963	0.570	1.000	28,852.4
NE	Individual	\$619.23	1.367	1.583	0.660	1.018	893,129.3
	Small Group	\$434.50	1.075	1.376	0.718	1.043	630,988.2
	Catastrophic	\$194.79	0.527	0.928	0.570	1.000	40,939.7
NH	Individual	\$411.77	1.485	1.589	0.687	1.028	1,152,720.7
	Small Group	\$466.53	1.147	1.477	0.734	1.049	621,736.0
	Catastrophic	\$135.36	0.235	1.001	0.570	1.000	13,264.7
NJ	Individual	\$492.18	1.398	1.638	0.690	1.028	4,064,420.9
	Small Group	\$556.58	1.283	1.458	0.749	1.058	4,089,853.2
	Catastrophic	\$216.74	0.312	0.997	0.570	1.000	35,315.4
NM	Individual	\$385.50	1.313	1.751	0.693	1.031	777,881.1
	Small Group	\$440.52	1.170	1.445	0.778	1.073	587,569.1
	Catastrophic	\$153.33	0.427	0.963	0.570	1.000	3,815.2
NV	Individual	\$382.06	1.358	1.572	0.677	1.025	1,356,104.4
	Small Group	\$382.72	1.085	1.341	0.754	1.061	1,159,043.3
	Catastrophic	\$160.35	0.323	0.964	0.570	1.000	17,635.2
NY	Individual	\$525.48	1.564	0.989	0.731	1.055	3,672,439.6
	Small Group	\$640.82	1.559	0.974	0.779	1.076	11,358,808.6
	Catastrophic	\$179.97	0.252	0.999	0.570	1.000	168,337.7
OH	Individual	\$421.63	1.559	1.712	0.673	1.023	2,965,389.3
	Small Group	\$509.74	1.412	1.459	0.734	1.050	1,315,151.0
	Catastrophic	\$187.28	0.355	0.977	0.570	1.000	28,975.2
OK	Individual	\$620.40	1.713	1.613	0.665	1.020	1,547,419.8
	Small Group	\$435.12	1.226	1.415	0.754	1.060	1,613,891.5
	Catastrophic	\$222.71	0.395	0.886	0.570	1.000	3,920.2
OR	Individual	\$446.09	1.257	1.644	0.677	1.025	2,466,636.3
	Small Group	\$409.58	1.055	1.409	0.769	1.069	1,702,815.5

State	Risk Pool	STATE AVERAGE MONTHLY PREMIUMS	STATE AVERAGE PLAN LIABILITY RISK SCORE	STATE AVERAGE ALLOWABLE RATING FACTOR	STATE AVERAGE ACTUARIAL VALUE	STATE INDUCED DEMAND FACTOR	STATE BILLABLE MEMBER MONTHS
	Catastrophic	\$181.97	0.278	0.971	0.570	1.000	7,497.9
PA	Individual	\$518.50	1.493	1.719	0.703	1.034	5,879,896.8
	Small Group	\$499.58	1.284	1.447	0.789	1.080	4,472,054.6
	Catastrophic	\$206.55	0.337	1.001	0.570	1.000	32,130.4
RI	Individual	\$383.44	1.481	1.682	0.701	1.035	515,671.8
	Small Group	\$488.53	1.402	1.482	0.801	1.086	671,614.8
	Catastrophic	N/A	N/A	N/A	N/A	N/A	N/A
SC	Individual	\$521.05	1.716	1.663	0.697	1.030	2,402,053.3
	Small Group	\$489.92	1.173	1.411	0.742	1.052	816,049.6
	Catastrophic	\$224.00	0.336	0.979	0.570	1.000	21,543.5
SD	Individual	\$528.78	1.467	1.536	0.674	1.023	420,635.4
	Small Group	\$453.61	1.093	1.386	0.718	1.043	390,163.6
	Catastrophic	\$219.38	0.323	0.934	0.570	1.000	10,470.8
TN	Individual	\$579.17	1.840	1.710	0.673	1.022	2,702,875.0
	Small Group	\$405.21	1.198	1.436	0.731	1.050	1,934,091.0
	Catastrophic	\$232.50	0.612	1.075	0.570	1.000	25,224.7
TX	Individual	\$421.07	1.492	1.588	0.679	1.025	12,448,849.8
	Small Group	\$492.61	1.190	1.382	0.732	1.050	7,631,522.0
	Catastrophic	\$220.28	0.427	0.944	0.570	1.000	38,753.3
UT	Individual	\$335.66	1.227	1.564	0.673	1.023	2,179,792.4
	Small Group	\$350.62	1.078	1.409	0.767	1.065	1,386,549.7
	Catastrophic	\$186.99	0.514	1.161	0.570	1.000	14,780.4
VA	Individual	\$412.89	1.460	1.566	0.683	1.026	4,789,295.5
	Small Group	\$446.27	1.155	1.364	0.789	1.081	4,191,643.1
	Catastrophic	\$183.55	0.446	1.032	0.570	1.000	80,443.7
VT	Merged	\$528.66	1.367	0.981	0.740	1.057	888,959.6
	Catastrophic	\$242.91	0.217	0.998	0.570	1.000	3,006.6
WA	Individual	\$403.72	1.325	1.671	0.678	1.026	3,356,781.1
	Small Group	\$441.77	1.140	1.433	0.768	1.068	2,406,063.9
	Catastrophic	\$173.72	0.286	0.991	0.570	1.000	15,173.2
WI	Individual	\$528.48	1.451	1.794	0.676	1.024	2,718,698.2
	Small Group	\$485.18	1.112	1.406	0.744	1.057	1,226,671.1
	Catastrophic	\$192.51	0.308	0.997	0.570	1.000	26,981.2
WV	Individual	\$693.60	1.702	1.831	0.687	1.028	400,152.9
	Small Group	\$560.12	1.210	1.473	0.747	1.057	198,078.3
	Catastrophic	\$297.36	0.516	1.021	0.570	1.000	1,188.2
WY	Individual	\$619.53	1.414	1.602	0.674	1.023	312,352.7
	Small Group	\$515.15	0.968	1.343	0.720	1.043	101,118.1
	Catastrophic	\$286.73	0.276	0.914	0.570	1.000	1,892.4

Table 3 above is also included in Excel format as a separate link, titled Appendix A. The Interim Risk Adjustment State Averages with State Billable Member Months are also provided in Excel format as a separate link, titled Appendix B.

V. HHS-operated Risk Adjustment Geographic Cost Factor (GCF) – Appendix B

The purpose of the geographic cost factor (GCF) adjustment is to remove differences in premium caused by allowable geographic rating variations. GCFs are calculated for each rating area established by the state under 45 C.F.R. § 147.102(b).

The GCFs are calculated based on the observed average silver plan premium for the metal-level risk pool (calculated separately for individual and small group if the state does not have a merged market) or catastrophic plan premium for the catastrophic risk pool, in a geographic area relative to the statewide average silver or catastrophic plan premium. Calculation of the GCF involves three steps. First, the average premium is computed for each silver or catastrophic plan, as applicable, in each rating area (using the same formula that is used to compute plan premiums in the statewide average premium calculation). The second step is to generate a set of plan average premiums that standardizes the premiums for age rating. Plan premiums are standardized for age by dividing the average plan premium by the plan rating factor (calculated at the rating area level), the enrollment-weighted rating factor applied to all billable members. Lastly, a GCF is computed for each rating area. The GCF is simply the ratio of the enrollment-weighted average age-standardized premium revenue for a rating area to the overall statewide enrollment-weighted average age-standardized premium revenue for all silver plans. The enrollment-weighted statewide average of plan GCF values will equal 1.0, so the GCF can be interpreted as the percentage by which any geographic area's costs deviate from the state average.⁶

⁶ A GCF of zero indicates no silver plans in the rating area. In final risk adjustment calculations, a GCF of zero will have an imputed value of one.