



DAILY NEWS

CMS: Issuers To Get Only 12.6 Percent Of Requested Risk Corridor Payments

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Issuers will receive only 12.6 percent of the payments they sought under the ACA's temporary risk corridor program, senior department officials revealed Thursday (Oct. 1) as they noted that CMS collected just \$362 million and plans had asked for \$2.87 billion in 2014. Officials stressed that the program is designed so that all issuers will eventually be fully compensated, but acknowledged the announcement could result in solvency problems for some plans.

HHS officials stressed that the announcement doesn't mean the program is broken. A better indicator is that issuers are entering the marketplace, or expanding their footprint, and CMS looks forward to a successful open enrollment period, the senior officials said on a call with reporters.

CMS said that the 2014 claims will be paid out later this year. Each issuer will receive 12.6 percent of their request. The remaining \$2.5 billion will come out of 2015 collections, and, if needed, 2016 collections.

Since it is a three-year program, officials said they won't know the total loss or gain until fall 2017. But, in the event of a shortfall at the end program, HHS will look to other funding methods, including working with Congress on an appropriations measure, officials added. The ACA requires HHS to make full payments to health insurance plans for the risk corridors program, an HHS spokesperson clarified.

The insurance industry calls for HHS to take action now. "Stable, affordable coverage for consumers depends on adequate funding of the risk corridor program. It's essential that Congress and CMS act to ensure the program works as designed and consumers are protected." AHIP President and CEO Marilyn Tavenner said in a statement.

Congress has been loath to fund the risk corridor program, which many GOP members have called a "bailout" for issuers. Last year's omnibus spending package specifically forbade CMS from using some of its operational funding to administer the program.

However, one GOP lawmaker recently expressed some interest in supporting the program. During a Senate Appropriations health subcommittee hearing earlier this year, Chairman Roy Blunt (R-MO) asked HHS Secretary Sylvia Burwell if there should be a discussion about dipping into discretionary funds to fill a potential funding gap. Burwell replied that her department wasn't sure whether there would be any signals that discretionary funds are needed. Data are just now starting to come in on the three-year, temporary program, she said.

"If there were any issues, I think insurers believe commitments have been made and, at that point, one would have to find appropriated funds," she said of a scenario where HHS lacked the money to pay insurers back.

“We certainly won't have a signal even about this year until the end of the summer, and then we'll know with the first year.”

CMS originally aimed to unveil the risk corridor data on Aug. 14, but delayed the release after realizing that the data issuers had sent in by July 31 had some significant discrepancies. About half of the participating issuers ended up resubmitting the data. CMS continues to work with plans and will do audits, but the data out on Thursday does represent the “full picture,” the HHS officials said.

The agency also pointed out in a memo that the data are not too different from what analysts at Standard & Poor's had speculated in a recent paper.

As far as potential insolvencies, the officials declined to speculate on specific issuers, or even types of issuers, that could be impacted. There may be some individual cases, and CMS will work with state departments of insurance and the plans to address them, the officials said. CMS said it began reaching out to those parties on Thursday afternoon, and will continue to be available. The agency also says it will provide more detailed information on the payment breakdown shortly.

Many of the large, publicly traded companies and [Blues plans have suggested](#) in earnings calls and in other forums that they were not expecting to benefit from the risk corridors. But smaller plans, including the ACA's consumer-operated and -oriented plans (co-ops), could see negative impacts if the risk corridors results are not favorable, sources said prior to the Thursday announcement.

Stakeholders had somewhat expected the news, since, as CMS itself pointed out in a memo, analysts at Standard & Poor's had previously speculated that CMS would collect only 10 percent of what it needed to pay out.

The S&P analysts also said that the smaller plans and CO-OPS would bear the brunt of the burden.

S&P analyst Deep Banerjee told *Inside Health Policy* Thursday that such a scenario is still likely true. Many of the large companies, and many of the Blues plans, did not record risk corridor receivables and should be okay, he said.

Still, he added, the fact that the program is underfunded adds uncertainty to the market, which is never good for either the creditworthiness of a company, or for consumers who could face increased rates.

Kelly Crowe, CEO of the National Alliance of State Health Co-Ops, said in a statement that news the risk corridor payments will be much lower than requested “is another sign the so-called '3Rs' are not working as the Affordable Care Act envisioned.”

“CO-OPs and most new entrants were recently hit hard in risk adjustment payments, even though the populations they serve were often very high-risk. Rather than encouraging choice and competition, these ACA programs appear to be hindering the viability of new entrants to the marketplace,” she said. “While we are encouraged CMS is committed to fully funding the risk corridor program over its life, we also hope today’s announcement spurs the agency to facilitate 3rd-party capital formation for CO-OPs. To date, regulatory obstacles have made it virtually impossible to raise additional capital to support growth.”

“Moving forward, we will continue to work with CMS and other regulators to improve the programs put in place to provide stability for CO-OPs and all marketplace insurers. This will help ensure the primary goals of the ACA -- competition and affordability -- are met,” she said.

The risk corridors program, CMS says, is based on Medicare Advantage and designed to protect plans against uncertainty in claims costs in the first three years of the reformed marketplace.

The program provides payments to issuers that missed their margin due to underpricing of premiums out of funding collected from issuers that overpriced their plans and thus collected too much money in premiums. For 2014, the base corridor was 3 percent, although CMS allowed additional adjustments for issuers impacted by the “transitional policy” that allowed non-ACA-compliant plans to stay on the market for additional years. For 2015, CMS granted all issuers nationwide a 2 percent bump.