



Date: December 4, 2019
From: Center for Consumer Information & Insurance Oversight (CCIIO), Centers for Medicare & Medicaid Services (CMS)
Title: Temporary Manual Adjustment for Policy-Based Payments – INFORMATION
Subject: Policy-Based Payments: Temporary Manual Adjustment for Transition to 2020 Policy-Based Payments

I. Purpose

This bulletin provides guidance on how the Centers for Medicare & Medicaid Services (CMS) will smooth cash flows to issuers during the transition to the 2020 coverage year as issuers collect premiums and report effectuations to CMS during and immediately after open enrollment. Experience over the past three years has demonstrated that the time lag involved in issuer reporting and the monthly payment cycle has the potential to affect advance premium tax credit payments to issuers of qualified health plans in the January and February monthly payment cycles. CMS will therefore continue to offer a temporary manual adjustment to January and February 2020 policy-based payments (PBP) for issuers offering major medical plans on the Federally-facilitated Exchange (FFE) and on State-based Exchanges on the Federal Platform (SBE-FP) as it has done in prior years.

CMS has noted that the number and size of these adjustments has declined each year since the transition to PBP, indicating that the timeliness of issuer reporting has improved and that the risk to issuer cash flow has declined. In light of these improvements, CMS expects that the 2020 coverage year will be the last year in which it offers this adjustment to FFE and SBE-FP issuers.

As in prior years, CMS will also be making early-year 2020 payment adjustments to some State-based Exchange (SBE) issuers as established through CMS discussions with each SBE. CMS and each SBE will determine whether these adjustments continue to be offered in future coverage years. CMS will notify issuers in each SBE of planned 2020 adjustments for their state.

II. FFE Temporary Manual Adjustment to Policy-based Payments

CMS will implement a temporary manual adjustment to January and February 2020 policy-based payments for FFE and SBE-FP issuers offering major medical plans. CMS will calculate this adjustment using a payment estimate equal to 80 percent of the estimated policy-based payments on effectuated enrollments plus enrollment still in “initial” status.¹ If an issuer’s calculated policy-based payments are less than 80 percent of this amount, CMS will apply an adjustment to increase the advance payment, net of FFE user fees, up to the 80 percent threshold. This adjustment will appear on the Preliminary Payment Report (PPR) and HIX 820s as a separate adjustment to each

monthly advance payment or charge.² As in past years, CMS will reverse these manual adjustments when the year-to-date total policy-based payment reaches the 80 percent threshold or in the March 2020 payment cycle, whichever comes first, so that advance payments and FFM user fee charges as of March 2020 accurately reflect reconciled enrollment.

CMS will not make any downward payment adjustments to issuers whose total calculated policy-based payments are above the 80 percent threshold.

III. How to Notify CMS

An issuer with questions or seeking assistance regarding the reversible manual adjustment for policy-based payments can notify CMS by sending an email to fmcc@cms.hhs.gov. The email's subject line should indicate the issuer's HIOS ID(s).

¹ In past guidance CMS has referred to this estimate based on enrollment that is in initial or effectuated status as "Upper Bound."

² These temporary adjustments apply only to payments and charges to issuers. CMS will not adjust FFE user fees for SBE-FPs electing to be billed directly by CMS.