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

Date: November 21, 2014

Subject: Calculation of member months for the Cost-Sharing Reductions (CSRs) Reconciliation simplified methodology

Q: Can issuers count members enrolled after January 2014 when estimating whether a standard plan meets the credibility threshold required for the cost-sharing reductions reconciliation simplified methodology?

A: Yes. A qualified health plan issuer may count members enrolled after January 2014 toward the 12,000-member month credibility threshold required for the simplified method of cost-sharing reconciliation, as long as the members were in the plan for the entire benefit year. Because of 2014 enrollment delays, we will consider this standard met if at least 12,000 member months are accumulated for enrollees, each of whom were in the plan beginning no later than March 31, 2014 until the end of the benefit year on December 31, 2014.

The CSR reconciliation simplified methodology provided in 45 CFR 156.430(c)(4) allows issuers to develop a set of effective cost-sharing parameters based on the average experience of enrollees in a standard plan. HHS in 45 CFR 156.430(c)(4)(v) set a minimum of 12,000 member months per benefit year in the standard plan to establish a credible claims data base on which to measure cost-sharing parameters.

In HHS guidance issued March 11, 2014, "Cost-Sharing Reductions Simplified Methodology Updated Examples," we interpreted adequate enrollment to be at least 1,000 enrollees, enrolled in the standard plan for the entire benefit year. We stated that policies that only cover a portion of the benefit year (either due to a mid-year special enrollment period, or a mid-year termination or reassignment,) should not be included. We did not intend to exclude those policies that because of technology challenges were accepted under special circumstances in January, February, and March 2014. In such circumstances, an issuer could have more than 1,000 enrollees per month, for a total of 12,000 member months during the year.

Therefore, issuers that meet the credibility standard of at least 12,000 member months total, based on enrollees each of whom were in the plan beginning no later than March 31, 2014, until the end of the benefit year on December 31, 2014, and who selected the simplified methodology may, but are not required to, use the simplified methodology described at 45 CFR 156.430(c)(4). Issuers that selected the simplified methodology but do not meet the foregoing 12,000-member month credibility standard must use the Actuarial Value simplified methodology described at 45 CFR 156.430 (c)(4) (v).