Issuer Guidance on Payments for Unaffiliated Issuer Enrollments (UIEs)
Release Date: December 9, 2016

1. Purpose

The purpose of this document is to provide guidance to Qualified Health Plan (QHP) issuers that offer plans through the Federally-facilitated Marketplaces (FFMs) and State-Based Marketplaces that rely on the federal platform for their eligibility and enrollment activities (SBM-FPs) on how CMS will determine Marketplace financial assistance payments for 2016 Unaffiliated Issuer Enrollments (UIEs), as well as the process and timeline for those payments and the corresponding IRS form 1095-A generation for 2016 UIEs. As a reminder, UIEs are defined as enrollments that appear active in the issuer's records, but do not appear as active enrollments in FFM records.

2. Background

Beginning in January 2016, CMS implemented an automated payment approach, called policy-based payments (PBP), which used FFM enrollment and financial data to determine issuer Marketplace financial assistance payments. Prior to 2016, CMS required issuers to self-report enrollment data and associated requested subsidy payment amounts on a monthly basis, with adjustments to previous months' requests, via a manual submission process.

On December 4, 2015, CMS issued guidance for handling 2015 UIEs that instructed issuers to not automatically re-enroll UIEs into 2016 plans, as the FFM does not have a corresponding record to re-enroll. Through its enrollment reconciliation processes, CMS has identified that UIEs continued to persist in 2016. In conducting root cause analysis, CMS determined that some of these apparent UIEs are the result of out-of-sync enrollment records that issuers could fix through standard FFM reconciliation and resolution processes. For example, a UIE is created when an enrollment has more than one record and the issuer cancels the "wrong" duplicate in its enrollment data store and later applies a cancel directive to the valid enrollment in the FFM.

However, CMS has also determined that some UIEs do truly reflect the lack of a corresponding FFM enrollment record where an issuer has an active 2016 enrollment. The two most common causes of these legitimate UIEs are: 1) issuer failure to successfully implement 2015 UIE guidance; and 2) CMS' process for handling a technical error that blocks an enrollment transaction from completing at the time of application (so-called "enrollment blockers") in which issuers are instructed to create the UIE record.

Currently, issuers cannot resolve these legitimate UIEs through standard FFM reconciliation and resolution processes. Because the FFM enrollment records include individual consumer representations about eligibility for coverage and subsidies, the FFM

requires direct consumer input to create and complete an FFM enrollment record. Therefore, the only way to eliminate a UIE that cannot be resolved through standard processes is for a consumer to re-complete an application with the FFM. In regard to the second UIE cause noted above, technical constraints in the FFM prevent adding a member to a policy even in cases where the consumer did update his or her application.

In guidance presented to issuers in all issuer calls and posted to Zone on October 18, 2016, CMS announced that it would make Marketplace financial assistance payments and generate Forms 1095-A for 2016 UIEs. This guidance further instructed issuers **not** to automatically re-enroll UIEs into 2017 QHPs.

3. Guidance

Overview of Process

CMS intends to make advance premium tax credit (APTC) and cost-sharing reduction (CSR) payments and charge user fees as appropriate on account of valid 2016 UIE records that cannot be resolved through standard FFM reconciliation and resolution process.

CMS's Enrollment Resolution & Reconciliation (ER&R) Contractor will analyze records submitted on the issuer's monthly reconciliation file (RCNI) that have been flagged as an "I" record (which denotes an apparent UIE) and use additional matching logic to identify 2016 UIE records that cannot be matched to an enrollment record in the FFM system. The ER&R Contractor will complete the following actions:

- Create Health Insurance Oversight System Identifier (HIOS ID) specific files that detail the UIE records for which CMS will process Marketplace financial assistance payments and generate IRS Forms 1095-A;
- Deliver those HIOS-specific files to the issuers via electronic file transfer (EFT).
- Aggregate the detailed 2016 UIE payment information by HIOS ID and submit this information as the basis for an initial 2016 UIE payment. process
- Process these same UIE files for manual IRS Form 1095-A generation.

In order to timely generate IRS Form 1095-As for 2016 UIE records, the ER&R Contractor will complete analysis of the FFM reconciliation file (RCNO) for Run 11 by mid-January, which will allow CMS to generate IRS Forms 1095-A by the end of January 2017.). The ER&R Contractor will send issuers HIOS-specific files that detail the 2016 UIE records that have been flagged for payment and IRS Form 1095-A generation.

CMS will make actual payments for UIE records based on the RCNO for Run 15, the final 2016 reconciliation file, which will reflect enrollment data submitted by issuers on March 17, 2017. The ER&R Contractor will compare issuer enrollment data submitted in Run 11 with what was submitted in Run 15, and process any IRS Form 1095-A

corrections at that time. The ER&R Contractor will complete this Run 15 analysis by mid-May 2017, which will allow CMS to generate updated IRS Forms 1095-A by the end of May 2017 and process payments to be reflected in the June 2017 payment cycle, which will show as a manual adjustment to APTC, CSR, and User Fees on the June PPR and HIX 820.

Determination of Appropriateness for Payment and IRS Form 1095-A Generation

As noted above, CMS intends to make APTC and CSR payments and charge user fees as appropriate on account of valid 2016 UIE records that cannot be resolved through standard FFM reconciliation and resolution process.

Accordingly, CMS will process the following UIE records for payment processing and IRS Form 1095-A generation:

- Any 2016 UIE record for which the ER&R contractor cannot find a match in the 2016 FFM enrollment files. In some instances, there may be a prior year FFM enrollment match.
- Any 2016 UIE with an associated "enrollment blocker" Health Insurance Casework System (HICS) case where the member or enrollment group was trying to add or delete a person.

Further, CMS will exclude the following UIE records from processing for payment and Form 1095-A generation:

- **Enrollment records created after the 15th of the current month (also known as timing issue UIEs).** CMS reconciliation processes compare FFM enrollment data as of the 15th of the current month with issuer enrollment data submitted via RCNI later in the month (typically 1-2 weeks later). Therefore, any policy created after the 15th will not be reflected in the RCNO until the following month, and all such policies will be reflected in the current month RCNO file as UIEs. Because many of these records will be correctly matched in the following month when the FFM data is refreshed, CMS will not consider payments or IRS Form 1095-A generation for these records unless the "I" record persists in the subsequent RCNO.
- **Non-effectuated records.** In some instances, issuers submitted a 2016 enrollment record for which there is no FFM match, but did not mark the Issuer Premium Paid status as Yes on the RCNI. Such treatment indicates that these enrollments have not been effectuated. Therefore CMS will not process the payment or IRS Form 1095-A for such records.
- **Cross-HIOS enrollment records.** If the ER&R Contractor finds an active 2016 enrollment record match to a UIE record, but that match is in a separate HIOS ID, and the enrollment is during the same time period, CMS will not process the payment or IRS Form 1095-A for such records.

- **2016 UIEs for which the ER&R Contractor has found an apparent match in the 2016 FFM enrollment files (also known as matched UIEs).** Each month, the ER&R Contractor searches the 2016 FFM enrollment files for records that match the UIE records on a preponderance of demographic and policy data elements. The ER&R Contractor submits to the CMS Operations & Analytics Contractor a file containing UIE records with corresponding FFM matches. If the data discrepancy is minor, the Operations & Analytics Contractor will reflect the match on the subsequent month's RCNO file, creating so-called merged UIE records. Matched UIE records that have not been merged can generally be resolved by issuer action to appropriately sync its data for the UIE record with the FFM record. Because matched UIEs can be resolved through standard CMS reconciliation and resolution processes, CMS will not manually process the payment or IRS Form 1095-A for such records.
- **Newborns with UIE records for 31 days or less.** Certain state laws require issuers to cover newborns for some period of time (most commonly a month) free of charge under the mother's policy. Some issuers create temporary enrollment files for these newborns to enable tracking and processing of associated claims. These UIE records reflect an operational work-around on the issuer side, and not a true active issuer enrollment; therefore, CMS will not process payments or generate IRS Forms 1095-A for such records. However, given that the newborn coverage is an extension of the mother's coverage, CMS considers newborn costs covered through the mother's policy to be eligible for cost-sharing reductions (CSR). CMS will issue separate guidance on how to reflect those newborn costs to ensure payment in the CSR reconciliation process.