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 27, 2018

Subject: Release of Risk Adjustment Holdback for the 2017 Benefit Year

As previously stated,[1] CMS will release the 6.6 percent holdback for risk adjustment from the 2017 Benefit Year risk adjustment payments made using Fiscal Year 2018[2] resources in a monthly payment cycle following the end of Fiscal Year 2018 if no administrative appeals are pending or in the monthly payment cycle following the final resolution of all 2017 Benefit Year risk adjustment appeals in the State market risk pool (note: the administrative appeal process and timeline are set forth in 45 CFR § 156.1220).

Based on the current status of 2017 Benefit Year risk adjustment administrative appeals as of October 26, 2018, CMS will **NOT** release payment amounts held back for 2017 Benefit Year risk adjustment appeals in the following State market risk pools:

1. Michigan –individual non-catastrophic market;
2. Texas – individual non-catastrophic market and small group market; and
3. Massachusetts – all markets (catastrophic risk pool and merged market (individual non-catastrophic and small group markets)).

In all other State market risk pools, there are no 2017 benefit year risk adjustment administrative appeals pending; therefore, CMS will release the 2017 Benefit Year risk adjustment holdback. When holdback amounts are released, they are not subject to further holdback for appeals or sequestration.

We note that any risk adjustment payments made using Fiscal Year 2019 resources (October 1, 2018 through September 30, 2019) will be sequestered at a rate of 6.2 percent. The funds that are sequestered in Fiscal Year 2019 will become available in Fiscal Year 2020 without further Congressional action. CMS will release these funds consistent with the above policy (that is, following resolution of the applicable benefit year's risk adjustment appeals in the State market risk pool).

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[1] FM Payment Processing Series III State - Based Exchange Restatements, Payment, Invoicing, and Collection for 2017 Risk Adjustment (RA), 2017 Administrative Appeals Process for RA Transfers, Payment Dispute Guidance, available at https://www.regtap.info/uploads/library/FT_FM_HIX820_Slides_081318_5CR_081418.pdf.
[2] Fiscal Year 2018 ran from October 1, 2017 through September 30, 2018.