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: March 7, 2017

Subject: Including 100 Percent Covered Claims in Total Allowed Costs for the Purpose of Reconciliation of the Cost-Sharing Reduction Portion of Advance Payments of the Premium Tax Credit

The Centers for Medicare & Medicaid Services (CMS) guidance does not require Qualified Health Plan issuers to include the cost of 100 percent covered essential health benefits when reporting total allowed costs for the purpose of cost-sharing reduction reconciliation, because these benefits generally have no cost sharing (REGTAP FAQ 15571)[1]. Similarly, in the *Manual for Reconciliation of the Cost Sharing Reduction Component of Advance Payments for Benefit Year 2016*, [2] CMS stated that 100 percent covered essential health benefits should be excluded from total allowed costs, except when using the simplified actuarial value methodology. Here, we are clarifying that an issuer may include the cost of 100 percent covered services when calculating total allowed costs for the purpose of cost-sharing reduction reconciliation, as long as the issuer includes these costs in both the standard silver plan and the associated cost-sharing reduction variation. We believe that permitting issuers to include 100 percent covered claims in total allowed costs for a policy or plan will make accounting less complex for some issuers.

We reiterate our earlier guidance that total allowed costs for an essential health benefit are costs after reductions for third-party payments or discounts (REGTAP FAQ 15106).[3] The cost of a service must be the same in the standard plan and the plan variation. Therefore, as discussed in REGTAP FAQs 15101, 15106, and 15875,[4] prior to calculating actual cost-sharing reductions provided, issuers must exclude any amounts paid by other issuers or third-parties from total allowed costs in both the standard plan and the plan variation, so that enrollee cost sharing does not exceed allowed costs in the standard plan. CMS will reimburse issuers only for actual cost-sharing reductions provided, regardless of whether the issuer includes 100 percent covered costs in total allowed costs.

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[1] See https://www.regtap.info/faq_viewe.php?i=15571
[2] See p, 12 https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Final-Manual-for-Reconciliation-of-the-Cost-Sharing-Reduction-Component-of-Advance-Payments-for-the-2016-Benefit-Year.pdf
[3] See https://www.regtap.info/faq_viewe.php?i=15106
[4] See https://www.regtap.info/faq_viewe.php?i=15101 and https://www.regtap.info/faq_viewe.php?i=15106 and https://www.regtap.info/faq_viewe.php?i=15875.