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: December 19, 2017

Subject: Release of Reinsurance and Risk Adjustment Holdback for the 2016 Benefit Year and Update on the Release of Risk Adjustment Holdback for the 2015 Benefit Year

Release of Reinsurance and Risk Adjustment Holdback for the 2016 Benefit Year

As stated in the July 20, 2017 and August 3, 2017, "Payments, Invoicing and Collections Process for the Risk Adjustment, Reinsurance and CSR Reconciliation Programs for the 2016 Benefit Year" webinar presentations,* CMS will release the 6.9 percent holdback for Reinsurance and 7.1 percent holdback for Risk Adjustment from the 2016 Benefit Year (BY) reinsurance and risk adjustment payments in the monthly payment cycle following the end of Fiscal Year (FY) 2016 if no administrative appeals are pending or in the monthly payment cycle following the final resolution of all 2016 BY reinsurance and risk adjustment appeals in the State Market. (Note: The administrative appeals process and timeline are set forth in 45 CFR § 156.1220.)

Risk Adjustment: Based on the current status of 2016 BY risk adjustment administrative appeals, as of December 11, 2017, CMS will **NOT** release payment amounts held back for 2016 Benefit Year risk adjustment appeals in the following State Markets:

1. Ohio Small Group Market
2. Rhode Island Individual Market

In all other State Markets, CMS will release the 2015 Benefit Year risk adjustment holdback. We note that any risk adjustment payments made using Fiscal Year 2017 resources will be sequestered at a rate of 7.1 percent. These funds will not be available for payment until the beginning of FY 2018, regardless of whether or not a risk adjustment appeal is pending in the State market.

Reinsurance: CMS will make the second 2016 BY reinsurance payment in January 2018, after the second contribution collection deadline has passed. We note that any reinsurance payments made using FY 2018 resources will be sequestered at a rate of 6.6 percent.

These funds will not be available for payment until the beginning of FY 2019. Therefore, the January 2018 payment will be sequestered at rate of 6.6 percent, even though there are no pending reinsurance appeals.

We note that, based on the current status of 2015 Benefit Year risk adjustment administrative appeals, as of December 11, 2017, CMS will continue to **NOT** release payment amounts held back for 2015 Benefit Year risk adjustment appeals in the following State Markets:

1. Colorado – all Markets;
2. Hawaii Small Group Market; and
3. New York – all Markets.

If you have any questions regarding this guidance, please email CMS at ACAfinancialappeals@cms.hhs.gov.

*Available at:
https://www.regtap.info/uploads/library/FT_RAD_slides_072017_5CR_072017.pdf