REINSURANCE PAYMENTS SERIES II

UNDERSTANDING HOW CMS CALCULATES REINSURANCE PAYMENTS AND REPORTS

June 30, 2016

Payment Policy & Financial Management Group,
Division of Reinsurance Operations Training Series

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

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Agenda

- Session Guidelines
- Intended Audience
- Purpose
- June 30th RI payment calculation overview
- Calculation Steps
  - 1. Input funds & RISR values
  - 2. Reinsurance proration
  - 3. Reinsurance payment reports
- Adjusted RI payment report

Session Guidelines

- This is a 90-minute Q&A session.
- For questions regarding content, please submit inquiries to Registration for Technical Assistance Portal (REGTAP) at https://www.REGTAP.info/.
- For questions regarding logistics and registration, please contact the Registrar at (800) 257-9520.

Intended Audience

- Issuers of Marketplace and Non-Marketplace plans, in states where HHS operates the Transitional Reinsurance (RI) Program
- Third Party Administrators (TPAs) and Support Vendors
- Amazon and On-Premise External Data Gathering Environment (EDGE) server issuers (Exchange and Non-Exchange)

Purpose

This training will:

- Explain how the Centers for Medicare & Medicaid Services (CMS) determines the *actual* reinsurance (RI) payment for each issuer, based on the *estimated* RI payment as calculated by EDGE on the Reinsurance Summary Report (RISR)
- Explain reports generated by CMS and published on issuer's EDGE Management Console
- Explain how RI payment adjustments are made and reported

Introduction

2015 Benefit Year Results

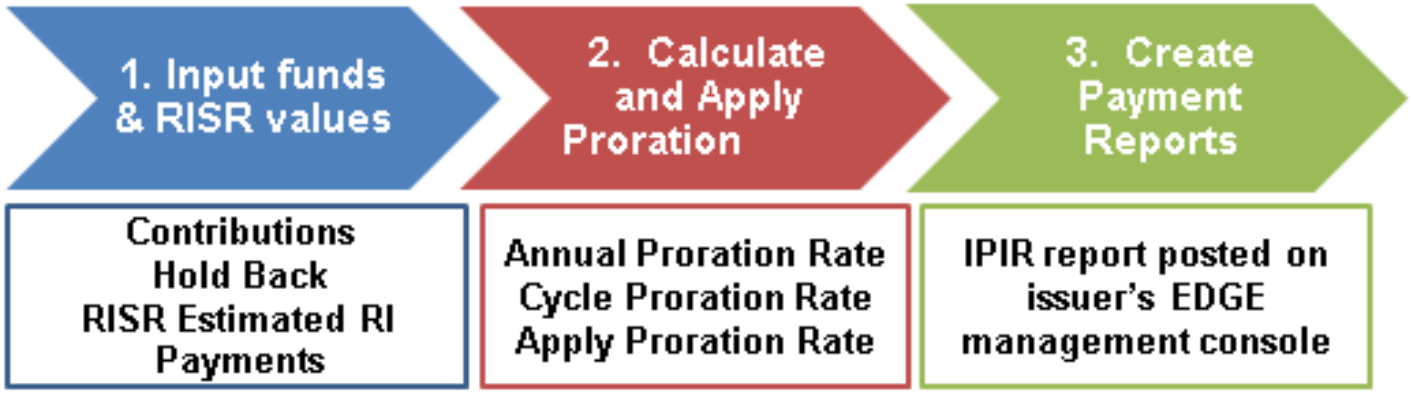
- 55.1% is the projected national coinsurance rate (based on actual and projected collections for the 2015 Benefit Year).
- CMS will make 2015 Benefit Year issuer payments in an estimated four (4) payment cycles between 2016 and 2017.
  - The sum of each RI payment cycle should equal the actual total RI payment for BY2015.
  - The first RI payment will NOT equal the actual total RI payment because that amount will be prorated by payment cycle, using the amount of funds currently available at the time.
- The RI Issuer Report will be sent to issuers' EDGE management consoles after 4:30 p.m. ET on June 30, 2016.
- The Adjusted RI Payment Report will be sent to issuers via email to chief executive officer (CEO) designates and alternates by July 1, 2016

June 30th RI Payment Amounts

- The June 30th reinsurance payment amounts are calculated outside issuer's EDGE server in the CMS EDGE Calculation Module (ECM).
- Each issuer's estimated RI payment (at 100% coinsurance) from their final RISR is pro-rated by the proportion of RI contributions received.
  - The RISR has an estimated 50% coinsurance rate, but this does not reflect actual pro-rated amount.
- The interim RI payments made in March-April 2016 are not factored into any calculations or reports covered in this presentation.
  - Interim payments are deducted directly from the first and subsequent payment cycles as applicable.
  - Interim payment deduction occurs during the actual payment cycle.

June 30th RI Payment Calculations (continued)

- The process of calculating RI payments involves the following steps:



- The following inputs produce the annual and cycle proration rates and payment amounts:
  - RI Contribution Collections, comprising actual funds collected and carryover from previous benefit year, and projected funds for the entire benefit year
  - Estimated RI payments as reported in issuers' final RISRs
  - Holdback amounts for sequestration and appeals as applicable

June 30th RI Payment Calculations: What's Different for the 2015 Benefit Year?

2014 Benefit Year

- CMS collected more in RI contributions than total estimated RI payments
  - Issuers' actual RI payments = 100% of RISR estimated RI payment*
  - $1.7B remaining = appeals holdback not necessary
  - No pro-ration by cycle = fewer payment cycles

2015 Benefit Year

- CMS collected less in RI contributions than total estimated RI payments
  - Issuers' actual RI payments = 55.1% of RISR estimated RI payment*
  - No leftover funds remaining = appeals holdback is necessary
  - Must pro-rate by cycle = more payment cycles

*As applicable, discrepancy and appeals will change an issuer's payment

June 30th RI Payment Calculations: What's Different in 2016?

2014 Benefit Year

- Contributions were collected and paid out in the same fiscal year (FY15)
  - Due to federal rules on holdback calculations, this makes it much easier to calculate holdback amounts.

2015 Benefit Year

- Contributions are collected and paid out in the same and subsequent fiscal years (FY16-FY18)
  - Due to federal rules on holdback calculations on funds from multiple FYs, this makes it much harder to calculate holdback amounts.

June 30th RI Payment Calculations: What's Different in 2016? (continued)

2014 Benefit Year

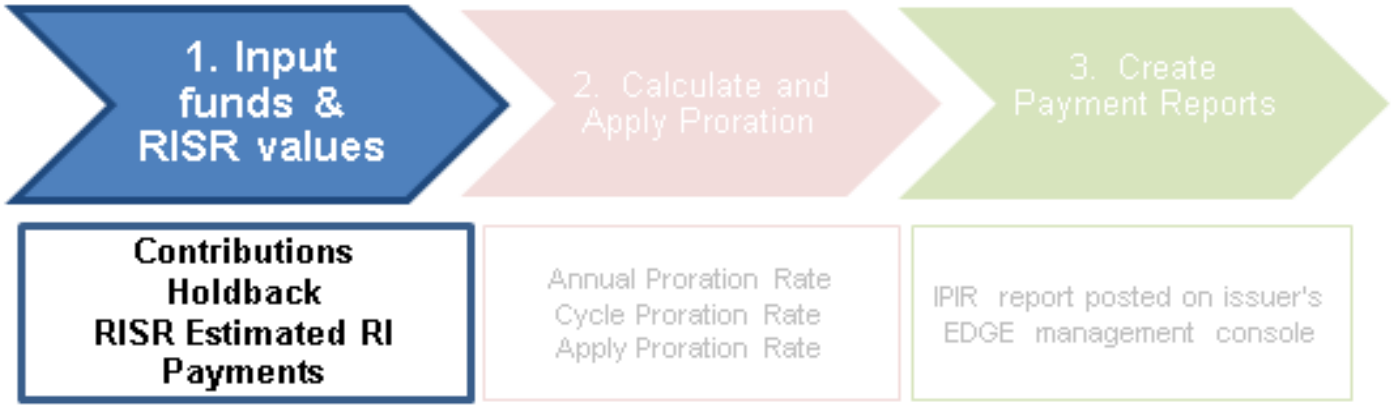
- Most RI overpayment discrepancies due to issuers reporting new information discovered after EDGE data submission deadline
- Discrepancies handled on a rolling basis once resolution determined

2015 Benefit Year

- Most RI overpayment discrepancies due to issue with EDGE's processing of overlapping claims
- Such discrepancies reported by June 8, 2016 will be reflected in the June 30th report and reported by August 31, 2016 (deadline) will be reflected in the Fall payment
- Overpayment discrepancies due to other reasons handled on a rolling basis once resolution determined

Calculating Actual RI Payments

Step 1: Input funds & RISR values



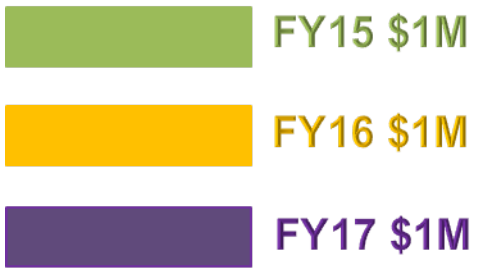
- 2 types of contributions:
  - Total expected
  - Current available
- 2 types of holdback:
  - Appeals
  - Sequestration
- Of the RI calculation inputs, only estimated RI payment from the RISR appears in payment reports

1. Input: Contributions and holdback

Example payment cycle 1 calculation

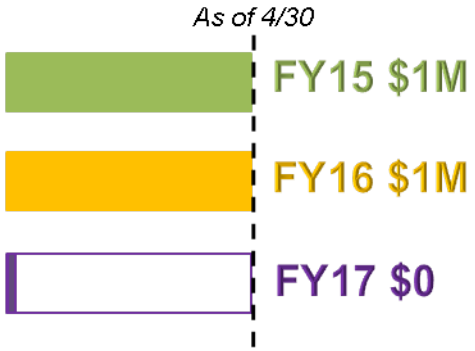
A. Calculate total expected funds, which includes contributions expected for the whole benefit year, including the upcoming November 2016 collection

Total expected funds = **$3M**



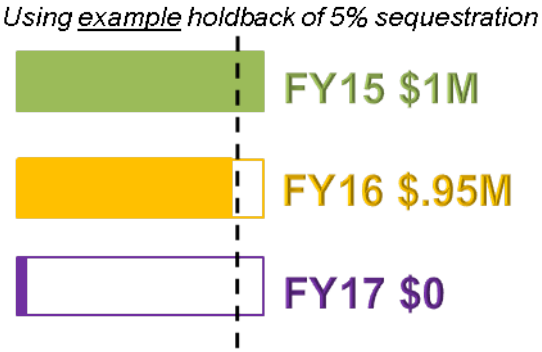
B. Calculate total current funds. Since the November 2016 RI collection hasn't happened yet, it is not included in calculating the amount of the first RI payment cycle in August

Total current funds = **$2M**



C. To comply with federal regulations, CMS applies a certain percentage of holdback. How it is calculated may vary depending on the type of holdback and fiscal year.

Total current funds available after holdback = **$1.95M**



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1. Input: Holdback

For each payment cycle, CMS has to make certain deductions to current RI funds in order to ensure compliance with federal regulations:

1. **Appeals:** a percentage of each fiscal year's collections is held back to account for RI payment appeals or other retroactive changes to RI payments
2. **Sequestration:** a percentage of funds that are collected and paid out in the same fiscal year is held back to comply with annual, automatic budget cuts passed by Congress in 2011. These funds are eligible to be released in the next fiscal year.

The net effect is to reduce the total current funds amount as indicated on the previous slide.

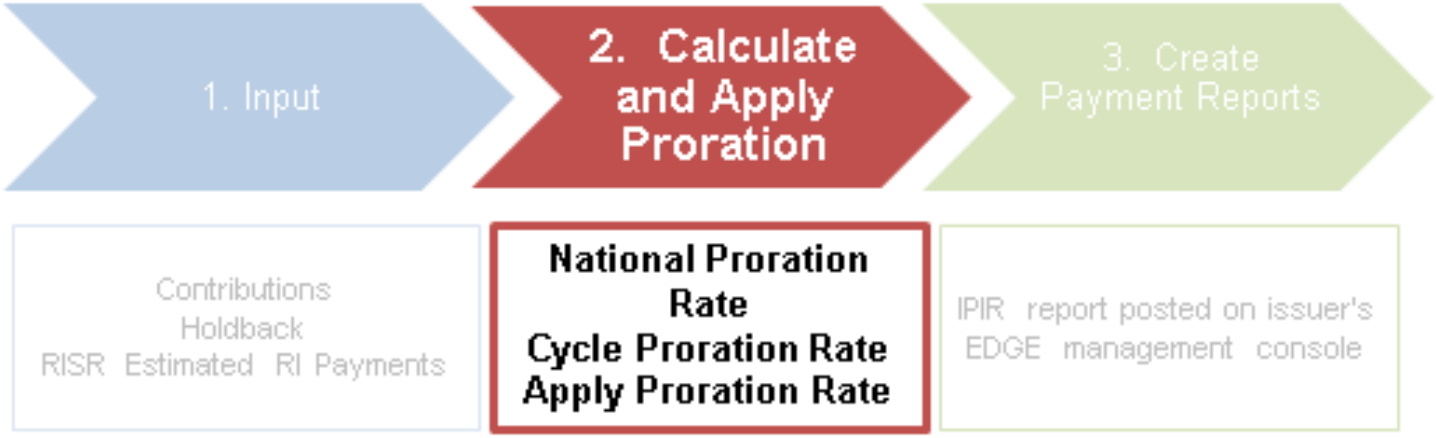
- **For the first payment cycle, sequestration is 6.8% with no appeals holdback.**
- **The sequestration payout will be reduced by a TBD percentage for appeals holdback.**

1. Input: Estimated RI Payment from Issuers' RISRs

- The <estimatedRIpayment> data element on the RISR represents the maximum amount (100% coinsurance) of RI an issuer can receive based on valid claims and enrollment data on the EDGE server as of May 2, 2016.
- No other values from EDGE are used in calculating actual RI payments.
- CMS uses <estimatedRIpayment> as the denominator in the proration calculation.



Step 2: Proration



- National proration rate = total expected funds divided by RISR estimated RI payment
- Cycle proration rate = current available funds divided by RISR estimated RI payment
- Rates are applied to each issuer's estimated RI payment

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2. RI Proration Based on *Expected* Contributions

Once all inputs are completed, the proration calculation is run and produces a projected **national** proration rate.

Reinsurance proration – national calculation example		
A	Total expected funds	$3,000,000
B	Total funds available for cycle 1	$1,910,000
C	Estimated RI payment (RISR), all issuers	$10,000,000
D	National coinsurance rate (A divided by C)	30.0%

2. RI Proration Based on *Current* Contributions

CMS calculates a **cycle** proration based on currently available funds.

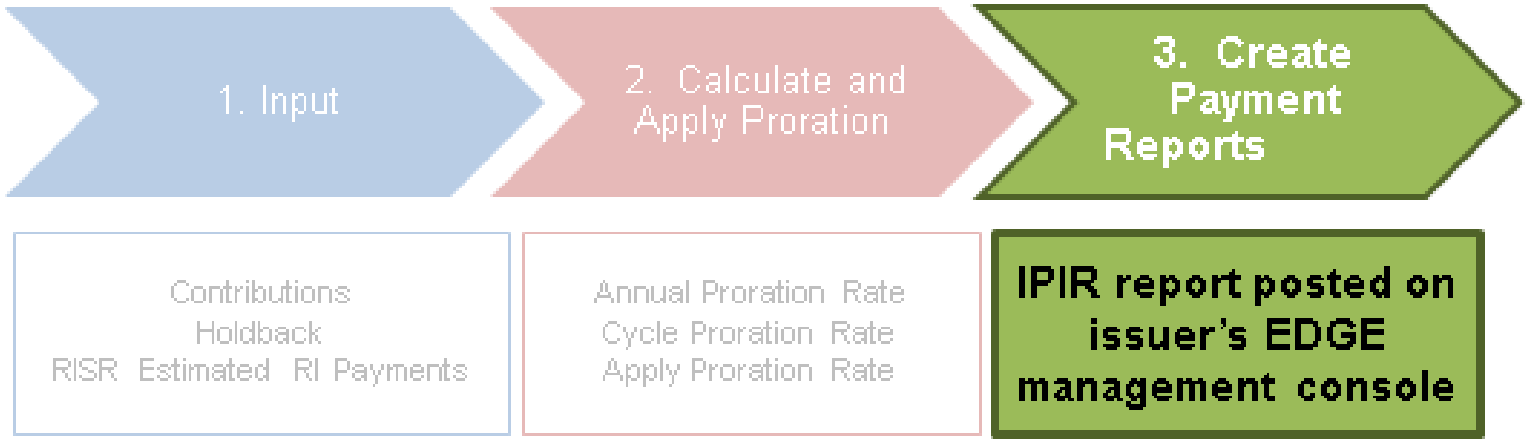
Reinsurance proration – national calculation example		
A	Total expected funds	$3,000,000
B	Total funds available for cycle 1	$1,910,000
C	Estimated RI payment (RISR), all issuers	$10,000,000
D	National coinsurance rate (A divided by C)	30.0%
E	Cycle 1 proration factor (B divided by C)	19.1%

2. Apply RI Proration

CMS applies the projected **national** and **cycle** proration rates to each issuer's <estimatedRIpayment> to determine the actual RI payment the issuer will receive for the entire 2015 Benefit Year, as well as the cycle amount.

Reinsurance proration – national calculation example		
A	Total expected funds	$3,000,000
B	Total funds available for cycle 1	$1,910,000
C	Estimated RI payment (RISR), all issuers	$10,000,000
D	National coinsurance rate (A divided by C)	30.0%
E	Cycle 1 proration factor (B divided by C)	19.1%
Reinsurance proration for example issuer 12345		
F	Estimated RI payment (RISR), HIOS 12345	$1,000,000
G	Total BY15 RI payment, HIOS 12345 (F * D)	$300,000
H	RI payment for cycle 1 , HIOS 12345 (F * E)	$191,000

Step 3: Create RI payment reports



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3. Create RI Payment Reports

.CSV report files that contain results of the proration calculation are pushed to each issuer's EDGE management console. An example of the RI payment report is shown below.

	A	B
1	File ID	IPIR.X3ZZ45ABC6
2	File run date	06/14/2016
3	Program Year	2015
4	Payment cycle	1
5	Batch ID	987654
6	Current Cycle Proration Parameter	0.191
7	Issuer ID	12345
8	Issuer Legal Name	Blah Blah
9	State	XZ
10	EDGE RI Payment Calculation	1000000
11	Projected Proration Factor	0.3
12	Projected RI Payment Amount	300000
13	Previous RI Remaining Balance	1000000
14	Prorated Payment Amount	191000
15	New RI Remaining Balance	809000
16		

Important: the report does *NOT* display the first payment cycle deduction for the interim RI payments made in March-April 2016 or any other payment adjustments

3. Create RI Payment Reports: Data Elements and Definitions

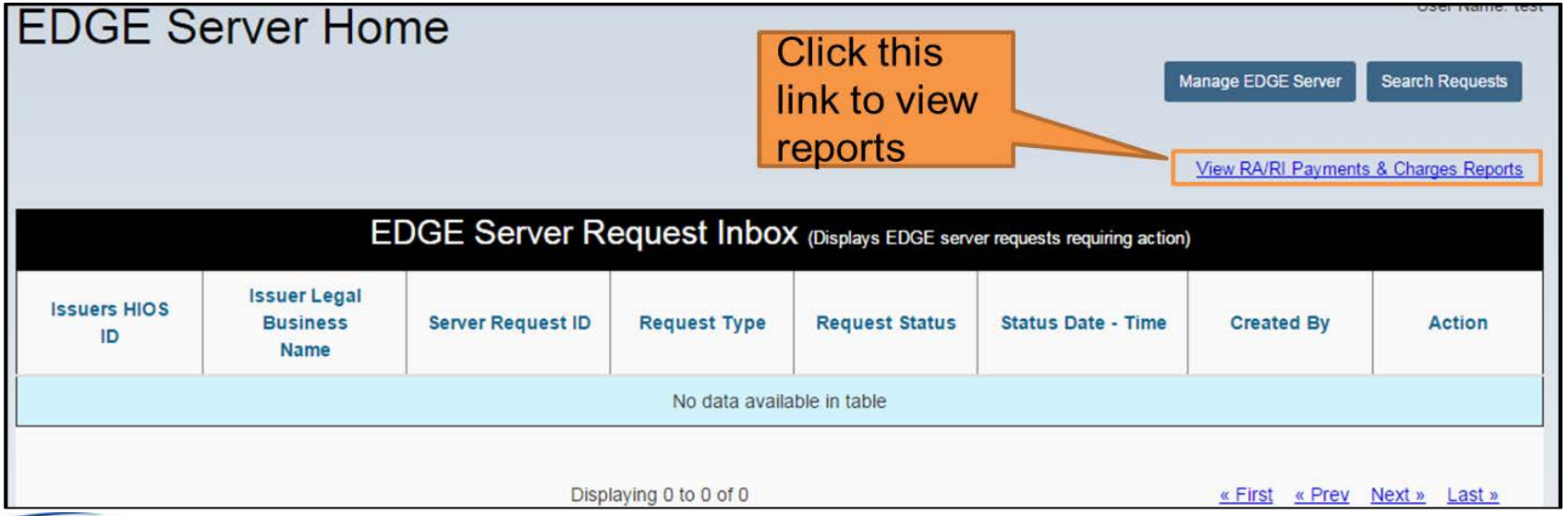
Field Name	Value	Description
File ID	IPIR.X3ZZ45ABC6	ID specific to the report file
File run date	06/14/2016	Date report was run by CMS
Program Year	2015	Current benefit year (2015)
Payment cycle	1	Number of current payment cycle. Unlike the 2014 Benefit Year, RI payments for BY2015 will be made in more than one payment.
Batch ID	987654	6-digit numeric ID indicating batch in which file was included. The ID is specific to the CMS ECM system, and is not the same as EDGE report batch IDs.
Current Cycle Proration Parameter	0.191	Proration factor for the indicated payment cycle, as a percent of the issuer's <estimatedRipayment> on latest RISR. It is based on current funds available for BY15 RI payments.
Issuer ID	12345	5-digit issuer HIOS ID
Issuer Legal Name	XYZ	Issuer name
State	XZ	Issuer state

3. Create RI Payment Reports: Data Elements and Definitions (continued)

Field Name	Value	Description
EDGE RI Payment Calculation	1000000	Total RI payment estimated by EDGE, or <estimatedRipayment> in latest RISR.
Projected Proration Factor	0.3	Also called the national coinsurance rate; represents the actual RI payment amount for all of BY15, based on total expected BY15 RI contributions.
Projected RI Payment Amount	300000	EDGE RI Payment calculation multiplied by the Projected Proration Factor. This amount is the total RI payment the issuer will receive for the 2015 Benefit Year.
Previous RI Remaining Balance	1000000	Amount of EDGE RI Payment Calculation left to pay out. **Ignore this**. See adjusted payment report for correct amount.
Prorated Payment Amount	191000	Actual RI payment paid to issuer for the current cycle only.
New RI Remaining Balance	809000	Remaining RI payments based on EDGE RI payment calculation. **Ignore this.** See adjusted payment report for correct amount.

3. Create RI Payment Reports: Where and When to Find Them

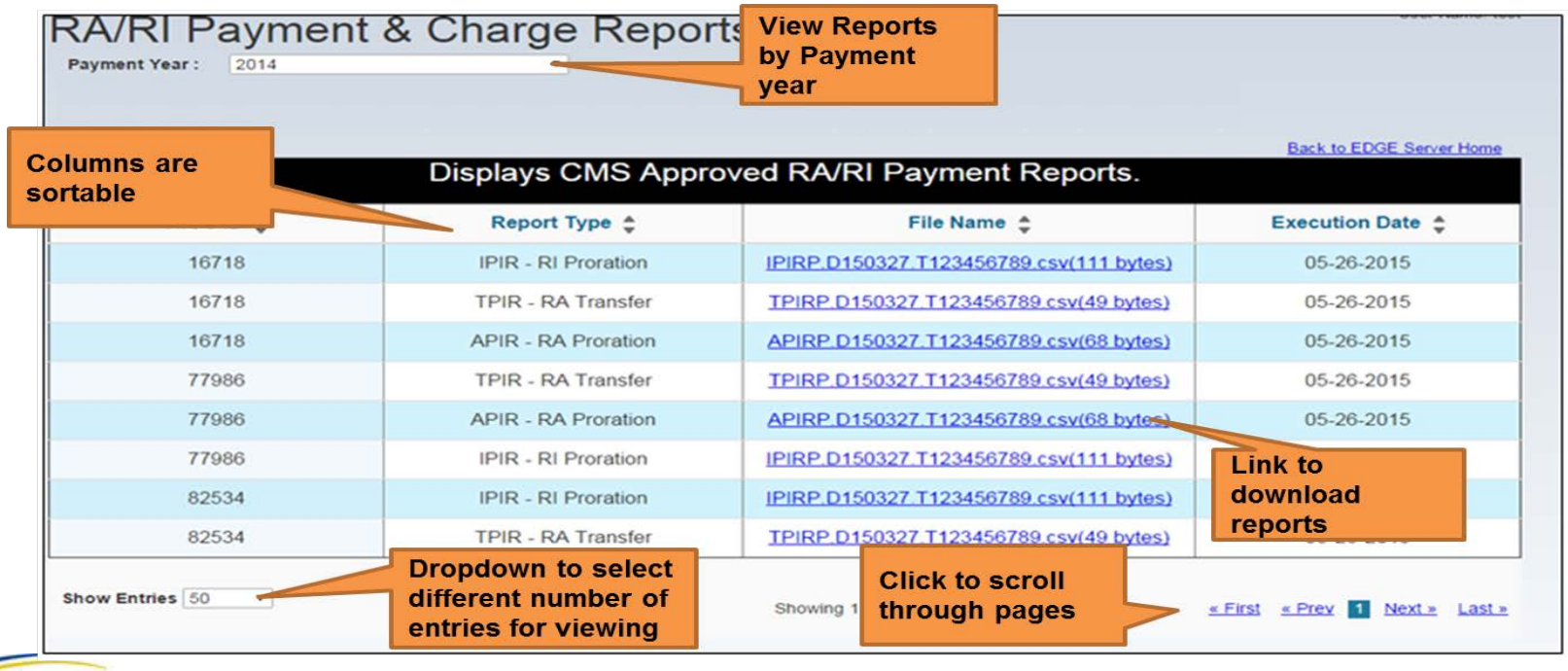
- The RA/RI Issuer Payments & Charges Reports, including the RI Issuer Report, will be available via a link added to the EDGE Registration site home page **after 4:30 p.m. on June 30, 2016**. Clicking on it will take users to the EDGE Management Console.
- The reports will only be accessible on the registration site to users who have the **Issuer Approver role** in HIOS.



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3. Create RI Payment Reports: Where and When to Find Them (continued)

- EDGE Management Console lists all RA/RI payment report. The RI payment report type is “IPIR - RI Proration”.
- Issuers have access to issuer-level payment reports only, not state or summary



RI Payments Estimated Schedule

Estimated Payment Cycle	Payment	Notes
August 2016	1	Funds for this payment do not include November 2016 RI contributions yet. Only a portion is subject to sequestration.
January 2017	2	Funds sequestered from the first cycle are eligible for release in the second cycle, but CMS will retain a portion for appeals holdback. This cycle will also include the November 2016 contribution collection.
April 2017	3	Funds used for this payment cycle include BY2015 late contribution collections and appeals holdback.
Fall 2017	4	FY2017 sequestered funds *if applicable*

Interim Payment + Sum of RI Payment Cycles = Actual total reinsurance payment for Benefit Year 2015

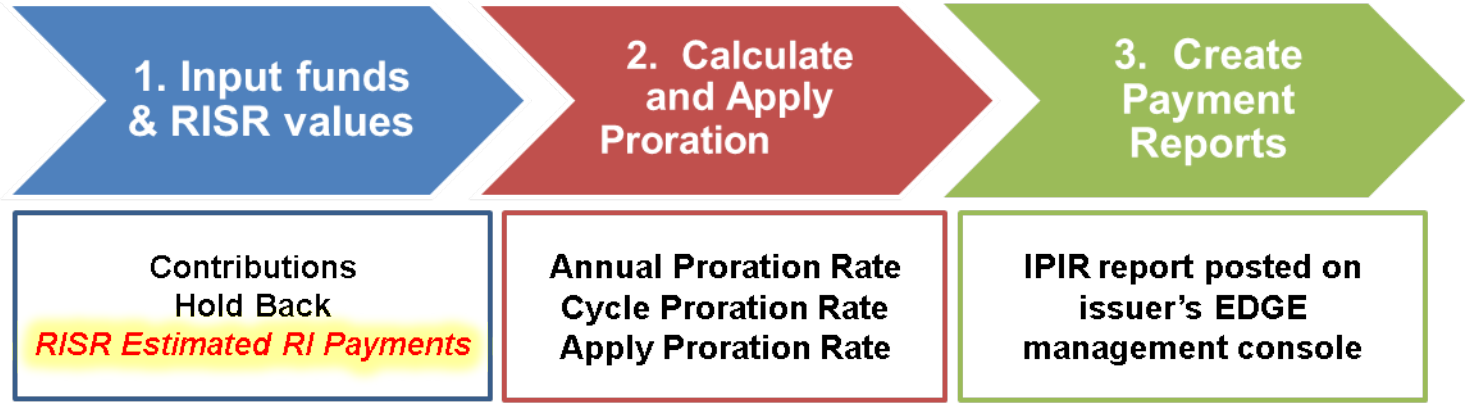
Adjusted RI Payment Report

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RI Payment Adjustments

For the June 30th RI Payments Report, CMS also adjusted <estimatedRIpayment> for issuers that had reported overpayment discrepancies due to overlapping claims by June 8, 2016



To make the adjustments, CMS replaces <estimatedRIpayment> from the RISR with the new estimated RI payment from the overlapping claims discrepancy web form, and then repeats the entire process

Adjusted RI Payment Report

- The adjusted RI payment report provides issuers with greater information to better understand their payment.
- There are two (2) main differences between the adjusted RI payment report and the EDGE Management Console payment reports:
  - Unlike the EDGE Management Console payment reports, which has one (1) report per issuer, adjusted reports will be at the company-level
  - Previous and new remaining balances, as well as cycle proration rate and prorated payment amount are based on the projected (actual) RI payment amount which has payment adjustments
- CMS will email to CEO designates the "**adjusted RI payment report.**"

Adjusted RI Payment Report

- Adjusted payments are still subject to the sequestration and appeals holdback as described previously
- Issuers may compare the unadjusted RI payment report to the adjusted one to review how overlapping claims and other adjustments affected their RI payment as applicable

	A	B	C	D	E	F	G	H	I
1	File ID	POC999_2015_RIPAY_20160630_T12345678.txt							
2	File run date	29-Jun-16							
3	Program Year	2015							
4	Payment Cycle	1							
5	Batch ID	987654-1							
6	Current Cycle Prora	0.890513491							
7									
8	ISSUER ID	ISSUER LEGAL NAME	EDGE RI PAYMENT CALCULATION	PROJECTED PRORATION FACTOR	PROJECTED RI PAYMENT AMOUNT	PREVIOUS RI REMAINING BALANCE	PRORATED PAYMENT AMOUNT	NEW RI REMAINING BALANCE	
9	12345	Blah Blah Blah	3000000	0.55169457	1655083.71	1655083.71	1473874.37	181209.34	
10	67890	Bigly Health	2500000	0.55169457	1379236.43	1379236.43	1228228.65	169260.13	
11									

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Adjusted RI Payment Report

- Key differences between adjusted and unadjusted payment reports:

Will equal Projected RI Payment Amount for the first cycle, NOT the EDGE RI Payment Calculation

Previous RI Remaining Balance minus Prorated Payment Amount

Total Funds Available for Payout this cycle (not shown) divided by Total Expected Funds (NOT by total EDGE estimated RI payment as in the unadjusted issuer reports).

Projected RI Payment Amount (instead of EDGE RI payment calculation) multiplied by Current Cycle Proration Parameter

	A	B							
1	File ID	POC999_2015_RIPAY							
2	File run date	29-Jun-16							
3	Program Year	2015							
4	Payment Cycle	1							
5	Batch ID	987654-1							
6	Current Cycle Prora	0.890513491							
7									
8	ISSUER ID	ISSUER LEGAL NAME	EDGE RI PAYMENT CALCULATION	PROJECTED PRORATION FACTOR	PROJECTED RI PAYMENT AMOUNT	PREVIOUS RI REMAINING BALANCE	PRORATED PAYMENT AMOUNT	NEW RI REMAINING BALANCE	
9	12345	Blah Blah Blah	3000000	0.55169457	1655083.71	1655083.71	1473874.37	181209.34	
10	67890	Bigly Health	2500000	0.55169457	1379236.43	1379236.43	1228228.65	169260.13	
11									

Conclusion

- Unlike last year, contributions are less than payments resulting in a projected 55.1% national proration factor.
- The actual total RI payment amount issuers will receive for BY2015 is calculated by multiplying <estimatedRIpayment> from the RISR (or <estimatedRIpayment> adjusted for overlapping claims and other payment adjustments, if applicable) by the projected proration factor, also called the national coinsurance rate.

Conclusion (continued)

- The first RI payment will NOT equal the actual total RI payment because that amount will be prorated by payment cycle, using the amount of funds currently available at the time.
  - The amount of holdback cannot be calculated directly using only the percentage, due to rules governing how holdback is calculated.
- The sum of each RI payment cycle plus any interim payment from March/April 2016 should equal the actual total RI payment for BY2015.
- The RI Issuer Report will be sent to issuers' EDGE Management Consoles after 4:30 p.m. on June 30, 2016.
- The Adjusted RI Payment Report will be sent to issuers via email to CEO designates and alternates by July 1, 2016.

Next Steps

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Questions?

To submit questions by phone:

- ❑ Dial ‘14’ on your phone’s keypad
- ❑ Dial ‘13’ to exit the phone queue

Resources

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Resources

Resource	Resource Link
U.S. Department of Health & Human Services (HHS)	http://www.hhs.gov/
Centers for Medicare & Medicaid Services (CMS)	http://www.cms.gov/
The Center for Consumer Information & Insurance Oversight (CCIIO) web page	http://www.cms.gov/cciio
Consumer website on Health Reform	http://www.healthcare.gov/
Registration for Technical Assistance Portal (REGTAP) - presentations, FAQs	https://www.REGTAP.info

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Resources (continued)

Resource	Resource Link
Patient Protection and Affordable Care Act (ACA)	http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/content-detail.html
Standards Related to Reinsurance, Risk Corridors, and Risk Adjustment under the ACA	http://www.gpo.gov/fdsys/pkg/FR-2011-07-15/pdf/2011-17609.pdf
HHS Notice of Benefit and Payment Parameters for 2014 and Amendments to the HHS Notice of Benefit and Payment Parameters for 2014	http://www.gpo.gov/fdsys/pkg/FR-2013-03-11/pdf/2013-04902.pdf
HHS Notice of Benefit and Payment Parameters for 2015 and Amendments to the HHS Notice of Benefit and Payment Parameters for 2015	http://www.gpo.gov/fdsys/pkg/FR-2014-03-11/pdf/2014-05052.pdf

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Resources (continued)

Resource	Resource Link
Standards Related to Reinsurance, Risk Corridors and Risk Adjustment under the ACA	http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6594.pdf
Program Integrity: Exchange, Premium Stabilization Programs, and Market Standards; Amendments to the HHS Notice of Benefit and Payment Parameters for 2014	http://www.gpo.gov/fdsys/pkg/FR-2013-10-30/pdf/2013-25326.pdf
Health Insurance Market Rules, Rate Review Final Rule	http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf

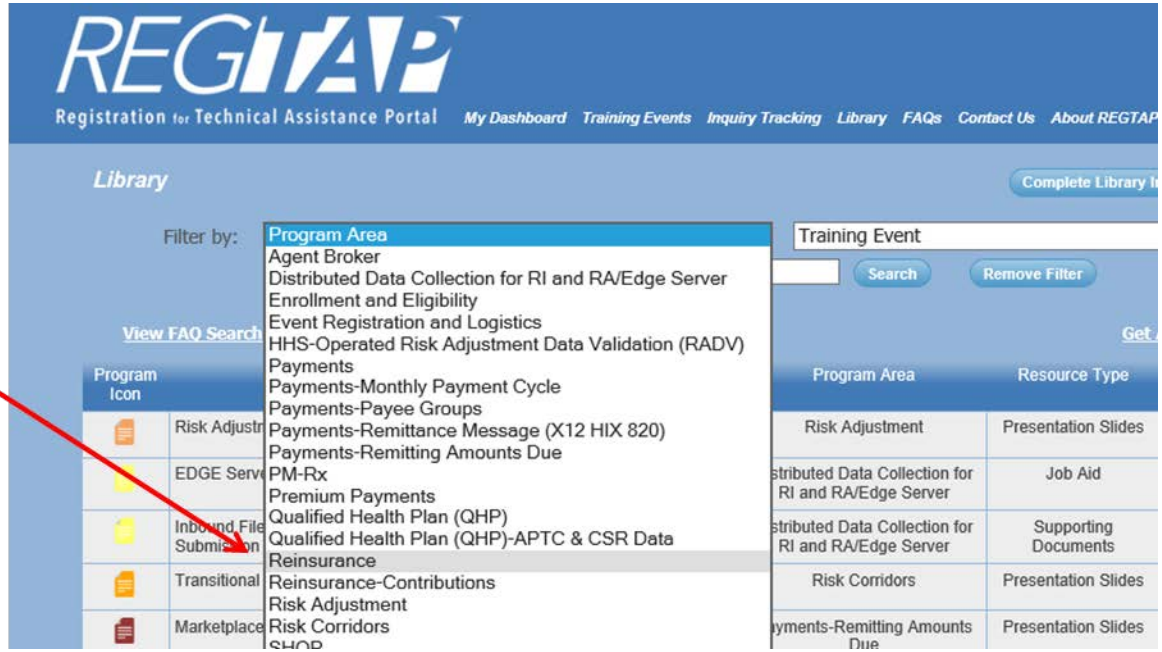
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Locating Documents in REGTAP

Stakeholders can access additional documents at https://www.REGTAP.info in the REGTAP Library.

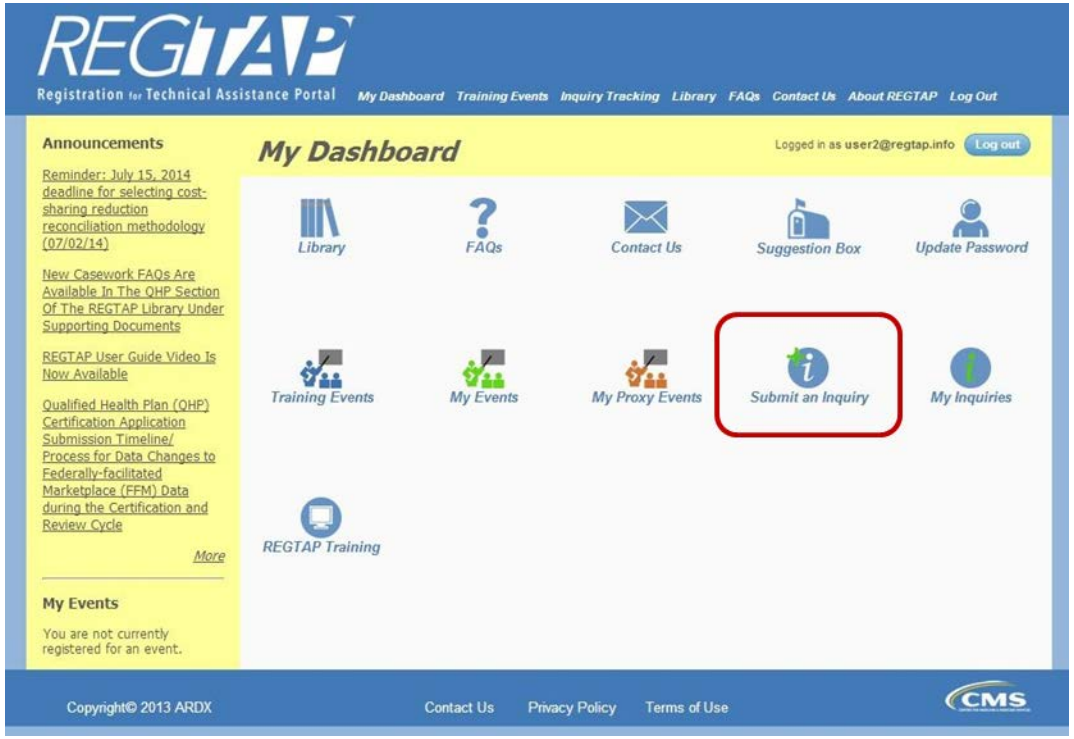
Under Program Area, select 'Reinsurance'



Inquiry Tracking and Management System (ITMS)

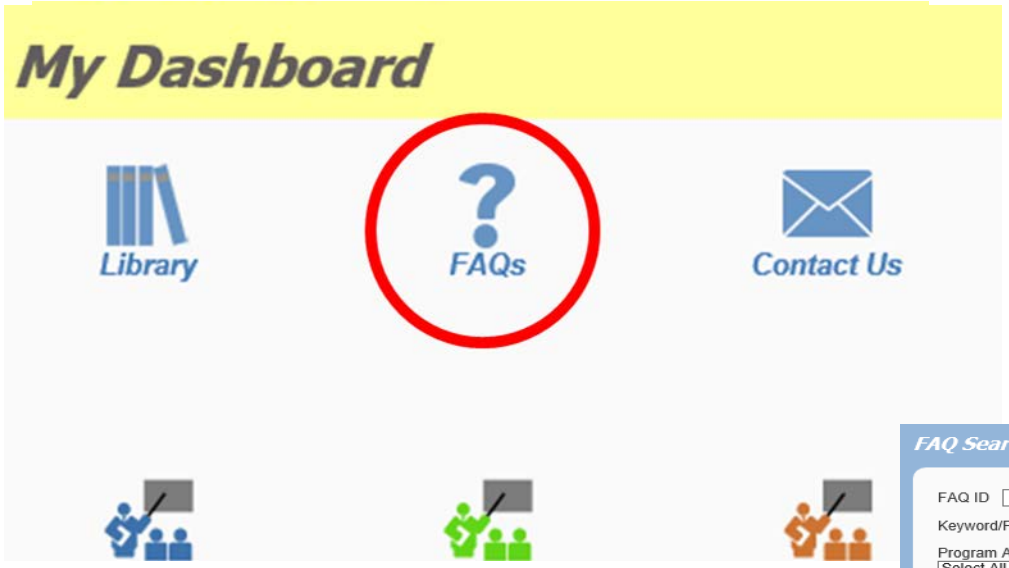
ITMS is available at https://www.REGTAP.info/

Users can submit questions after training sessions by selecting “Submit an Inquiry” from My Dashboard.

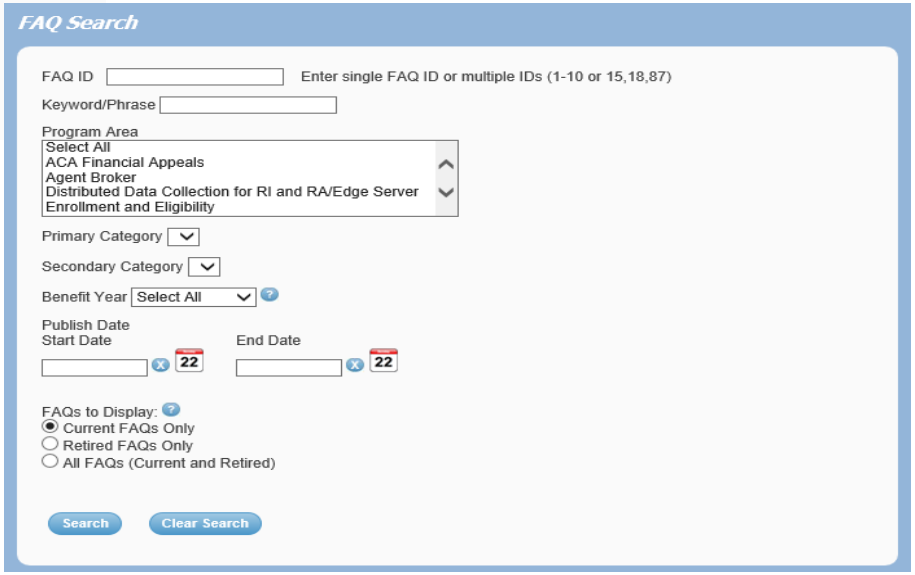


Note: Enter only one (1) question per submission.

FAQ Database on REGTAP



The FAQ Database allows users to search FAQs by FAQ ID, Keyword/Phrase, Program Area, Primary and Secondary Categories, Benefit Year, Retired and Current FAQs and Publish Date.



FAQ Database is available at https://www.REGTAP.info/

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Closing Remarks

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