



Centers for Medicare & Medicaid Services

State-Based Exchange Policy-based Payment Transition Guide

**A guide for State-Based Exchanges (SBEs) and SBE Issuers on
how to transition to SBE Policy-based Payment Process**

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1. Introduction

The State-Based Exchange (SBE) Individual Market Policy-based Payment (PBP) Transition Guide provides all SBEs and SBE issuers with a consolidated point of reference for guidance related to the SBE, SBE-FP, or FFE transition to SBE PBP.

This guide will be posted to the zONE website (<https://portal.cms.gov/>) in the SBE community (<https://zone.cms.gov/community/exchange-community>) and issuer community (<https://zone.cms.gov/community/issuer-community-private>), and also in [REGTAP](#).

1.1 Revision History

Revision #	Date	Description of Change	Author
Version 1.0	11/02/2017	Initial Draft	CMS
Version 2.0	01/04/2018	Added section 2.7 regarding SBE Disputes and added web links within each section leading to related documents	CMS
Version 3.0	10/31/2019	Updates to all sections to account for Issuers and FFE/SBE-FP transitions to SBE Clarified and differentiated Initial Transition and Full Transition Added Initial Enrollments for consideration of Early-Year Payment Adjustments	CMS

1.2 Policy-based Payments Overview

CMS has created an end-to-end solution for plan management, eligibility & enrollment, and financial management functions, to administer advance payments of the premium tax credit (APTC) required by the Patient Protection and Affordable Care Act (PPACA). The Enrollment and Payment System (EPS) within CMS compiles enrollment data from the Federally-facilitated Exchanges (FFE), State-Based Exchanges on the Federal Platform (SBE-FP) and SBEs, and calculates APTC based on the policy-level enrollment data.

Note: CMS stopped making cost sharing reduction (CSR) payments in October 2017. See Memo from Eric Hargan, Acting HHS Secretary, to Seema Verma, CMS Administrator, dated Oct. 12, 2017 <https://www.hhs.gov/sites/default/files/csr-payment-memo.pdf>. CSR Payments are being zeroed out to reflect the government's non-payment for lack of an appropriation.

The SBE PBP enrollment data collection process is distinct from the FFE and SBE-FP process and includes:

- Enrollment Reconciliation between the SBE and SBE issuers.
- SBE enrollment data submission to CMS.
- Payment amounts calculated based on policy-level effectuated enrollment data that SBEs send to CMS.
- Automated payment reports providing payment remittance information at the policy level (Preliminary Payment Report (PPR) and Health Insurance Exchange (HIX) 820 remittance-advice Transactions).
- CMS SBE Payment Dispute Process allows issuers to report payment and charge discrepancies at the policy level.

For more information, see the Interface Control Document (ICD) for SBEs at <https://zone.cms.gov/document/state-internal-control-document-icd> and for SBE issuers at <https://zone.cms.gov/document/sbe-issuer-icd>.

2. SBE Issuer Transition to the SBE Policy-based Payment Process

2.1 Transition to SBE PBP General Plan

The transition to SBE PBP takes place in two parts: 1. Initial Transition 2. Full transition.

Initial Transition: To ensure a smooth transition, which begins during Open Enrollment, CMS will collect enrollment data from the SBE for analysis in our Production Readiness environment (Prod-R) while collecting manual workbooks from issuers for purpose of paying APTC to issuers. This Prod-R data collection in a production-like environment allows CMS to produce an informational preliminary payment report (PPR) and an EPS extract with policy-level data that SBEs and issuers can use to review and validate payment data. CMS will consult with each SBE during initial transition to determine the appropriate time to send the informational PPR to each issuer.

Full Transition: When CMS, in consultation with the SBE, deems this Prod-R data is within CMS tolerance levels (APTC payments under Prod-R data are usually within 10% of APTC payments under the manual workbooks) the SBE will submit enrollment data to the Production region (Prod) and PBP payments will begin. CMS will continue to collect manual workbooks from issuers for several months to validate PBP payment because CMS may continue to manually adjust APTC payments to account for differences between the issuer and SBE data.

2.2 SBE Initial Transition Overview

Initial Transition involves several important steps, which begin as soon as data is available, likely in the fall with auto-renewals. The process is very similar for both initial transition and full transition.

Steps for Initial Transition

Step 1:

SBE sends SBMI file and CMS reviews: SBE sends SBMI files to CMS, which contain reconciled policy-level enrollment information to the Production Readiness (Prod-R or .R) environment. CMS will process initial transition files in Prod-R (instead of Production) to ensure nothing is critically wrong with the SBMI file which may lead to issues in our Production environment. EPS performs numerous automatic validations on each file and each policy to help ensure data quality. If the data is formed well, the file will be accepted, otherwise CMS will reject the file. CMS will perform manual data checks on both accepted and rejected files and provide feedback to the SBE. If the financial and enrollment data contained in the file is determined to be acceptable, CMS will approve and ingest the file. If the data is not acceptable, CMS will reject the file and recommend improvements and a resubmission. (For more information on CMS's SBMI approval process please refer to the ICD in zONE)

Step 2:

CMS sends an EPS Extract to the SBEs, and once approved by the SBEs, to issuers: The EPS Extract is an XML file that looks almost identical to the SBMI file sent from the SBE. In addition, the EPS Extract contains errors or warnings for policies that were rejected or modified by CMS. Hence, the EPS Extract will not contain any policy or update that was rejected due to an error on that policy in SBMI processing. Therefore, the EPS Extract may contain old versions of policies that could not be updated due to a subsequent error on the SBMI file. The EPS Extract provides the issuer and SBE insight to the policies and APTC amounts about two to three weeks before the PPR is transmitted. Issuers and SBEs should use the EPS extract to reconcile and update data before the next payment cycle. The EPS extract is also important for payment disputes (see Disputes Section, below). During the initial transition, this EPS extract will be sent from Prod-R.

Step 3:

Issuers create and submit manual workbooks to CMS: CMS will compare PBP and manual workbook APTC amounts beginning with the January payment cycle, to determine whether the SBE is ready to transition to Production. The transition period to production takes at least two to three full payment cycles to ensure SBE data is stable. While the SBE is in Prod-R, the initial payments to SBE issuers are based on manual workbook APTC amounts. (Manual workbooks will also be compared to initial enrollments if the SBE sends them, and payments could be based on initial enrollments. See Section 3 Early-Year Payment Adjustments.) CMS will pay a lump-sum manual adjustment of APTC based on each month's submitted manual workbooks.

Step 4:

PPRs and HIX 820s are transmitted to SBEs. SBEs and SBE issuers will receive a copy of the PPR from Production. However, this PPR will only contain program-level adjustments. Issuers will also begin to receive the HIX 820 from Production, which also only contains program-level adjustments. SBEs and issuers should ensure their system can properly ingest the PPR and 820 files.

Once the SBE and CMS determine readiness, CMS will begin to send PPRs and 820s to issuers from the Prod-R environment which will contain policy-level enrollments.

2.3 SBE Full Transition Overview

Once the SBE moves to production, CMS intends to continue to collect the manual payment workbooks until policy-based payments are well established. CMS and the SBE will monitor each monthly submission to determine when the manual payment workbooks are no longer required.

After CMS is satisfied with PBP data quality, the SBE will be fully transitioned, and SBEs will send SBMI files to Production (.P) to CMS. CMS will make policy-based payments for all past months of the coverage year, reverse all past manual workbook payments, and if necessary, begin making monthly manual adjustments to the current manual payment workbook until CMS and the SBE agree that such adjustments are no longer necessary. CMS will transmit PPRs and HIX 820s to both SBEs and SBE issuers that contain policy-level data and any program-level manual adjustments.

Steps for Full Transition

Step 1:

SBE sends SBMI file and CMS reviews: SBE sends SBMI files, which contain reconciled policy-level enrollment information, to the Production (.P) environment.

Step 2:

CMS will send an EPS Extract to the SBEs and SBE issuers: Issuers and SBEs can use the EPS extract to reconcile and update data before the next payment cycle. The EPS extract is also important for payment disputes (see Disputes Section, below). This EPS extract will be sent from Production.

Step 3:

Issuers continue to create and submit manual workbooks to CMS: CMS will continue to use the manual workbook to compare issuer APTC amounts with SBE SBMI APTC amounts. This step continues to be important to ensure SBE issuers receive the most accurate payment possible during full transition. The workbooks allow CMS to monitor APTC data from the issuer's perspective and ensure reconciliation between the SBE and issuer. CMS may continue to make temporary manual adjustments after full transition. The temporary manual adjustment may be based on the workbooks or initial enrollment data, whichever is determined most accurate by CMS after review of the data and discussions with the SBE. Once the difference between the SBMI to manual workbook amounts reaches an agreeable threshold, CMS will discontinue collecting manual workbook submissions.

Step 4:

PPRs and HIX 820s are transmitted to SBEs: Issuer PPRs and HIX 820s for fully transitioned SBEs will show policy-based payment detail based on the data submitted in the SBMIs. Temporary manual adjustments (if made) are always at the program level, and will also be displayed on issuer PPRs and HIX 820s. During each payment cycle following the initial transition period, CMS will reverse the previous payment cycle's temporary manual adjustments to net year-to-date (YTD) payment amount to PBP system calculated amounts. After the last adjustments and subsequent reversals, future monthly payments are based on the PBP system calculated payment amounts. PPRs and HIX 820s sent during full transition are from Prod.

CMS will work closely with the SBE to determine the most appropriate month to target reversal, the removal of prior of manual adjustments, to fully complete the transition to PBP for each issuer, and whether any adjustment to the target month is needed. For more information, see the Temporary Manual Adjustment Scenarios for SBEs at <https://zone.cms.gov/document/temporary-manual-adjustments-scenarios> and for SBE issuers at <https://zone.cms.gov/document/temporary-manual-adjustments-scenarios>.

2.4 Transition of Individual Issuers

There may be situations in which certain issuers cannot be transitioned within an SBE that is transitioned. CMS intends to work with each SBE and in some instances, SBE issuers, to determine the correct month to transition these issuers to PBP and when to end manual adjustments and manual payment workbook submissions. After an issuer has been transitioned to payments based on PBP data, CMS intends to continue paying based on PBP. CMS may later make manual adjustments to policy-based payments, if necessary, to ensure payment accuracy at any point in the future.

3. Early-Year Payment Adjustments

The typical pattern of delayed receipt of effectuated enrollments during and just after Open Enrollment has the potential to significantly impact issuer payments at the beginning of the plan year. To mitigate this impact, CMS may make reversible temporary APTC adjustments in the first few payment cycles of each new plan year to SBE issuers offering medical qualified health plans. These payments temporarily increase the amount of APTC due issuers to compensate for the lag in effectuated enrollments submitted on the SBMI. Once the enrollments have begun to stabilize, the temporary manual APTC adjustments are reversed so that advance payments as of the reversal month accurately reflect reconciled enrollment. Reversing the adjustment simply means the SBE issuer will receive PBP based solely on the SBMI. The net payment after the reversal nets total payments due the issuer for the plan year.

In consultation with SBEs, CMS will make early-year payment adjustments to issuers in SBEs who choose to participate. If SBEs choose to participate, they must select one of two options:

Option 1:

An elective option for any new SBEs transitioning from the federal platform as well as any existing SBEs for plan years after the transition year. SBEs build and send initial enrollment data to CMS on the State-based Marketplace Inbound (SBMI) file. CMS then uses that data to calculate and pay an upper bound adjustment to SBE issuers. Using this process, CMS makes manual adjustments to PBP by comparing an issuer's system-calculated payment for the months of adjustment with 80% of total payment calculated for all initial and effectuated enrollment (also referred to as "upper bound") and adjusting any payment less than 80% of upper bound up to the 80% of upper bound level.

Option 2:

Default option for SBEs transitioning from the federal platform. SBEs or SBE issuers submit manual payment workbooks as a basis for the manual payment adjustment to issuers. Under this process, CMS manually adjusts payments to match the manual workbook amount.

CMS will consult with SBEs to determine the desired adjustment timeframe. CMS will likely reverse these manual adjustments when the year-to-date total policy-based payment reaches the 80 percent threshold or in the March 2020 payment cycle, whichever comes first. Some SBEs open enrollment seasons are later than others, so their reversals may happen beyond March. In 2019, most SBEs chose to adjust the January and February payment cycles, with one SBE choosing to adjust January to March due to a longer open enrollment period. In all instances, the adjustments were reversed the month after the SBE's early-year adjustments timeframe. (For example, if a SBE chose to receive early-year adjustments in January and February, the adjustments were reversed in the March payment cycle.)

4. Policy-Level Reporting

Policy-Level Reporting (PLR) data is used by CMS for the year-end comparison to the Manual Payment Process data as part of the Enrollment and Payment Data Validation process. PLR only applies to SBEs that were SBEs (other than SBE-FPs) prior to 2020 plan year.

SBEs should continue to submit monthly PLR submissions for years prior to transition as directed by CMS. CMS may request SBEs to re-submit an updated policy-level file depending on the outcome of the validation process. CMS will work closely with each SBE to determine the best approach to meeting this requirement.

5. SBE Disputes

Enrollment

Unlike the FFE policy-based payments process, SBE issuers do not reconcile their enrollment data directly with CMS. CMS accepts enrollment data from the SBEs and updates are made to CMS's data only if there is a change submitted by the SBE. Therefore, when an SBE issuer identifies a discrepancy between its enrollment data and the enrollment data provided by CMS on the EPS Extracts, PPRs, or HIX-820s, the issuer should reconcile this discrepancy with the applicable SBE in the manner articulated by the SBE. The SBE is responsible for submitting updated enrollment data (as appropriate) to CMS.

Enrollment discrepancies will often lead to a corresponding payment discrepancy. Issuers are encouraged to submit these payment discrepancies using the Payment Disputes process described below. If a payment dispute helps identify a discrepancy in enrollment data, CMS will share information on that dispute with both the SBE and the issuer to aid in reconciliation. If this discrepancy is resolved by a change to the SBE's enrollment data, the SBE is responsible for submitting the updated enrollment data to CMS to correct the payment.

Payment

After receiving policy-level EPS Extract, PPR, or HIX-820 payments reports, SBE issuers should review the reports and identify payment records that do not agree with the payments they were expecting based on their own enrollment records. These payment discrepancies should be reported to CMS through the CMS Payment Dispute process. Since the EPS Extract represents the most current SBE data, this extract can be used to identify timing issues. If possible, these timing issues should not be submitted on a Dispute file. Disputes submitted to CMS will undergo an automated resolution process. A Payment Dispute Response file will be returned to the issuer that gives a disposition code for each dispute that will describe the status of the dispute. CMS will also provide a full list of disputes and their resolutions to the appropriate SBE on a monthly basis to give the SBE insight into its issuers' reported payment discrepancies.

All information regarding the Payment Disputes process, including background and technical assistance with dispute submission, can be found in the CMS Payment Disputes Technical Reference Guide: <https://zone.cms.gov/document/sbe-payment-disputes-technical-reference-guide>

CMS is also accepting disputes from records on PPRs generated during the testing period before policy-based payments are actually made. Although these records do not reflect actual payments, SBE issuers that submit disputes will provide CMS with information about discrepancies between the issuer's enrollment data and data provided by the SBE. These disputes will also allow CMS to provide the Payment Dispute Response file to SBEs to give more information about any enrollment data discrepancies that exist between issuers and the SBE.

The CMS Payment Dispute form can be found on zONE at: <https://zone.cms.gov/document/issuer-dispute-form>. The SBM Disputes Disposition and Detail Code List can be found on zONE at: <https://zone.cms.gov/document/sbm-disputes-disposition-and-detail-code-list>.

6. SBE and SBE Issuer Trainings and Support Contact Information

CMS has worked with SBEs and SBE issuers to prepare for the new PBP process through a series of webinars, emails and resource pages.

CMS has multiple resources for SBEs to find more information and assist them in the transition to PBP. SBE Office Hours are held most Wednesday afternoons and are one of the key avenues for CMS to distribute information to SBEs. For questions regarding these calls or to be added to the distribution list, please send an email to the SBMEnrollment@cms.hhs.gov mailbox with your name, contact information, and State. The slides from these webinars are emailed to all SBE contacts and are also posted on zONE, <https://zone.cms.gov/community/exchange-community> along with all other related artifacts and technical information.

SBEs who have policy or guidance questions related to the PBP 2018 transition are asked to submit their questions to their IT Project Managers or to submit their questions to SBMEnrollment@cms.hhs.gov.

SBE Issuer Calls are scheduled quarterly and are held as webinars on the first Friday of each quarter. The materials from these meetings are posted on zONE, <https://zone.cms.gov/wiki/sbm->

[issuer-information](#) and emailed out. Issuers who wish to be added to the quarterly SBE Issuer Call should submit their request to the FMCC mailbox: FMCC@cms.hhs.gov.

Trading Partners that need help with file transmission should contact the Exchange Operational Support Center at the following number and email address. Telephone: 1-855-CMS-1515
Email: CMS_FEPS@cms.hhs.gov.

7. Reference Documents

7.1 For SBEs

zONE Exchange Community Public Documentation for SBEs:

<https://zone.cms.gov/community/exchange-community>

SBE Internal Control Document (ICD): <https://zone.cms.gov/document/state-internal-control-document-icd>

SBE Payment Disputes Technical Reference Guide: <https://zone.cms.gov/document/sbe-payment-disputes-technical-reference-guide-0>

Enrollment and Payment Files Chart: https://zone.cms.gov/document/caltid-doc155988_sbm-policy-based-payment-pbp-files-chart

Payment Cycle Calendar: <https://zone.cms.gov/document/sbe-pbp-payment-cycle-calendar>

Temporary Manual Adjustment Scenarios: <https://zone.cms.gov/document/temporary-manual-adjustments-scenarios>

7.2 For SBE Issuers

zONE Issuer Community Public Documentation for SBE

Issuers: <https://zone.cms.gov/community/issuer-community-private>

SBE Issuer ICD: <https://zone.cms.gov/document/sbe-issuer-icd>

SBE Payment Disputes Technical Reference Guide: <https://zone.cms.gov/document/sbe-payment-disputes-technical-reference-guide>

Issuer Dispute Form: <https://zone.cms.gov/document/issuer-dispute-form>

SBM Disputes Disposition and Detail Code List: <https://zone.cms.gov/document/sbm-disputes-disposition-and-detail-code-list>

SBM PBP Files Chart: <https://zone.cms.gov/document/sbm-pbp-files-chart>

Payment Cycle Calendar: <https://zone.cms.gov/document/sbe-pbp-payment-cycle-calendar>

CMS HIX 820 Companion Guide: <https://zone.cms.gov/document/cms-hix-820-companion-guide>

CMS Individual Market HIX 820 X12 Scenarios: <https://zone.cms.gov/document/cms-individual-market-hix-820-x12-scenarios>

Payee Information Report (Function code: PNR) for Payee: <https://zone.cms.gov/document/payee-information-report>

Temporary Manual Adjustment Scenarios: <https://zone.cms.gov/document/temporary-manual-adjustments-scenario>