

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Consumer Information and Insurance Oversight  
200 Independence Avenue SW  
Washington, DC 20201



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**Date:** August 5, 2016

**Subject: Reporting Cost-sharing Reduction Amounts for 2015 MLR and Risk Corridors**

In the 2017 Payment Notice, the Department of Health and Human Services (HHS) established a process for reporting the amount of cost-sharing reductions (CSRs) that QHP issuers input on their 2015 MLR and risk corridors form. At 45 CFR 153.710(g)(1), we require issuers to adjust the CSR amount reported for the 2015 benefit year to account for the difference between CSR amounts reported for the 2014 benefit year and actual CSR amounts as determined under 45 CFR 156.430(c). Because we recognized that some flexibility is needed when reporting premium stabilization and financial program amounts for purposes of MLR and risk corridors reporting, 45 CFR 153.710(g)(3) permits modifications of the MLR and risk corridors reporting instructions set forth in 45 CFR 153.710(g)(1)-(2) through guidance in cases where HHS reasonably determines that the reporting instructions would lead to unfair or misleading financial reporting.

We are exercising that authority in this guidance by no longer requiring an issuer that reported a certified estimate of CSRs for the 2014 benefit year that was lower than the actual amount of CSRs provided in the 2014 benefit year (as calculated under CSR reconciliation), and that is subject to the adjustment to 2015 risk corridors payments and charges, to adjust the 2015 CSR amount reported in its 2015 MLR and risk corridors forms to account for the adjustment amount. Instead, issuers that are subject to the direct adjustment to 2015 benefit year risk corridors payments and charges are permitted to report the reconciled amount of CSRs provided for the 2015 benefit year (as determined through CSR reconciliation), without any adjustments to account for 2014 CSR amounts previously reported. We believe that this modification of the reporting instructions set forth in 45 CFR 153.710(g)(1)-(2) is necessary in order to prevent risk corridors amounts for these issuers from being reduced twice to account for the difference between the 2014 certified CSR estimate and the actual amount of CSRs provided for 2014, which could lead to unfair or misleading financial reporting.

Issuers that reported advance CSR amounts received in the 2014 MLR and risk corridors forms, and issuers that are not subject to the adjustment to 2015 risk corridors payment or charge amounts, should comply with the reporting requirements set forth in 45 CFR 153.710(g)(1)-(2) by increasing the 2015 CSR amount reported on their 2014 MLR and risk corridors reporting form by the difference between the actual, valid amount of CSRs provided in 2014 (as determined through CSR reconciliation) and the CSR amount reported on its MLR and risk corridors form for the 2014 benefit year.

Finally, we are providing the manner in which issuers that are subject to the adjustment to their 2015 risk corridors amounts should report risk corridors amounts for the purposes of MLR reporting under 45 CFR 153.710(g)(1)(iv). CMS's "MLR 2015 Annual Reporting Form Instructions" specifies that, for the purposes of MLR reporting, risk corridors payments for the 2015 benefit year should be reported on a cash-basis, rather than on an accrual basis.<sup>1</sup> For 2015 benefit year MLR reporting, CMS has instructed issuers that are to receive the risk corridors charge amount calculated on their 2015 risk corridors form to report the full amount of their 2015 risk corridors charge. If an issuer owes a risk corridors charge for the 2015 benefit year, and is subject to the adjustment to 2015 risk corridors charges, CMS will permit the issuer to include the adjustment in the total amount of the risk corridors charge reported for MLR purposes, resulting in the reporting of a higher risk corridors charge amount. However, because the adjustment is made to the calculated amount of 2015 risk corridors payments, rather than the pro-rated amount of 2015 risk corridors payments that may be received on a cash basis, issuers that are owed a risk corridors payment for the 2015 benefit year will not be permitted to account for the adjustment to risk corridors payments when reporting risk corridors amounts for MLR purposes. Instead, these issuers will report a 2015 risk corridors payment amount of \$0, as currently specified in CMS guidance and the 2015 MLR reporting instructions.

**Any issuer who submitted their 2015 MLR and risk corridors reporting form and needs to correct that filing in light of this guidance should email CMS at [MLRquestions@cms.hhs.gov](mailto:MLRquestions@cms.hhs.gov) no later than August 15, 2016.**

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<sup>1</sup> MLR Reporting Instructions for the 2015 benefit year are available at: <https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/2015-MLR-Form-Instructions-2016-05-08.pdf>