

Supporting Statement Risk Corridors Transitional Policy

A. Justification

1. Circumstances Making the Collection of Information Necessary

Section 1342 of the Patient Protection and Affordable Care Act of 2010 (the Affordable Care Act) provides for the establishment of a temporary risk corridors program that will apply to qualified health plans in the individual and small group markets for the first three years of Exchange operation. Under Title 45 Part 153, Section 530 of the Code of Federal Regulations (CFR), a health insurance issuer (issuer) offering group or individual health insurance coverage in States that adopted the transitional policy announced in the Centers for Medicare and Medicaid (CMS) letter dated November 14, 2013 must submit a report concerning the count of its total enrollment in the individual market and small group market and the count of its enrollment in individual market and small group market policies that meet the criteria for transitional policies.¹ The report must be submitted to CMS for the 2014 benefit year in a manner specified by CMS. Section 153.530(e) sets out the data requirements for this report.

In this supporting statement, we specify that an insurance company may submit one transitional adjustment reporting form for multiple issuers in multiple states. Therefore, we are reducing the burden previously estimated in the 2015 Payment Notice to reflect this more efficient collection method. CMS is also publishing the data collection template (transitional adjustment reporting form) and filing instructions associated with this information collection for public comment. The filing instructions include more details about how the form is to be submitted, including the email address where the form should be submitted, and other technical submission instructions. CMS will begin accepting data reporting form submissions on February 9, 2015. Transitional adjustment reporting forms must be submitted to CMS by February 13, 2015.

2. Purpose and Use of Information Collection

The data collection of transitional adjustment reporting forms provided by an issuer for each State's individual and small group markets will be used by CMS to amend the risk corridors program provisions in 45 CFR Part 153 to mitigate any unexpected losses for issuers of plans subject to risk corridors that are attributable to the effects of this transitional policy. Specifically, CMS will use the data to calculate the risk corridors adjustment percentage, if any, in transitional states.

For the 2014 benefit year, we are implementing an adjustment to the risk corridors program that will help to further mitigate unexpected losses for QHP issuers with plans that are affected by the transitional policy. To effectuate these adjustments, we must estimate the State-specific effect on average claims costs. HHS will analyze enrollment data, and calculate the State-specific adjustments that issuers will use in their risk corridors calculations for the 2014 benefit year.

3. Use of Improved Information Technology and Burden Reduction

Each issuer conducting business in the individual or small group markets in transitional states will use a spreadsheet to submit its report electronically to CMS for each State and market (individual

¹ <http://www.cms.gov/CCIIO/Resources/Letters/Downloads/commissioner-letter-11-14-2013.pdf>

and small group market only) in which it conducts business. Information will be collected electronically by email.

4. Efforts to Identify Duplication and Use of Similar Information

The transitional adjustment is the result of recent new policy promulgated by HHS. Similar information has never been collected.

5. Impact on Small Businesses or Other Small Entities

As stated in the Regulatory Impact Analysis of the HHS Notice of Benefit and Payment Parameters for 2015(2015 Payment Notice; 79 FR 13825), CMS does not believe that the required submission of transitional adjustment reporting forms to the Secretary will have a significant impact on a substantial number of small entities because insurance companies offering comprehensive health insurance policies generally exceed the size thresholds for “small entities” established by the Small Business Association.

6. Less Frequently

This is a one-time data collection.

7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5

No special circumstances apply to this collection.

8. Federal Register Notice/Outside Consultation

On September 5, 2014, CMS published a 60-day notice in the Federal Register (79 FR 53069) for the public to submit written comments on this information collection. Commenters requested that CMS only collect the data that is necessary to calculate the transitional adjustment. CMS also received comments on the data submission deadline for the transitional adjustment. One commenter suggested that CMS postpone the data collection deadline until April 30th, when issuers will have submitted data through the distributed data environment for calculation of reinsurance and risk adjustment amounts. Another commenter requested that CMS publish the transitional adjustment that will apply to each state before January 31st, so that issuers can include that information in their end of the year financial reports. We understand the importance of issuers being able to estimate the effect of the transitional adjustment on risk corridors payments in their end of year financial reports. However, we do not anticipate that CMS will be able to receive complete data submissions from issuers, calculate the adjustments, and publish the adjustments by January 31, 2015. Because transitional plans are not compliant with Affordable Care Act market reforms, the claims of enrollees in these plans will not be processed through the distributed data environment. Therefore, we are not postponing the data submission deadline through April. Instead, we are changing the submission window to accept submissions from February 9, 2015 through February 13, 2015. All transitional reporting forms must be submitted to CMS by this deadline. This new deadline will allow CMS time to calculate the adjustment amounts, with the goal of publishing these amounts as soon as possible.

We are clarifying that this data submission requirement only applies to transitional enrollment in the non-grandfathered individual and small group markets in transitional states. CMS did not receive any comments on the burden associated with this data submission requirement. We do not believe

that any of the modifications that we are making to this ICR as a result of public comment will substantially affect the burden estimated previously.

9. Explanation of any Payment/Gift to Respondents

Respondents will not receive any payments or gifts as a condition of complying with this information collection request.

10. Assurance of Confidentiality Provided to Respondents

CMS does not intend to publish issuers' transitional adjustment reporting forms on its internet website. Because no individually identifiable personal health information will be collected, no personally identifiable personal health information can be disclosed.

11. Justification for Sensitive Questions

These collections do not contain sensitive questions.

12. Estimates of Burden Hours (Total Hours and Wages)

We estimate that 39 states are adopting the transitional policy outlined by CMS, and that up to 2,400 individual and small group health insurance issuers may operate in these states. A health insurance company may submit data in a single reporting form that includes data for multiple issuers that operate in multiple states. On average, health insurance companies and health insurance issuers operate in 6 states. Therefore, we expect health insurance companies representing a total of 2,400 issuers to submit 400 transitional adjustment reporting form filings.

An issuer offering coverage in the individual or small group markets of transitional states is required to submit data for each market segment (individual and small group market only) in each transitional state in which it issues health insurance coverage. As described in the regulatory impact analysis (RIA) of the 2015 Payment Notice, the preparation and submission of reports is expected to require an insurance analyst (with an hourly labor cost of \$38.49).

As set out in 45 CFR §153.530(e), the transitional adjustment reporting form to the Secretary is comprised of two parts: the count of total member-month enrollment in the individual market and small group market and a count of total member-month enrollment in the individual and small group policies that meet the criteria for transitional policies based upon the relevant benefit year. Because the risk corridors amount is calculated based on data from non-grandfathered plans in the individual and small group markets, issuers must submit total member-month enrollment in their non-grandfathered individual and small group markets.

On January 23, 2015, 2,400 issuers are expected to file a total of 400 transitional adjustment reporting forms with the Secretary. We estimate that each issuer or health insurance company will, on average, incur a burden of 1 hour (and an equivalent cost of approximately \$38.49) per response. Therefore, we estimate an aggregate burden of 400 hours and \$15,396 as a result of this requirement.

Table 1: Burden and Cost Estimates for Transitional Adjustment Reporting Form Response

Form	Type of Respondent	Number of Respondents	Average Number of Reports per Respondent	Frequency	Estimated Burden Hours per Respondent	Wage per Hour (incl. fringe)	Burden Cost Per Respondent	Total Estimated Burden Hours
Transitional Adjustment Reporting Form	Private Company	400	1	1	1	\$38.49	\$38.40	400

13. Capital Costs

There are no costs other than the hour burden shown in Items 12 and 14.

14. Cost to Federal Government

Table 2: Estimate of Cost to Federal Government

Type Federal Employee Support	Total Burden Hours per Reviewer	Total Reviewers	Hourly Wage Rate (GS 14 equivalent) – (includes fringe)	Total Federal Government Costs
Data Analysis	2 hr per data submission for each filing (400 submissions–800hrs) ²	1	\$72	\$52,600

Salaries are based on a 14 Grade/Step 1 in the Washington DC area with a benefit allowance for a total salary of \$150,000.

15. Explanation for Program Changes or Adjustments

This is a new information collection.

16. Plans for Tabulation and Publication and Project Time Schedule

Health insurance companies must submit the transitional adjustment reporting form for the 2014 benefit year to CMS from February 16, 2015. HHS will publish the transitional adjustment percentage that applies to each state on its website.

17. Reason(s) Display of OMB Expiration Date is Inappropriate

Not applicable.

² A data submission includes responses for all states in which an issuer operates.