

Supporting Statement: Risk Corridors Data Validation for the 2014 Benefit Year

A. Justification

1. Circumstances Making the Collection of Information Necessary

Under Section 1342 of the Patient Protection and Affordable Care Act (Public Law 111-148) and implementing regulations at 45 CFR Part 153, issuers of qualified health plans (QHPs) must participate in a risk corridors program. The HHS-administered risk corridors program serves to protect against rate-setting uncertainty with respect to qualified health plans by limiting the extent of issuer losses (and gains). A QHP issuer will pay risk corridors charges or be eligible to receive risk corridors payments based on the ratio of the issuer's allowable costs, largely driven by claims expenses, to the target amount, which is largely driven by premiums earned for the benefit year. Allowable claims expenses are adjusted for advance payment of cost-sharing reductions, reinsurance payments, and risk adjustment transfers provided by HHS. Premiums earned are adjusted for taxes and allowable administrative expenses.

Joint submissions for the medical loss ratio (MLR) program and the risk corridors program for coverage provided in 2014 were due to CMS on July 31, 2015. While the 2014 submission was similar to the MLR submissions made by issuers in prior years, this was the first year the submission included information specific to the risk corridors program. It is also the first time the submission reflected changes to insurance markets that occurred in 2014, including the single risk pool requirements and the risk adjustment and reinsurance program. For the 2014 benefit year, QHP issuers were required to submit risk corridors data, including claims and premium information, for their non-grandfathered, individual and small group market business was compliant with Affordable Care Act market reforms during the 2014 calendar year.

CMS has set forth data validation procedures for the risk corridors program at 45 CFR 153.530-540. While conducting program integrity reviews of submitted data for the 2014 benefit year, CMS has identified a number of material differences in the 2014 benefit year submissions that issuers made for MLR and risk corridors on July 31, 2015, compared with other data available to CMS, including data submitted through the EDGE servers. CMS also identified a number of common errors that may lead to submissions that do not comply with CMS regulations and guidance. In order to investigate these material differences and operate the MLR and risk corridors program accurately and effectively, CMS seeks to quantify the impact of claims and premium differences by collecting information on the dollar value of, and written explanations of, these differences. This information is not included in the risk corridors data validation ICR that is currently approved under OMB Control Number (OCN) 0938-1155. "Standards Related to Reinsurance, Risk Corridors, Risk Adjustment, and Payment Appeals", which only estimates the burden for QHP issuers to review and validate their risk corridors data. Without additional information, CMS will be unable to verify the accuracy of the submission and validate the data needed to operate the MLR or risk corridors programs.

Therefore, CMS is requesting emergency clearance of this ICR by the Office of Management and Budget by September 4, 2015. Verifying the accuracy of the MLR and risk corridors data is critical to CMS's mission of ensuring the integrity of these programs. If data is not validated, public harm could result because premium uncertainty in the individual and small group health insurance markets would increase, and rebates to consumers could be inaccurate. CMS is requesting a revision to the ICR under emergency procedure in order to provide for the timely implementation of risk corridors payments and charges. A delay in these payments and charges could influence issuers' ability to comply with the regulatory deadline for MLR rebates set forth at 45 CFR 158.240(d), rate setting and other regulatory decisions by Departments of Insurance and Exchanges, and the statutory accounting treatment of risk corridors receivables.

2. Purpose and Use of Information Collection

This emergency ICR directs issuers to explain the source of data discrepancies and to indicate the extent to which a number of specific factors account for the dollar value of identified discrepancies. It also directs issuers to provide information, including financial records, on how their submissions comply with specific components of CMS regulations and guidance.

We anticipate that this emergency revision to the currently approved ICRs for risk corridors and MLR data validation will only be a one-time need to address potential data submission errors that occurred in the first year of implementation of the risk corridors program (2014 MLR and risk corridors reporting year). The scope of the emergency data collection only includes those QHP issuers that are subject to the risk corridors program, pursuant to the standards set forth at 45 CFR 153.500.

CMS is requesting companies to submit specific information on claims and premium discrepancies that quantifies the differences between data submitted for the reinsurance and risk adjustment programs through the Edge server, and data submitted for non-grandfathered ACA-compliant plans for the risk corridors program. We describe the data elements in more detail in the accompanying instructions for the emergency data collection.

Data submitted include information and explanations regarding potential sources of the differences in the data with respect to claims (including claims incurred but not received) and premiums, compared to EDGE server submissions. These potential sources of differences reflect discussions with QHP issuers and actuaries. In particular, to understand and validate these differences, CMS is seeking:

- Information and explanations on claims differences, including differences based on —
 - the value of capitated services provided to an enrollee,
 - orphan and rejected claims, and claims not loaded to the EDGE server,
 - paid claims for hospital stays that cross the calendar year, and
 - claims incurred but not discharged as of 12/31/2014.

- Information on premium differences, including —
 - differences between premium billed in 2014 and earned in 2014,

- differences in premium collected for qualified health plan enrollees during the grace period that began in the 2014 calendar year,
- differences resulting from unresolved retroactive changes to enrollment, and
- differences based on partial month premium proration.

We are also asking companies to determine whether their MLR and risk corridors submission adheres to critical program guidelines defined in a “MLR Risk Corridors Submission Checklist”. We intend to collect these data elements through a secure web-based form that will be sent to each company that submitted risk corridors data for 2014. By collecting the information on claims and premiums discrepancies, and requiring issuers to attest to program requirements in the checklist, CMS will be able to assess whether an issuer has complied with risk corridors and MLR submission standards or whether the issuer should resubmit its data.

3. Use of Improved Information Technology and Burden Reduction

Information collected for this ICR will be collected electronically using a web-based form to minimize burden on health insurance companies. CMS staff will communicate with company representatives using standardized reporting, e-mail or telephone.

4. Efforts to Identify Duplication and Use of Similar Information

This is the first year that CMS has implemented the risk corridors program. CMS has not collected any other information to validate risk corridors data submissions. This information collection does not duplicate any other Federal effort.

5. Impact on Small Businesses or Other Small Entities

No impact on small business.

6. Consequences of Collecting the Information Less Frequently

This is a one-time emergency request for information to validate risk corridors data submitted for the 2014 benefit year.

7. Special Circumstances

We are requiring respondents to respond to our information request less than 30 days after receipt of the request. This information request is necessary to validate data that issuers have previously submitted to CMS in more detail than CMS has previously anticipated. While conducting program integrity reviews of submitted data, CMS has identified a number of significant discrepancies in the 2014 benefit year submissions that issuers made for MLR and risk corridors on July 31, 2015. CMS also identified a number of common errors that may lead to submissions that do not comply with CMS regulations and guidance. In order to resolve these potential discrepancies, ensure all submissions comply with applicable guidance, and operate the

MLR and risk corridors program accurately and effectively, CMS needs additional information to explain the data found in issuers' underlying MLR and risk corridors submissions. Without this additional information, CMS will be unable to verify the accuracy of the submission and validate the data needed to operate the MLR or risk corridors programs. The short timeframe for this information request is needed to accommodate a number of important regulatory timelines, including issuers' obligations to send MLR rebates to consumers by September 30, and rate-setting and certification timelines for the 2016 plan year.

8. Comments in Response to the Federal Register Notice/Outside Consultation

The emergency Federal Register notice displayed at the Office of the Federal Register on Thursday, August 27, 2015, with the comment period running from the date of display. The notice published on Monday, August 31, 2014.

9. Explanation of any Payment/Gift to Respondents

Not applicable

10. Assurance of Confidentiality Provided to Respondents

No personally-identifiable health information (PII) or protected health information (PHI) will be collected. All information will be kept private to the extent allowed by applicable laws/regulations. Companies will be asked to submit claims and premium information through a secure web form using a unique PIN, such that proprietary information cannot be accessed by individuals that are not authorized by the company.

11. Justification for Sensitive Questions

No sensitive information will be collected.

12. Estimates of Annualized Burden Hours (Total Hours & Wages)

These modifications to this information collection will result additional burden associated with quantifying and explaining differences in reported claims and premium amounts. We are requiring all companies with QHP issuers to complete a checklist to attest that their submission complied with critical guidelines for risk corridors and MLR data submission. For companies with issuers whose reported claims or premium amounts for risk corridors and MLR differ from data collected for other premium stabilization programs by a greater magnitude than expected, CMS is requiring that issuers quantify these differences, and provide a written explanation of the magnitude of the discrepancy. We require these descriptions to be approved by an actuary.

The MLR Risk Corridors Submission Checklist and the Risk Corridors Data Discrepancy Worksheet will be submitted via a secured web form at the company level (identified by each

unique Federal Employer Identification Number), such that a company will submit one checklist and one discrepancy worksheet that includes information for all of its applicable issuers. We believe that approximately 250 companies will complete and submit the MLR and Risk Corridors Data Submission Checklist on behalf of the 314 QHP issuers that submitted risk corridors data for the 2014 benefit year. For these 250 companies, we estimate an aggregate additional burden of 250 hours to complete and submit the MLR and Risk Corridors Data Submission Checklist. We estimate that it would take 55 minutes for to a senior manager (at an hourly wage rate of \$77) to gather and complete the checklist information, and 5 minutes for a CEO or CFO (at an hourly wage rate of approximately \$117) to approve the information for a total cost of approximately \$22,521 for 250 companies submitting the checklist.

For issuers that reported claims and premium data that is significantly different from data reported for other CMS programs, we estimate a total of approximately 58 burden hours (or approximately \$4,111 in wages) per company related to gathering information, quantifying premium and claims discrepancies, and preparing written explanations of the magnitude of the discrepancies. On average, we believe that it will take each company with an identified claims or premium discrepancy approximately 25 hours to gather the required information on claims and premiums (at an hourly wage rate of \$77 for an senior manager), 7.5 hour to review the data submission instructions (at an hourly wage rate of \$55 for an operations analyst), 5 hour to fill out the web-form quantifying the dollar amounts of the claims or premium (at an hourly wage rate of \$55 for an operations analyst), 20 hours to review written information related to discrepancies (at an hourly wage rate of approximately \$72 dollars for an actuary), and 30 minutes to confirm and approve the submission (at an hourly wage rate of \$117 for a CEO or CFO). A maximum of 250 companies will be subject to this requirement, yielding a maximum estimate of 14,500 additional burden hours (or approximately \$1,027,750 in wages) as a result of this new emergency data validation ICR.

13. Estimates of other Total Annual Cost Burden to Respondents or Record Keepers /Capital Costs

There are no additional recordkeeping or capital costs.

14. Annualized Cost to Federal Government

The calculations for CMS employees’ hourly salary was obtained from the OPM website, with an additional 35% to account for fringe benefits:
http://www.opm.gov/oca/10tables/html/dcb_h.asp.

Task	Estimated Cost
Data Processing, Managerial Review, and Oversight	
2 GS-13: 2 x \$47.87 x 60 hours	\$5,744
2 GS-14: 2 x \$51.43 x 40 hours	\$4,114
2 GS-15: 2 x \$68.56 x 20 hours	\$2,742
Contract costs for Support of Data Validation Task	\$1.2 million
Total Costs to Government	\$1.2 million

15. Explanation for Program Changes or Adjustments

This an emergency collection for additional data is necessary for CMS to conduct risk corridors data validation under 45 CFR §§153.530 and 153.540. This emergency collection will apply to companies that offered a QHP in the 2014 benefit year and that submitted data for the MLR and risk corridors programs. We estimate an aggregate increase of no more than approximately 14,500 additional annual burden hours as a result of this new emergency data validation ICR.

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

We plan to include an OMB expiration date once assigned an OMB control number. This emergency collection will expire 6 months after approval by OMB.

17. Exceptions to Certification for Paperwork Reduction Act Submissions

There is no exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.