



July 24, 2024

The Honorable Dr. Ellen Montz
Deputy Administrator and Director
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
Department of Health and Human Services
7500 Security Boulevard
Baltimore, MD 21244

RE: Updating Data from the 2021 Technical Paper Recommendations on Affordable Care Act Risk Adjustment

Dear Dr. Ellen Montz,

On behalf of the Alliance of Community Health Plans (ACHP), I write to request that the Centers for Medicare & Medicaid Services (CMS) revisit recommendations proposed in its 2021 HHS-Operated Risk Adjustment Technical Paper on Possible Model Changes (“Technical Paper”). Particularly, we ask CMS to update the data analysis used in the proposed two-stage weighted approach to improve the Affordable Care Act (ACA) risk adjustment program, with the goal of better predicting costs for the lowest-risk enrollees by reducing under-predictions and eliminating over-predictions. Additionally, with updated data, we also recommend CMS revisit other proposed solutions presented in the 2021 paper, such as the induced demand factor (IDF).

ACHP is the only national organization promoting relationships between innovative health plans and providers that deliver affordable, high-quality coverage and care. ACHP member companies are non-profit community-based, provider-aligned health plans that provide coverage in all lines of business, including the individual market, for tens of millions of Americans in nearly 40 states and the District of Columbia. Its member health plans are leading the industry in practical, proven reforms around primary care delivery, value-based payment and data driven systems improvement.

In any given year, as consumers shop for and choose new ACA products, health plans enroll individuals without fully knowing the extent of their health needs. This was especially true when states restarted Medicaid eligibility redeterminations and millions of consumers were directed to the individual market for the first time. In 2024, the individual market reached record enrollment, with 22 million consumers now covered. Major swings in market dynamics, brought on by an influx of new enrollees, create an insurance landscape filled with uncertainty regarding evaluating consumer risk profiles. Separately, the current risk adjustment program does not provide carriers with a risk score for current enrollees moving from one ACA plan to another, unlike the Medicare Advantage risk adjustment. This highlights the need for improvements in the existing risk adjustment program.



ACHP believes that the ACA risk adjustment program is critical to ensure that consumers get affordable health coverage. We believe a successful risk adjustment program is essential to a

well-functioning market that provides guaranteed issue, community-rated products free of medical underwriting. Consumers deserve a robust market with fierce competition and broad choices. ACHP strongly supports proposals to increase consumer choice and provide individuals with opportunities to enroll in affordable coverage. We believe that strengthening the ACA risk adjustment program could help evenly distribute risk among market participants and mitigate the unintended consequences of shifting surplus costs to consumers via premiums.

We request CMS revisit its original recommendation to implement a two-stage weighted model proposed in the Technical Paper. As outlined in the Technical Paper, the current risk adjustment models underpredict plan liability for the subpopulation of the lowest-risk enrollees. Addressing underprediction could prevent a misalignment of incentives that would discourage enrollment of lower risk enrollees relative to higher risk ones and negatively impact the accuracy of the risk adjustment program. We request CMS utilize current data to assess whether underprediction remains a prevalent problem. If the data is different, we request CMS propose new recommendations informed by the new data. To the extent that the new data supports the original recommendations, we agree with the Center for Consumer Information and Insurance Oversight's (CCIIO) assertion that the two-stage weighted approach would improve prediction for the lowest-risk enrollees with limited trade-offs.

We believe there are opportunities for improvement of the current ACA risk adjustment program. We also believe analyzing the potential continued underprediction problem could be a positive step in that direction. We support CMS revisiting this proposal via the white paper process to provide stakeholders with additional opportunity to review and weigh in on its impact. We encourage CCIIO to continue utilizing technical papers with in-depth analyses so that stakeholders can evaluate proposals and potential impacts on the program and provide informed input.

Additionally, we request updated data to further analyze IDFs detailed in the Technical Paper. The state payment transfer formula used in the ACA risk adjustment methodology includes two types of induced demand factors (s): cost-share reduction (CSR) IDFs and Metal-level IDFs. These factors were established in 2014 based on data from a pre-ACA population. While HCC weights are updated every year, based on EDGE data, the IDFs have remained the same for the past 10 years. We recommend CMS repeat the CSR IDF analysis from the 2021 Technical Paper for *both* CSR IDFs and Metal-level IDFs using current data. We would appreciate the opportunity to review the updated analysis and related recommendations to provide input on the best path forward to support improvements to the current risk adjustment program.

ACHP member companies are committed to preserving access to quality and affordable care, through a highly functioning and stable individual market. We look forward to continued collaboration with CCIIO to strengthen and improve the ACA risk adjustment program. Please



contact Nissa Shaffi, Associate Director of Public Policy, at nshaffi@achp.org, with any questions or to discuss these recommendations further.

Sincerely,

Dan Jones
Senior Vice President, Federal Affairs
Alliance of Community Health Plans

CC: Chiquita Brooks-LaSure