

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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FACT SHEET

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Draft HHS Notice of Benefit and Payment Parameters for 2014

Earlier this year, CMS published the Patient Protection and Affordable Care Act: Standards Related to Reinsurance, Risk Corridors and Risk Adjustment Final Rule (Premium Stabilization Rule) (77 FR 17220) and the Establishment of Exchanges and Qualified Health Plans; Exchange Standards for Employers Final Rule (77 FR 18310). These rules implement standards for Affordable Insurance Exchanges (Exchanges), States, and health insurance issuers related to the reinsurance, risk adjustment, and risk corridors programs established by the Affordable Care Act and the establishment of Exchanges and qualified health plans. These programs are designed to provide consumers with affordable health insurance coverage, to reduce incentives for health insurance issuers to avoid enrolling sicker people, and to stabilize premiums in the individual and small group health insurance markets inside and outside Exchanges.

The draft HHS Notice of Benefit and Payment Parameters is a proposed rule released today that expands upon the standards set forth in these earlier rules, and provides further information related to policies such as the risk adjustment, reinsurance and risk corridors programs, advance payments of the premium tax credit, and cost-sharing reductions. Key proposals include:

- **Reducing the incentives for health insurance issuers to avoid enrolling people with pre-existing conditions:** The permanent risk adjustment program will assist health plans that cover individuals with higher health care costs and will help ensure that those who are sick have access to the coverage that they need. CMS proposes a risk adjustment methodology to use when operating risk adjustment on behalf of a State. CMS also outlines the agency's proposed approach to validating risk adjustment data to instill confidence in

the program. States that are running an Exchange and their own risk adjustment program can propose a different methodology.

- **Stabilizing premiums in the individual market for health insurance:** The transitional reinsurance program is a three-year program designed to reduce medical risk for issuers and thereby reduce premiums for enrollees in the individual market to ensure market stability with the implementation of new consumer protections in 2014. The statute sets a fixed, national amount for the reinsurance program. To improve efficiency and reduce administrative burden, CMS proposes uniform reinsurance payment parameters for this program. CMS proposes that a State may supplement the HHS reinsurance payment parameters, but must pay for those supplementary parameters with additional State reinsurance collections or State funds (instead of funds collected by HHS under the national contribution rate). CMS also proposes: a per capita rate under which contributions would be collected annually by HHS from all applicable health insurance issuers and group health plans; exclusion of certain types of plans from the reinsurance contribution requirement; and standards governing the calculation of contributions.

- **Protecting health insurance issuers against uncertainty in setting premium rates:** The temporary risk corridors program protects qualified health plans from uncertainty in rate setting from 2014 to 2016 by having the Federal government share risk in losses and gains. CMS proposes to account for profits and taxes in the calculations and to align this program with the MLR program.

- **Assisting low and moderate-income Americans in affording health insurance on Exchanges:** CMS proposes further clarification regarding the administration of advance payments of the premium tax credit and cost-sharing reductions. To help eligible individuals pay their premiums and make coverage purchased through an Exchange affordable for low- and middle-income consumers, CMS is proposing to make advance payments of the premium tax credit to issuers on behalf of certain individuals. The cost-sharing reduction program will further reduce the out-of-pocket spending for health services for low- and middle-income individuals, and Indians. CMS is proposing that issuers provide cost sharing reductions at the point of service for eligible individuals and that CMS directly reimburse issuers for these payments.

• **Exchange User Fees:** Under the Affordable Care Act, Exchanges are self-sustaining entities. CMS proposes a user fee for health insurance issuers participating in a Federally-facilitated Exchange that would be commensurate with fees charged by State-based Exchanges.

You can access the draft Notice of Benefit and Payment Parameters for 2014

<http://cciio.cms.gov/resources/regulations/index.html#fm>.

Comments on draft Notice of Benefit and Payment Parameters are invited from the general public, consumers, States, industry, and other stakeholders, and must be submitted by December 31, 2012.