



Responses to Questions

2022 Rate Filing Guidance

Q: The language in the ‘Pricing AV’ section states ‘Silver on-exchange plans must have an Actuarial Value (AV) of 72%.’, whereas the later section indicates that the priced Silver AV can be determined by issuer. Are issuers allowed to deviate from 0.72?

A: After hearing from carriers about the difficulty of hitting this target and potential negative consequences, OSI has made the decision to rescind this element of the guidance.

Q: How would OSI like the CSR Defunding factor to be reflected in the rate filing? Should they be included in the AV or CSD factors?

A: Please submit the calculator that OSI provides with the final guidance with the rate filing and reference the “Row on Worksheet 2 URRT” when populating the URRT.

Q: Will the rate filing deadline be delayed to allow time to incorporate this late breaking guidance?

A: OSI appreciates the patience of carriers as we took the necessary time to develop this policy. In our final guidance, OSI plans to extend the rate filing deadline to June 25th, to give carriers additional time to develop their rates.

Q: Will there be guidance regarding if consumers on 70% and 73% plans may be mapped to other metal levels?

A: Yes. In our final guidance, OSI plans to permit and encourage carriers to map individuals who will otherwise be enrolled into 70% and 73% plans into a Gold plan as long as the Gold plan 1) has a premium equal to or less than what would be paid for their current Silver plan in Plan Year 2022 or the Silver plan in which the member would otherwise be enrolled if their plan is being discontinued and 2) has the same network of providers as the member’s current plan. Carriers must notify the member that they will be mapped to a higher value plan and have the option to reject being enrolled into the Gold plan if they so choose. The member must also be notified that they can actively select a plan on beWellnm.com during the open enrollment period.

Q: Have there been any studies that could help carriers understand what impacts this will have to the market overall (i.e. metal shifts, risk adjustment, APTC, etc.)?

A: The OSI commissioned an actuarial study to inform rate guidance, which we will share with carriers in a follow-up email. Other private studies have been conducted. A public research report on premium

misalignment is available [here](#). Texas 2036, a public policy organization, developed a [policy tool](#) which measures the impact of premium alignment, labeled as “Focused Rate Review.”

Significant increases in APTCs and Gold enrollment have been observed in other states (NE 2019, OK 2019, WY 2018, MD 2017-2021) in conjunction with premium alignment. While premium alignment was not the only changing variable in these states, stronger overall individual markets drew additional carriers to offer coverage in Wyoming and Maryland.

Q: Could the OSI clarify the problem that was identified regarding unstable Silver premiums?

A: As shown in Table 1, below, the average ratio between lowest-cost metal level premiums in New Mexico has varied considerably since federal CSR payments ended in 2017. Such year-to-year changes make it harder for consumers to select plans that meet their needs, since most people prefer not to begin again almost from scratch with each passing year. OSI believes that asking carriers to follow common guidelines in pricing metal-level plans will, after an initial transition, create a more stable market that is easier for consumers to understand.

Table 1. Average ratio of lowest-cost Silver premiums and lowest-cost premiums in other metal levels, New Mexico exchange: 2018-2021

Year	Ratio of Silver to Gold	Ratio of Silver to Bronze
2018	116%	148%
2019	98%	139%
2020	95%	127%
2021	101%	139%

Source: Analysis of Kaiser Family Foundation. “Average Marketplace Premiums by Metal Tier, 2018-2021.” <https://www.kff.org/health-reform/state-indicator/average-marketplace-premiums-by-metal-tier/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

Q: Has the OSI considered that some consumers who would have lower cost-sharing on an 87% or 94% CSR plan may purchase Gold plans with subsidies instead of a Silver CSR plan, if the Gold plan is “cheaper” to them (monthly premiums are lower)?

A: This is a possibility we have considered. In Plan Year 2022, consumers will be able to make this value judgement. That same problem occurs today with Bronze plans, which obviously involve a greater loss of coverage value for the consumer, compared to Gold plans. Given that ARP enhanced subsidies will make benchmark coverage even more affordable, this is an ideal time to encourage consumers eligible for 87%- or 94%-AV coverage to enroll in such coverage, rather than in plans at other metal levels. Indeed, for those under 150% FPL, at least two free Silver options will be available, and those between 150-200% FPL will see their costs substantially reduced. In addition, with the implementation of the Health Care Affordability Fund, the agency will consider how best to align incentives to enroll New Mexicans in the highest value coverage available.

Q: Will carriers still be allowed to offer Off-Exchange Only Silver plans within the full AV range and no CSR Defunding Adjustment?

A: As long as the plan is not offered on the Exchange, carriers do not have to include a CSR Defunding Adjustment for off-exchange products.

Q: What is the assumed mix of Silver 100 and 150 enrollment underlying the CSR Defunding factor?

A: According to our data, the rough split between these groups is 40/60.

Q: Is the factor capturing both the additional cost sharing and induced demand for the various Silver variants?

A: Yes. The factor is derived from CMS-published factors. Relative to utilization by a standard population in 60%-AV Bronze, CMS estimates a 3% increase in utilization for 70%-AV coverage and a 15% increase in utilization for 90%-AV coverage. If we assume that 1.0 represents utilization of EHB-covered claims in 60%-AV Bronze, then paid claims in 90%-AV coverage are $0.9 * 1.15$, or 1.035. Paid claims in 70%-AV coverage are $0.7 * 1.03$, or 0.721. The ratio of paid claims, projected for a standard population, enrolled in 90%-AV coverage to paid claims for such a population enrolled in 70%-AV coverage is thus $1.035/0.721$, or 1.44.

Q: Can you show the development of the 44% CSR load?

A: OSI is attempting to address the issue of pricing a Silver product with a single price that represents a wide range of actuarial values. In consultation with experts, OSI has determined that Silver plans are effectively Platinum plans for the vast majority of people enrolled because of CSRs and should be priced as such.

OSI is seeking to have metal-level premiums vary with the generosity of underlying coverage, priced to reflect expected utilization by a standard population. To achieve that goal, our guidance asks carriers, in effect, to take two steps: first, assume that consumers act in their best interests when choosing a plan, which means that the only consumers enrolled in silver-level QHPs are in variants with 87% or 94% actuarial value; and second, use induced demand factors that are consistent across metal levels and that vary utilization inversely with consumer cost sharing, as captured in CSR's induced demand and induced utilization factors published as part of CMS risk adjustment formulas.

A relatively small number of individuals have stayed on Silver plans despite the availability of higher value plans. OSI sees several reasons why these consumers may still be enrolled in lower value coverage. It is likely that some of these individuals have been automatically re-enrolled in a Silver plan, some of whom previously qualified for CSRs but no longer qualify due to income changes. In addition, Healthcare.gov continues to promote CSR-73 plans as having "extra savings" even though Gold plans offer higher value coverage for a similar or lower price. These are examples of consumers who are either not making an active selection or who are receiving incorrect signals about plan value.

Individuals over 200% FPL who are enrolled in a Silver plan are not the only ones who are negatively impacted. Net Gold and Bronze premiums are inflated for all enrollees (and potential enrollees who do not sign up for coverage due to affordability issues) due to the reduction in Premium Tax Credits caused by misaligned premiums.

To correct for premium misalignment, OSI plans to institute a "Rational Consumer Behavior" model that assumes the only people who will enroll in Silver plans qualify for CSR-94 and CSR-87 Silver plans. We determined that this enrollment distribution would produce a 1.44 CSR Defunding Adjustment, after accounting for the induced demand factor requirements. We have attached a calculator that

demonstrates the distribution at which the CSR Defunding Adjustment fully reflects the rational consumer behavior model.

Q: Please share the calculation behind the determination of the proposed 1.44 adjustment for silver plans so we can comment further. How can a 1.44 adjustment can be justified by AV differences alone, when the expected AV of a 94% variant is only 34% higher than the expected AV of a 70% silver plan, and when OSI expects a mix of 87% and 94% enrollment.

A: The factor is derived from CMS-published factors. Relative to utilization by a standard population in 60%-AV Bronze, CMS estimates a 3% increase in utilization for 70%-AV coverage and a 15% increase in utilization for 90%-AV coverage. (To show OSI's reasoning clearly, the following simplified calculations combine enrollees in 87%-AV plans and those in 94%AV plans into a single category of 90%-AV coverage.) If we let 1.0 represents utilization of EHB-covered claims in 60%-AV Bronze, then paid claims in 90%-AV coverage are $0.9 * 1.15$, or 1.035. Paid claims in 70%-AV coverage are $0.7 * 1.03$, or 0.721. The ratio of paid claims, projected for a standard population, enrolled in 90%-AV coverage to paid claims for such a population enrolled in 70%-AV coverage is thus $1.035/0.721$, or 1.44.

Q: Doesn't the federal risk adjustment formula already account for the additional induced demand associated with CSR variations through a +12% adjustment to CSR variation risk scores, such that we would not necessarily consider it appropriate to price induced utilization differences for CSR variations into the CSR non-funding rate load?

A: Two issues are important to consider in this context. First, the 12% induced-utilization factor (IUF) compensates for only a small portion of the increased costs associated with high-AV silver coverage. The IUF was originally intended to fill a narrow gap left by CSR payments. CSR payment amounts were based on plans' responsibility for an additional percentage of covered EHB claims (for example, the additional 24% payment associated with a 94%-AV variant). CSR payments did not include plans' costs to pay 70% of the induced utilization that resulted from lower cost-sharing in CSR variants. The latter deficit was covered by risk adjustment's IUF, which remains in place.

Second, a plan's expectations for risk-transfer payments should be included in calculating the Market-Wide Adjusted Index Rate, not the Plan Adjusted Index Rate, as CMS's 2022 Unified Rate Review [Instructions](#) make clear. In other words, risk adjustment expectations are completely independent of carriers' obligation to vary metal-level premiums based on estimated utilization by a standardized population, which in turn requires differential premiums that are proportioned to overall coverage generosity. Risk-transfer payments do not affect plan premium variation. Rather, they compensate for factors that predictably influence actual claims costs that the ACA's modified-community-rating rules exclude from consideration in setting rates.

Q: Is any variation in actuarial value and cost sharing factors between plans permitted for issuers offering more than one silver plan?

A: Pricing for each silver plan must follow OSI's guidance and incorporate CMS-approved induced-demand and induced-utilization factors, as applied to a standard population. As noted above, QHPs are permitted to vary pricing AV levels to reflect different benefit values. However, other cost sharing factors should remain consistent within each metal level.

Q: Is the intent to price 70% and 73% CSR Silver members out of Silver plans and push them into Bronze or Gold products, where they would not be subsidizing 87% and 94% Silver CSR members?

A: OSI wants to ensure that plan prices reflect the value of the coverage that is being offered. Because the value of Silver varies substantially based on income and Gold plans offer higher value than Silver at a better price for consumers with incomes above 200% FPL, we want to minimize incentives for enrollees at such income levels to enroll in coverage that is certain to raise their overall costs, relative to available alternatives.