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July 21, 2015

Dear Commissioner,

Thank you for the work you and your teams did for the 2015 plan year to increase issuer competition and reduce premium rates, thus ensuring that coverage remained accessible and affordable for millions of Americans. In addition, thank you for the hard work you and your teams are investing to complete approval of final rates for the 2016 benefit year. With the availability of new Marketplace utilization experience data and the implementation of the reinsurance, risk adjustment, and risk corridor premium stabilization programs, we recognize that new information will need to be taken into account in reviewing rate proposals this year. We appreciate all that you and your staff do, and have the opportunity to do, to maintain affordability for consumers, while ensuring issuer solvency.

Based on preliminary filings for the coming year, we are confident that, overall, consumers will retain access to a wide range of affordable options in 2016. In addition, in the last few months, we have been meeting regularly with issuers and state officials from across the country to better understand key drivers of premium increases. These conversations have been encouraging and instructive, and we have distilled several findings that we would ask you to carefully consider as you make your final rate decisions:

1. **Recent claims data show healthier consumers.** Data show that consumers who signed up more recently are healthier than enrollees who were among the first to sign up during the first Open Enrollment Period. Further, recent experience may show an improved issuer medical loss ratio. For instance, Anthem CT announced on July 10 that it was proactively lowering its rates from its preliminary filings, which were based on claims from January 2014 through March 2015, because claims through May 2015 showed that their members' health care costs were lower than expected.

In addition, risk pools are expected to continue to get healthier. Many issuers are assuming consumers who enroll in Marketplaces during the remainder of 2015 and into 2016 will exhibit even lower rates of utilization than 2014 enrollees. Already, many issuers are reporting a decline in pent-up demand for services. Further, the increase in the individual shared responsibility fee in 2016 and increased consumer experience with individual shared responsibility should motivate a new segment of uninsured who may not have a high need for health care to enroll for coverage. This was the experience in Massachusetts in the first years of their Exchange before the Affordable Care Act became law, and we expect a similar trend.

2. **Recent data show a continued moderate medical cost trend.** Available data suggest that underlying trends in overall medical costs remained moderate through the end of 2014 and into early 2015, even accounting for rapid growth in pharmaceutical costs. Because recent trend experience can often provide a useful guide to the near future, these data may be relevant when evaluating the reasonableness of trend assumptions for 2016.
3. **CMS will use a one hundred percent coinsurance rate for the 2014 reinsurance program.** As you know, the Centers for Medicare & Medicaid Services (CMS) recently announced that, consistent with its regulations for the transitional reinsurance program, all eligible claim expenses for the 2014 benefit year would be paid at a 100 percent coinsurance rate, instead of 80 percent. Initial filing by issuers were due before this announcement was made in June.
4. **CMS remains committed to the risk corridor program.** As stated in our final payment notice for 2016, “We anticipate that risk corridors collections will be sufficient to pay for all risk corridors payments. HHS recognizes that the Affordable Care Act requires the Secretary to make full payments to issuers.” This spring, CMS announced that preliminary information about 2014 risk corridors payments and charges will be made available on August 14, 2015. We believe these payments should be taken into account before decisions are made on final rates.
5. **Public hearings are helpful.** Many states have found the use of public hearings helpful in rate evaluation. You and your staff undoubtedly have even more ideas to ensure that rates receive appropriate public scrutiny.

Like you, CMS is focused on both consumer affordability and issuer solvency. To that end, we ask that you consider these findings as you work to finalize rates for the 2016 plan year.

We appreciate all that you and your teams do to help us keep health insurance affordable and protect consumers. Please let us know of any ways we can be of further help.

Sincerely,

Kevin J. Counihan

Chief Executive Officer, Health Insurance Marketplace

Director, Center for Consumer Information & Insurance Oversight