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August 2, 2021

The Honorable Xavier Becerra
Secretary
U.S. Department of Health and Human Services
200 Independence Ave., S.W.
Washington, D.C. 20201

Dear Mr. Secretary,

The Alabama Department of Insurance (DOI) again provides additional support for the DOI's initial request made on July 30, 2019 to modify Individual Market Risk Adjustment transfers. The DOI continues to believe the national risk adjustment program is unable to work as precisely in the Alabama Market. We provided support for our initial request the past two years. As before, we do not assert that the risk adjustment formula is flawed, only that it produces imprecise results in Alabama. Therefore, we ask that you continue to rule favorably upon our request to reduce individual market risk adjustment transfers by 50% in addition to the administrative costs reduction, for both catastrophic and non-catastrophic risk pools, for the 2023 benefit year.

Impact of Risk Adjustment Transfer Reductions for the Individual Market

Alabama believes removing one half of the calculated risk adjustment transfers would provide additional stability to our market. We have two issuers in the Individual Market in Alabama. The two issuers are Blue Cross and Blue Shield of Alabama, (BCBSAL), and Bright Health Insurance Company, Inc., (BHIC). Starting in 2022, we will have a new issuer to join the Individual Market in Alabama. The new issuer is UnitedHealthcare Ins Co (UHIC). DOI provides the same formatted two tables to illustrate the financial impact of reductions in transfers.

Table 1 provides data on premium, claims and transfers for the current two issuers in the Individual Market for the 2018, 2019 and 2020 benefit year. Table 2 then shows how a reduction in transfers by 50% would impact financial results.

De Minimis Impact on Premium in the Individual Market

The Federal regulation asks that we demonstrate our proposal would have a de minimis impact on necessary premium. We have relied upon rate filings to evaluate the impact of reducing risk adjustment transfers. The impact of the reduction in transfers did not result in an adjustment to any rate exceeding a de minimis level of increase, (i.e. not more than one percentage premium).

Future Expectations for the Individual Market

We continue to lack credible information to project results beyond what our issuers have provided in their rate filings. However, based upon the results of the last three years we do anticipate that large transfers will continue to flow from the small issuer (about 1% market share) to the issuer with a dominant market share (about 99% market share). A reduction of 50% was approved in 2021 for the 2022 benefit year, so rates for 2022 were developed anticipating the 50% reduction.

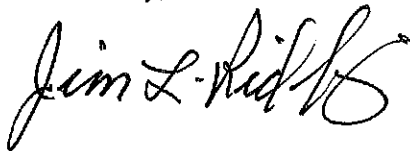
Conclusion

In summary, we continue to believe that in a market like Alabama's, with an extremely unbalanced market share, the risk adjustment program lacks the precision it exhibits in other markets.

If our request is not approved, we believe one of our current carriers will be leaving Alabama's Individual Market. However, we believe that if we continue to have the modified risk adjustment program transferring one half the calculated transfers, we may grow the market in Alabama. We believe our carrier issuers will remain in the market.

We ask that you continue your approval of our request for flexibility on risk adjustment transfers, extending it for the 2023 benefit year.

Sincerely,



Jim L. Ridling
Commissioner

cc: Jeff Grant, Deputy Director of Operations, CCIIO
Jeff Wu, Deputy Director for Policy, CCIIO

Table 1: Alabama Individual Market Premium, Claims, and Risk Adjustemtn Transfers										
2020	(1)	(2)	(2)/(1)	(3)	(4)	(5)=(3)+(4)	abs{(5)/(1)}	(6)=(2)-(5)	(6)/(1)	
	Premium	Share	Claim	%	100% Transfers			%	Combined	
					Non-Catastrophic	Catastrophic	All risk pools			
BCBSAL				9,092,597	48,481	9,141,077				
BHIC				(9,092,597)	(48,481)	(9,141,077)				
Total				0	0	0				
2019										
BCBSAL				6,135,530	(47,856)	6,087,674				
BHIC				(6,135,530)	47,856	(6,087,674)				
Total				0	0	0				
2018										
BCBSAL				2,970,458	13,570	2,984,028				
BHIC				(2,970,458)	(13,570)	(2,984,028)				
Total				0	0	0				

Table 2: Alabama Individual Market Premium, Claims, and Risk Adjustemtn Transfers (adjusted)										
2020	(1)	(2)	(2)/(1)	(3)	(4)	(5)=(3)+(4)	abs{(5)/(1)}	(6)=(2)-(5)	(6)/(1)	
	Premium	Share	Claim	%	50% Reduction in RA Transfers			%	Combined	
					Non-Catastrophic	Catastrophic	All risk pools			
BCBSAL				4,546,298	24,240	4,570,539				
BHIC				(4,546,298)	(24,240)	(4,570,539)				
Total				0	0	0				
2019										
BCBSAL				3,067,765	(23,928)	3,043,837				
BHIC				(3,067,765)	23,928	(3,043,837)				
Total				0	0	0				
2018										
BCBSAL				1,485,229	6,785	1,492,014				
BHIC				(1,485,229)	(6,785)	(1,492,014)				
Total				0	0	0				

Data from these tables is taken from issuer's "Supplemental Health Care Exhibit", (SHCE) published by the National Association of Insurance Commissioners, and from the "Summary Report on Permanent Risk Adjustment Transfers", (Summary Report), released by the Center for Consumer Information and Insurance Oversight.

- Premium is developed from Part 1, line 1.1 of the SHCE with adjustments to remove Risk Adjustment accruals as identified in the table following Part 1.
- Claims are taken from Part 1, line 5.0 of the SHCE.
- Transfers are taken from Table 4 of section VI of the Summary Report.