

Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
Center for Consumer Information & Insurance Oversight  
200 Independence Avenue SW  
Washington, DC 20201



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**Date:** October 1, 2015

**Subject:** Risk Corridors Payment Proration Rate for 2014

Section 1342 of the Affordable Care Act directs the Secretary of the Department of Health and Human Services (HHS) to establish a temporary risk corridors program that provides issuers of qualified health plans (QHPs) in the individual and small group markets additional protection against uncertainty in claims costs during the first three years of the Marketplace. This program, which was modeled after a similar program used in the Medicare prescription drug benefit, encourages issuers to keep their rates stable as they adjust to the new health insurance reforms in the early years of the Marketplaces.

Under the risk corridors program, the federal government shares risk with QHP issuers – collecting charges from the issuer if the issuer’s QHP premiums exceed claims costs of QHP enrollees by a certain amount, and making payments to the issuer if the issuer’s premiums fall short by a certain amount, subject to certain adjustments for taxes, administrative expenses, and other costs and payments. On April 11, 2014, HHS issued a bulletin titled “Risk Corridors and Budget Neutrality,” which described how we intend to administer risk corridors over the three-year life of the program. We stated that if risk corridors collections for a particular year are insufficient to make full risk corridors payments for that year, risk corridors payments for the year will be reduced pro rata to the extent of any shortfall.

Today, HHS is announcing proration results for 2014 risk corridors payments. Based on current data from QHP issuers’ risk corridors submissions, issuers will pay \$362 million in risk corridors charges, and have submitted for \$2.87 billion in risk corridors payments for 2014. **At this time, assuming full collections of risk corridors charges, this will result in a proration rate of 12.6 percent.**

HHS will begin collection of risk corridors charges in November, 2015, and will begin remitting risk corridors payments to issuers starting December, 2015.<sup>1</sup>

We thank QHP issuers for their hard work and timely responses to our data validation requests. We note that all QHP issuers submitted certifications or explanations and just over 50 percent of QHP issuers resubmitted their MLR/risk corridors filings on short notice as part of this important process.

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<sup>1</sup> We note that the risk corridor payment and charge amounts reflected in this bulletin do not reflect any payment or charge adjustments due to resubmissions after September 15, 2015, or the effect of subsequent appeals. Neither these amounts nor the proration rates reflected in this bulletin constitute specific obligations of federal funds to any particular issuer or plan.