



Date: December 13, 2013

Subject: Choice of Methodology for Cost-Sharing Reduction Reconciliation

Q: If a QHP issuer seeks to use the standard methodology for cost-sharing reduction reconciliation, but will not complete the necessary system upgrades prior to the start of the benefit year, can the QHP issuer notify HHS that it will use the simplified methodology, but then change their choice of methodologies mid-year once the system upgrades are complete?

A: We recognize that QHP issuers are working to make several modifications to their IT systems to be ready to participate in the Marketplaces. As a result, we will permit a QHP issuer to select the simplified methodology prior to the start of the 2014 benefit year, and then change their selection to the standard methodology no later than July 15, 2014, by emailing CSRreview@cms.hhs.gov. Subject to 45 CFR 156.430(c)(3)(iv), an issuer must change its selection for all of its QHPs on a Marketplace (or none); the issuer may not make a different election for different QHPs.

Similarly, if a QHP issuer merges with or acquires another issuer of QHPs, or acquires a QHP offered from another QHP issuer, as described in 45 CFR 156.430(c)(3)(iv), the methodology selected for the merging, acquired, or acquiring issuer (or for the acquired QHPs) may be switched to the standard methodology from the simplified methodology no later than July 15, 2014. The same methodology must be selected for all of a merging, acquired, or acquiring issuer's QHPs owned prior to the transaction (or for all of the QHPs acquired pursuant to the transaction).

We note that if a QHP issuer changes its selection to the standard methodology after the start of the benefit year, the QHP issuer must use the standard methodology to calculate the entire amount that enrollee(s) would have paid under the standard plan without cost-sharing reductions (not just the portion of the amount for the period of time after the QHP issuer changed its selection).