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# CHOICES

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## For Immediate Release

Contact: David Lee, Advisor to CHOICES. Office: (202) 774-1408

## **CMS' Latest Payment Parameters Rule: Promising for 2018 and Later, But Misses Mark in the Meantime**

**Washington, D.C.**, August 31, 2016 — Health insurance premiums for individuals and small businesses are too high, and very large increases are needed in many states. The cost of hospital services, care by doctors, and even pharmaceuticals are not the main driver behind this. The issue is that the risk pool – the balance of healthy and sick people covered – is broken.

CHOICES supports CMS' recent efforts to improve the functionality of the risk adjustment program reflected in the recent [Notice of Benefit and Payment Parameters for 2018](#). The use of prescription drug data for drug-diagnosis pairing and the inclusion of factors that adjust for high-cost and partial year enrollees should assist in should bringing greater accuracy to the program. However, CHOICES continues to have concerns that this approach lacks the urgency and does not go far enough in some of its changes to strengthen the Small Group and Individual markets.

The reality is that the ACA's premium stabilization programs have not succeeded in their intended effect to stabilize the Individual and Small Group markets—and waiting until 2018 or later to resolve ongoing problems will have detrimental effects on consumers. The proposed rule readily acknowledges a long standing concern of CHOICES, which is the existence of an estimation bias in the risk adjustment formula that under-predicts the costs for low-risk enrollees and over predicts cost for high-risk enrollees. The result of this bias dissuades carriers from attracting younger and healthier consumers to the extent that some carriers have reduced or all-together stopped offering Bronze plans which attract healthier and more price sensitive enrollees. This is bad for the market and the absence of an effective and timely response will result in higher premiums and a worsening risk pool.

CHOICES will continue to work with federal and state regulators to improve the risk adjustment program. We believe there are many changes that could be adopted immediately that could bring greater stability and enable competition to provide consumers greater choice and lower premiums. In turn, lower premiums would attract more of the young and healthy consumers who are missing from the risk pool, stabilizing markets and helping advance the goal of comprehensive, affordable insurance coverage for all Americans. The longer it takes for changes to be made, the greater likelihood we will see more carrier exits, higher premiums, and more consumers left without health insurance options.

### **About CHOICES**

Consumers for Health Options, Insurance Coverage in Exchanges in States (CHOICES) members are non-profit and investor-owned, health system-sponsored and independent, and startups as well as companies with decades of experience as members of their local communities.