



September 6, 2018

Centers for Medicare & Medicaid Services  
U.S. Department of Health and Human Services  
Attention: CMS-9919-P  
P.O. Box 8016  
Baltimore, MD 21244-8016

To Whom It May Concern:

The following comments on the proposed risk adjustment methodology for 2018 (the NPRM), as published in the *Federal Register* on August 10, 2018, are submitted on behalf of the members of the National Association of Insurance Commissioners (NAIC), which represents the chief insurance regulators in the 50 states, the District of Columbia, and Puerto Rico.

As important stakeholders in risk adjustment, state insurance regulators have provided adequate explanation of its risk adjustment methods and sufficiently justified its use of the statewide average premium.

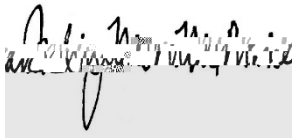
The Affordable Care Act directs HHS to develop the risk adjustment methods, specifically under parts C and D as models. Risk adjustment under parts C and D seeks to achieve actuarial balance by adjusting rates to reach a balance across issuers of their risk. Reaching balance through risk adjustment is budget neutral, with charges to lower-risk issuers. Risk adjustment charges collected from health insurers, the risk adjustment program must remain budget neutral. Using the statewide average premium presents a method to assure that budget neutrality is maintained and prevents a shortfall in risk adjustment. Using a method that does not ensure risk adjustment charges equal payments would add uncertainty for issuers to the amounts they would pay or receive through risk adjustment, which would likely reduce market penetration and raise overall premiums.

We specifically support CMS' use of the statewide average premium in the risk adjustment methodology for 2018 to maintain continuity from year to year. CMS has already finalized rules for plan years 2017 and 2018 under which it would employ the statewide average premium. Using a different methodology for plan year 2018 would add unnecessary complication and burden for insurers and regulators and introduce additional uncertainty into insurance markets. Using the statewide average premium in risk adjustment methods, the authority for states to make adjustments to the federal calculations is one important way for states to improve risk adjustment for their markets without undertaking full responsibility for risk adjustment. We support CMS' decision

to provide states the flexibility to make such requests, starting with plan year 2020, and we urge that it be maintained.

Thank you for this opportunity to comment. As state regulators continue to monitor the effects of risk adjustment on market competition, premiums, and consumer choices, we will continue to provide comments. We are available to discuss these or other issues as the NPRM is finalized.

Sincerely,



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Commissioner  
Tennessee Department of  
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