
Specific Comments

Age Bands (Sec. 147.102) & Age Curve (Sec. 147.102)

State regulators support updating the child rating structure for a more gradual transition. We agree that the current age curve factor for under-21 is low and believe it should be higher. We would be fine with the new factors and the new age banding as long as those states that currently have their own state based age curve can maintain the factors that they currently have (or supply new factors) and not have the under-21 factors automatically substituted for the state's under-21 age factors.

Further, state regulators support implementing the proposed changes to the new factors all at once rather than over a 3 year period. Even if the new age banding and factors are not adopted, we recommend increasing the under-21 age curve factor above the current level

In addition, it is our understanding that states that elected to require the Market Adjusted Index Rate to be based on both the individual and small group market experience might have chosen to merge markets if not for the inability to have quarterly rate increases in the small group market. Perhaps a different solution would be to allow merged market states to have quarterly increases in their small group market.

Risk Adjustment Changes (Sec. 153.320)

First, state regulators agree with the use of partial year enrollment duration factors to improve the accuracy of the risk adjustment model. We further recommend that HHS explore ways to track enrollees across carriers so that full risk adjustment factors can be applied for individuals that switch plans mid-year. We also agree with adding Rx to the risk adjustment model. However, we urge you to implement the proposed changes before 2018.

Second, state regulators agree with the proposal to consider two separate sets of age-sex coefficients for enrollees with and without hierarchical condition categories (HCCs), but caution that there may be some interplay between these and the enrollment duration factors. While some partial year enrollees may have high claims because of anti-selection, others may not have any HCCs simply because they moved to an individual plan from a small employer plan in November.

We are concerned about the approach described for adjusting plan liability risk scores outside of the model to adjust for under or over prediction. As presented in the draft Notice, this sounds very arbitrary. We hope that this would be done with some scientific rigor and we request additional information prior to implementing this approach.

