COVERED CALIFORNIA

January 21, 2020

Submitted electronically via PMPolicy@cms.hhs.gov

Re: Covered California comments on Draft 2021 Actuarial Value Calculator and Methodology

Covered California respectfully provides comments regarding the Draft 2021 Actuarial Value (AV) Calculator and Methodology, as published on December 20, 2019. Covered California is California's state-based Marketplace through which consumers can purchase affordable, high-quality health coverage. Through our strong relationships with the 11 health insurance companies participating in Covered California, consumer advocates, and clinicians, we have established patient-centered benefit designs that help mitigate the impact of deductibles, and thus increase value and access to care by the consumer. As such, Covered California has significant concerns that the proposed changes to the 2021 AV Calculator will drive cost-sharing increases for consumers.

Covered California observes significant AV increases in its Bronze plans from 2020 to 2021, to a degree that indicates potential non-compliance of all Bronze plans in meeting federal AV limits in future years. California's standard Bronze plan for 2020 includes pre-deductible coverage of several outpatient services and has an AV of 61.36%. Using the draft 2021 AV Calculator, this plan design increases by more than 4% and surpasses the federal AV upper de minimis limit of 65%. While previous annual changes have required minor cost-sharing increases to maintain a Bronze plan within the de minimis range in California state law (+/-2%), this year's update will require major changes to bring the plan into compliance in 2021.[1] These cost-sharing offsets may not be sufficient if a similar approach to the Bronze AV methodology is used in future AV Calculators. The following table demonstrates year-to-year changes in the AV of Covered California's standard Bronze plan and Bronze HDHP:

Annual Actuarial Value (AV) Change for Bronze Plans, 2018-2021				
	2017 to 2018	**2018 to 2019**	**2019 to 2020**	**2020 to 2021**
Standard Bronze	-0.74%	1.39%	1.45%	**4.27%**
Bronze HDHP	-0.58%	1.24%	1.31%	**2.75%**

In review of the Draft 2021 AV Calculator Methodology, Covered California observed removal of Selection Effects in Bronze plans from the Standard Population Development and Adjustment from Primary Claims Data, which was included in the 2020 AV Calculator Methodology.[2] We understand this adjustment may have been removed in lieu of using claims data from 2017, which may not reflect the same sort of pent-up demand that was seen in the 2015 data and therefore may be driving the significant AV increase in Bronze plans. While Covered California understands that annual updates to the AV calculator are necessary to accurately reflect cost

[1] In response to similar AV constraints in 2020 on the Bronze HDHP, the AV de minimis range for HSA-qualifying HDHPs in state law was expanded to +4/-2%.
[2] Centers for Medicare and Medicaid Services (CMS). Final 2020 Actuarial Value Calculator Methodology. March 19, 2019. https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2020-AV-Calculator-Methodology.pdf.

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and utilization, Covered California is concerned that future Bronze plans may be out of compliance of the federal +5/-4% de minimis range as a result, even with cost-sharing set at the maximum-allowed amounts for the Maximum Out-of-Pocket (MOOP) and deductible.

Additionally, the Draft 2021 AV Calculator does not preserve some of the same relationships between the metal levels that existed in prior years related to total costs and utilization by metal tier continuance table. Specifically, when looking at the average allowed cost per enrollee, we observe the annual allowed cost increases with each metal level in the AV Calculators for 2018, 2019, and 2020. In 2021, we see that Gold costs are higher than Platinum costs. This is surprising given the historical pattern and the underlying methodology. We are seeing similar patterns when we compare the following metrics: IP Frequency, PCP Frequency, Specialist Frequency, and percent of zero spenders. We also see that Bronze is about $400 less than Silver for average allowed cost each year until 2021, when it drops to $1,000 less. Covered California assumes this is related to the 2021 removal of the upward adjustment that CCIIO made to Bronze in prior years. Bronze also drops to a lower percentage of Platinum than in prior years.

To understand the changes in the continuance tables, we tested AVs for the 2020 standard Bronze plan design using the 2020 AV calculator and the four different metal level continuance tables, as well as the 2021 AV calculator and the four different metal level continuance tables. By keeping the plan design the same but changing the continuance table, we were able to compare how the continuance tables changed from 2020 to 2021. Previously, using a higher metal level continuance table resulted in a higher calculated AV. In the draft 2021 AV calculator, using a higher metal level continuance table results in a lower AV for Silver and Platinum, and an outlier higher AV for Gold. The pattern from 2020 seems to be consistent with the basic principles of greater induced utilization at higher metal levels, but the pattern from 2021 deviates from this basic principle.

AV of Covered California's 2020 Standard Bronze Plan Design Using 2020 and 2021 AV Calculators and Different Metal Level Continuance Tables				
AV Calculator Year	Bronze	Silver	Gold	Platinum
2020	61.36%	61.90%	62.08%	62.73%
2021	65.63%	65.02%	**67.75%**	65.23%

Together, the proposed updates to the Bronze claims experience as well as counterintuitive utilization and cost differences across continuance tables could drive significant cost-sharing increases for consumers and place many Bronze plans out of compliance with federal AV limits. Covered California requests CCIIO's reconsideration of this approach as it finalizes the 2021 AV Calculator and strongly encourages use of additional factors that can smooth these differences between 2020 and 2021.

Thank you for your consideration of our comments. If you have any questions or would like more information, please feel free to contact me.

Sincerely,

Peter V. Lee
Executive Director

cc: Covered California Board of Directors