



Rural Health Panel

College of Public Health – N232A  
105 River Street  
Iowa City, IA 52242  
(319)-384-3832  
<http://www.rupri.org/panelandnetworkviewer.php?id=9>  
[Keith-mueller@uiowa.edu](mailto:Keith-mueller@uiowa.edu)

Keith J. Mueller, PhD., Chair  
Andrew F. Coburn, Ph.D.  
Jennifer P. Lundblad, Ph.D., M.B.A.  
A. Clinton MacKinney, M.D., M.S.  
Timothy D. McBride, Ph.D.  
Charlie Alfero

November 27, 2017

Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
CMS-9930-P  
P.O. Box 8016  
Baltimore, MD 21244-8016  
By electronic submission at <http://www.regulations.gov>

RE: Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2019

To Whom It May Concern:

The Rural Policy Research Institute Health Panel was established in 1993 to provide science-based, objective policy analysis to federal policy makers. The Panel is pleased to offer comments in response to the proposed rule for Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2019. Our comments are limited to rural-specific issues and are structured to parallel general questions posed, or issues stated, by CMS (not technical comments regarding specific sections of the proposed rule).

**Risk Adjustment Model (§153.320):**

We agree that a change in risk adjustment that helps insurers manage the expected costs that may occur on the upper tail of the cost distribution is needed. We believe that the risk of outlier claims is one factor that reduces insurers’ interest in offering plans in places with low population density. That being said, the choice of a \$1 million cutoff seems arbitrary. For insurers with large numbers of enrollees, the upper tail of the cost distribution is likely to include many claims in excess of \$1 million, while in a smaller market the expected number might be just a few. However, insurers must protect against losses, which will typically lead them to hedge, assuming a conservative value when setting premiums. In a large market, setting premiums based upon 1-2 additional standard deviations will allow the “worst case” extra costs to be spread over large numbers of people. In a small market, using the same rule would cause significantly higher premiums due to the lower denominator.

Expressed another way: for insurers with small numbers of enrollees in an area, even the chance of claims exceeding, say, \$500,000, is enough to cause difficulty, because even a few more such claims than predicted will not easily be spread over a small number of consumers. Thus, the existence of the proposed reinsurance would be less useful as a means of reducing volatility within that smaller market. Thus, although we assume the purpose of this policy is to reduce variance in the costs that result from high utilizers as a means to increase predictability for the issuers – thereby increasing participation by issuers who cite volatility as a reason not to enter the market as well as holding premiums down – it may not accomplish this in some of the rural areas where participation and higher premiums are most likely a problem. A cutoff that excludes a percentage of claims that increases with the size of the market in each rating area, would be better tailored to accomplish the goal.

**Reporting of Federal and State Taxes – Potential Adjustment to the MLR (§158.162):**

We suggest that rather than allowing adjustments to individual states’ MLR, on the basis of some type of proof or evidence that such a change might help stabilize the market in that state, that a better approach might be to use the MLR as a policy tool to incentivize the creation of a true Multi-State Plan. The PPACA specified that OPM was to contract with one or more plans as Multi-State Plans (MSPs) and that after 4 years, such MSPs would have to offer plans in all 50 states. However, while there are MSPs offered in some locations by one insurer, the widespread implementation of MSPs has not happened. We suggest that allowing a lower MLR may be the ideal way to incentivize an insurer to operate as a MSP. Our prior analysis of the FEHB program found that a nationwide plan was essential in delivering options to people in rural counties, and we suggest that the MSP in the marketplaces is the closest option for filling that role.

The Panel commends CMS’ continued work on these important issues and we thank you for the opportunity to submit comments for this proposed rule.

Sincerely,

The Rural Policy Research Institute Health Panel

Keith J. Mueller, PhD – Chair  
Andrew F. Coburn, PhD  
Jennifer P. Lundblad, PhD, MBA  
A. Clinton MacKinney, MD, MS  
Timothy D. McBride, PhD  
Charlie Alfero