

Burrell, Chet

From: Branch, Katherine Y. [REDACTED]@who.eop.gov>
Sent: Friday, April 04, 2014 10:44 AM
To: Burrell, Chet
Subject: FW: ACA feedback

Hi are you available to talk to Valerie at 2:30p.m. today. Let me know. 2:30p.m. EST.

----- Original Message -----

From: Burrell, Chet [REDACTED]
Sent: Friday, April 04, 2014 10:20 AM
To: Jarrett, Valerie
Subject: ACA feedback

Hi Valerie,

I want to bring to your attention a brewing issue that will negatively impact upcoming ACA premium rates - any chance for a brief conversation? I can be reached on my cell at [REDACTED]

Chet Burrell
Sent from my iPhone

Unauthorized interception of this communication could be a violation of Federal and State Law. This communication and any files transmitted with it are confidential and may contain protected health information. This communication is solely for the use of the person or entity to whom it was addressed. If you are not the intended recipient, any use, distribution, printing or acting in reliance on the contents of this message is strictly prohibited. If you have received this message in error, please notify the sender and destroy any and all copies.

Thank you..

Burrell, Chet

From: Burrell, Chet
Sent: Saturday, April 05, 2014 9:34 AM
To: Valerie Jarrett [REDACTED]@who.eop.gov
Subject: heads up - follow up to our call yesterday
Attachments: Premium Rate Increase Concern.docx

Valerie,

Here's a short summary of the Issue I described to you yesterday, as you requested. Thank you for understanding that I am only trying to give a "heads-up" notice on an issue that could produce an unwelcome surprise. I am available at any time if you would like to discuss further or need anything else.

Chet

Concern That Recent HHS Rule will cause Sharp Premium Rate Increases

The Affordable Care Act contains certain provisions designed to stabilize premiums during the transition years 2014 - 2016. Roughly speaking, one of these provisions allows carriers to keep up to 3% of the excess of premiums over costs and requires them to pay into the Federal government portions of amounts above that. On the flip side, if premiums fall short of costs by more than 3%, a progressive portion of the shortfall is absorbed by funds paid in by the "winning" carriers and by the Federal government if the funds from "winners" are not enough. This mechanism is referred to as a "Risk Corridor".

Because the Risk Corridor provision reduces the effects of uncertainty that carriers must include in premiums, it enables them to keep premiums lower than they would otherwise be during the 2014 - 2016 transition period. This was exactly the intent of the ACA - to help deal with the fact that it is difficult for carriers to know what the risks are in the population that enrolls through exchanges under the ACA.

Until very recently, the position of the Administration had been that the law requires the Federal government to fully fund the Risk Corridor payments if amounts paid in by the "winners" turn out to be inadequate - as they likely will. Very recently, this position appears to have been reversed under a rule issued by HHS that requires "budget neutrality" - possibly meaning that if the amounts paid in by "winning carriers" turn out to be insufficient to cover the cost of the "losing" carriers, the Federal government would not step in.

If this is indeed the policy, then carriers will have to price premiums as if the Risk Corridor feature is not fully available. While this is a highly technical matter that few understand, the impacts are real and immediate. That is, if this transitional protection is not there, carriers will have to increase rates substantially (i.e., as much as 20% or more beyond what they would otherwise file) to make sure that premiums adequately reflect expected costs - because there would be little protection if they do not.

Here is the urgency: Premium rate filings for January 1, 2015, are due on May 1, 2014, and all carriers are now making rate-filing decisions. There is great concern among carriers about the intent behind the recent change in rule. Uncertainty or confusion will equate to higher rates. This could confront the Administration with a sea of far larger premium increases than expected. Once the filings are made, they will likely quickly become public.

Immediate action to clarify the administration's position is needed to avert this. The most effective action would be assurance that the original HHS interpretation of the ACA (which conforms best to a plain language reading of the ACA) still stands and that carriers could count on federal funding for risk corridors during the transition years (2014-16).

Burrell, Chet

From: Jarrett, Valerie [REDACTED]@who.eop.gov>
Sent: Saturday, April 05, 2014 9:37 AM
To: Burrell, Chet
Subject: Re: heads up - follow up to our call yesterday

Thanks, Chet. We will review and circle back.
VJ

From: Burrell, Chet [REDACTED]
Sent: Saturday, April 05, 2014 09:33 AM
To: Jarrett, Valerie
Subject: heads up - follow up to our call yesterday

Valerie,

Here's a short summary of the issue I described to you yesterday, as you requested. Thank you for understanding that I am only trying to give a "heads-up" notice on an issue that could produce an unwelcome surprise. I am available at any time if you would like to discuss further or need anything else.

Chet

Unauthorized interception of this communication could be a violation of Federal and State Law. This communication and any files transmitted with it are confidential and may contain protected health information. This communication is solely for the use of the person or entity to whom it was addressed. If you are not the intended recipient, any use, distribution, printing or acting in reliance on the contents of this message is strictly prohibited. If you have received this message in error, please notify the sender and destroy any and all copies. Thank you.
