

Plan Year 2022 ACA
Individual Market Pricing Guidance



State of New Mexico
Office of Superintendent of Insurance
May 28, 2021

A cornerstone philosophy of the Affordable Care Act (ACA) is that benefit plan premium variations in the individual and small group insurance markets should only reflect benefit differences between benefit plans, not differences between the population characteristics of people expected to enroll in each plan. To achieve this aim, federal law [[45 CFR 156.80\(d\)\(2\)](#)] permits limited adjustments to a market-wide index rate for a relevant state market based only on the following actuarially justified plan-specific factors:

- (i) The actuarial value and cost-sharing design of the plan.
- (ii) The plan's provider network, delivery system characteristics, and utilization management practices.
- (iii) The benefits provided under the plan that are in addition to the essential health benefits. These additional benefits must be pooled with similar benefits within the single risk pool and the claims experience from those benefits must be utilized to determine rate variations for plans that offer those benefits in addition to essential health benefits.
- (iv) Administrative costs, excluding Exchange user fees.
- (v) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

The federal Unified Rate Review (URR) [Instructions](#) emphasizes this limitation in Section 4.4.4.

The Office of Superintendent of Insurance (OSI) has been notified that premium rate relationships are misaligned in the individual market in New Mexico, primarily due to various methodologies utilizing nonprescriptive development of rating factors. To ensure that ACA rules are being followed and a level regulatory playing field exists in the ACA individual market, OSI is prescribing pricing guidance to clarify rules and eliminate subjective variability in pricing factors and the use of other plan adjustments.

This document outlines the pricing and rate filing requirements for the ACA-compliant individual market in New Mexico and is intended to provide rate filing guidance to issuers. This guidance supplements and does not contradict the 2022 URR Instructions. “ACA-compliant individual market” refers to the on-exchange and off-exchange plans that are regulated under the single risk pool requirements in the ACA.

Issuers are restricted to the allowable factors in 45 CFR 156.80(d)(2) to adjust the 2022 Market Adjusted Index Rate (MAIR) to calculate each Plan Adjusted Index Rate (PAIR). The URR Instructions should be followed for all allowable rating factors. The OSI is implementing stricter guidance on the allowable “actuarial value and cost-sharing design of the plan” adjustment. This adjustment is categorized into three distinct multiplicative factors; the applicable guidance is described below.

Attachment A describes support items that QHPs must submit to NovaRest during the rate review period.

PLEASE NOTE: OSI has extended the initial rate filing deadline to June 25, 2021.

Induced Demand

Induced demand factors should be consistent with the metal level factors developed by the Centers for Medicare and Medicaid Services (CMS) and used in the Federal Risk Adjustment program.

CSR Defunding Adjustment

Issuers should anticipate rational consumer behavior and not expect enrollees with incomes above 200% of the Federal Poverty Level (FPL) to enroll in on-exchange silver plans. Rather than apply an estimated pricing AV as a mix of a different level of benefits, the OSI is prescribing a CSR Defunding adjustment for all issuers. Accordingly, issuers' silver premiums will reflect AV parity rather than a varying mix of AVs from subjective projections of different CSR variant distributions. To account for CSR payments not being reimbursed, a CSR Defunding Adjustment of 1.44 should be applied to on-exchange silver plans to reflect a mix of enrollment in CSR 87 and CSR 94 variants.

All PAIR adjustments should be developed from the same population for all individual market plans. Adjustments should not use populations that vary based on issuers' expectations of unique population characteristics expected to enroll in a specific benefit plan or a metal tier. PAIR adjustments should not include expected risk adjustment transfer payments; these should be included in the MAIR in accordance with Section 2.1.3.3 of the URR instructions. Please submit the attached calculator with the rate filing and reference the "Row on Worksheet 2 URRT" when populating the URRT.

The tables provided below illustrate the allowable rating factors and examples of reasonable pricing relationships. The inputs highlighted in light blue should be developed by issuers using the URR instructions and this guidance. The inputs highlighted in black are prescriptive factors and should not be altered. The "Base Premium Relativity" is the multiplicate result of the inputs and the final columns display premium relativities to the on-exchange silver plan. Issuers should anticipate providing these calculations during regulatory review.

| On-Exchange Plans | | | | | | | | | | |
|---|-----------|------------|--|---|------------------|-----------------------------|--------------------------|--------------------------|-------------------------|--|
| Inputs | | | | | | | | | Calculations | |
| 45 CFR 156.80(d)(2) Allowable Adjustments | | (i) | (i) | (i) | (ii) | (iii) | (iv) | (v) | | |
| Row on URRT Worksheet 2 | | 3.3 | 3.3 | 3.3 | 3.4 | 3.5 | 3.6-3.8 | 3.9 | | |
| Metal Level | Plan Name | Pricing AV | Induced Demand Before Normalization (mandated factors) | CSR Defunding Adjustment (mandated factors) | Provider Network | Benefits in addition to EHB | Administrative Cost Load | Catastrophic Eligibility | Base Premium Relativity | Premium Relativity to On-Exchange Silver |
| Bronze | Plan A | 0.60 | 1.00 | 1.00 | 1.00 | 1.00 | 1.15 | 1.00 | 0.690 | 0.578 |
| Silver | Plan B | 0.70 | 1.03 | 1.44 | 1.00 | 1.00 | 1.15 | 1.00 | 1.194 | 1.000 |
| Gold | Plan C | 0.80 | 1.08 | 1.00 | 1.00 | 1.00 | 1.15 | 1.00 | 0.994 | 0.832 |
| Platinum | Plan D | 0.90 | 1.15 | 1.00 | 1.00 | 1.00 | 1.15 | 1.00 | 1.190 | 0.997 |
| Catastrophic | Plan E | 0.60 | 1.00 | 1.00 | 1.00 | 1.00 | 1.15 | 0.90 | 0.621 | 0.520 |

Mapping for Non-CSR Silver and CSR 73 Plans

QHPs are permitted and encouraged to map individuals who will otherwise be enrolled into non-CSR Silver plans and CSR 73 plans into a Gold plan, as long as the Gold plan:

- 1) has a net premium equal to or less than what would be paid for the member's current Silver plan in Plan Year 2022 or the Silver plan in which the member would otherwise be enrolled if their plan is being discontinued, and

2) has the same network of providers as the member's current plan.

Carriers must notify the member that they will be mapped to a higher value plan and remind the member that they can reject being enrolled into the Gold plan if they so choose. The member must also be notified that they can actively shop for and select a plan on beWellnm.com during the open enrollment period.