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**COST-SHARING REDUCTION PAYMENT  
NEW HAMPSHIRE PREMIUM ASSISTANCE PROGRAM**

The following approach to cost-sharing reduction payments will be used in New Hampshire’s Premium Assistance Program.

To align with the federal government’s process for Marketplace enrollees, the New Hampshire Department of Health and Human Services (DHHS) will pay for cost-sharing reductions (CSRs) for Premium Assistance Program enrollees using a two-step process—advance payments and reconciliation. First, DHHS will make an advanced CSR payment to the carriers each month. Then, following the end of the plan year, DHHS and the issuer will reconcile the advance payments with the actual CSR costs.

This approach document outlines the federal government’s process for calculating the advance payments and conducting the reconciliation because that process is how New Hampshire will make its calculation, payment and reconciliation of CSR payments to PAP Issuers. The advance deductible that DHHS will pay to each Issuer for each PAP enrollee in a 94 percent A/V product is considered part of the CSR payment and is also subject to reconciliation process.

**Calculating the Advance Payment**

The U.S. Department of Health and Human Services (HHS) calculates the advance payment of CSRs using the following formula:

$$\text{CSR Advance Payment} = (\text{Total Monthly Premium}) \times (\text{Applicable CSR Plan Variation Multiplier})^i$$

The total monthly premium is found on the 834 enrollment transaction. CCIIO indicates that it is listed as the REF02 value for “PRE AMT TOT” and is contained in the 2750 loop of the 834 transaction.

The CSR Plan Variation Multiplier is a number created by the federal Department of Health and Human Services to account for the difference between the actuarial value of the CSR plan variation and the actuarial value of the standard plan, as well as three factors that account for administrative costs, convert premium amounts to allowed claims costs, and adjust for induced utilization.

The multiplier for 94 percent AV silver-level plans is 0.31; the multiplier for 100 percent AV silver-level plans is 0.38.<sup>ii</sup>

*Example.* If a premium for a particular individual enrolled in a 94% AV product is \$400 pmpm, then the monthly advance CSR payment is \$400 x 0.31, or \$124 per month. Each month, DHHS would pay the issuer \$524—the sum of \$400 for the premiums plus \$124 for the cost-sharing reduction payments.

**Conducting the CSR Reconciliation**

Following each benefit year, each issuer will report to New Hampshire DHHS the actual cost of the CSRs. DHHS and the issuer will then settle the balance, with DHHS making an additional payment if the actual costs of the CSRs exceeded the total of the advance payments and with the issuer repaying DHHS if the actual cost of the CSRs was less than the total advance payments.

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DHHS will use the following methodology

- **The Standard Method.** During the plan year, the issuer will have adjudicated each claim using the reduced cost-sharing design. Using the standard methodology, as outlined at 45 CFR 156.430(b)(2), the issuers will re-adjudicate each claim as if the higher cost-sharing of the 70% AV silver-level plan applied. The difference between the amount paid under the reduced cost-sharing design and the amount that would have been paid using the higher cost-sharing design is the actual cost of the CSR for that claim. The differences are then added for all claims.

*Example:* An enrollee has an outpatient procedure, and the physician submits a \$3,000 claim to the issuer. The procedure is subject to co-payments only. In the 94% AV plan, the co-payment is \$50; in the 70% AV plan, the co-payment is \$150. During the plan year, the issuer would have adjudicated the claim and paid the physician \$2,950 (the \$3,000 claim - \$50 co-payment). At the end of the year, the issuer would re-adjudicate the claim, determining that the issuer would have paid \$2,850. The actual cost of the CSR is the \$100 difference between the \$2,850 the issuer would have paid if the enrollee was in the 70% AV plan and the \$2,950 the issuer actually paid because the enrollee was in the 94% AV plan.

<sup>i</sup> [https://www.regtap.info/uploads/library/APTC\\_CSRAdvPayMethod\\_040914\\_v1\\_5CR\\_040914.pdf](https://www.regtap.info/uploads/library/APTC_CSRAdvPayMethod_040914_v1_5CR_040914.pdf)

<sup>ii</sup> The CSR multiplier is based on the formula expressed in The 2015 benefit and payment parameter

(<https://www.federalregister.gov/articles/2014/03/11/2014-05052/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2015>)

Found at 13806 Federal Register / Vol. 79, No. 47 / Tuesday, March 11, 2014 / Rules and Regulations stated as such: "Specifically, we proposed that Exchanges calculate the monthly advance payment amount for a specific policy as the product of (x) the total monthly premium for the specific policy, and (y) a cost-sharing reduction plan variation multiplier. The costsharing reduction plan variation multiplier would convert the monthly premium into the appropriate monthly advance payment amount, based on the following formula: Cost-Sharing Reduction Plan Variation Multiplier = Factor to Remove Administrative Costs \* Factor to Convert to Allowed Claims Cost \* Induced Utilization Factor \* (Plan Variation AV/Standard Plan AV). This was unchanged by the 2016 benefit and payment parameter

(<https://www.federalregister.gov/articles/2015/02/27/2015-03751/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2016>) Found at: 10770 Federal Register / Vol. 80, No. 39 / Friday, February 27, 2015 / Rules and Regulations.

The guidance results in the following equations:

For the 94 percent A/V plan multiplier:

Factor to remove administrative cost = .8

Factor to convert to allowed claims cost = .014 (quotient of 1 divided by 70. 70 being A/V for the standard silver plan)

Induced Utilization Factor = 1.12

Plan Variation AV - Standard Plan Av = 24 ( the result of the difference between 94-70)

.8 \* .014 \* 1.12 \* 24 = .31

For the 100 percent A/V plan multiplier:

Factor to remove administrative cost = .8

Factor to convert to allowed claims cost = .014 (quotient of 1 divided by 70. 70 being A/V for the standard silver plan)

Induced Utilization Factor = 1.12

Plan Variation AV - Standard Plan Av = 30 ( the result of the difference between 100-70)

.8 \* .014 \* 1.12 \* 30 = .38