

COLORADO ASSOCIATION OF HEALTH PLANS

April 5, 2012

Board of Directors
Colorado Health Benefit Exchange

RE: Actuarial Value Bulletin

Dear COHBE Board Member:

I am writing on behalf of the members of the Colorado Association of Health Plans regarding HHS' bulletin on calculating actuarial value and the Colorado DOI's response. We understand that the COHBE Board is considering a letter of support for the DOI's stated positions. We agree with most of the DOI's positions, however we would like you to consider differentiating yourself from the DOI as stated below.

Use of Out-of-Network Benefits in Calculating Actuarial Value (AV):

The DOI's comment letter states:

"The Division also believes that plans should account for the percentage of benefits received outside the network and then use a simple weighted average to calculate the AV of the plan. The Division is worried that plans may seek to restrict networks excessively and not including out-of-network care may exacerbate this trend."

We believe that the COHBE Board should not support this DOI position. The HHS bulletin states:

"because only a small percentage of total inpatient costs come from out-of-network utilization, we intend to propose that the calculator only consider the value of in-network service use."

We agree with this HHS position. Including out-of-network benefits may increase the accuracy of AV calculations to some degree, however it will require specifying the percent of out-of-network utilization. If the percentage is allowed to vary, carriers could game the system by using this input to manipulate AV (the very thing the DOI is seeking to avoid). Alternatively, if the percentage is fixed across carriers, then there is little increase in accuracy over the in-network only method supported by HHS. The Division is worried that carriers may restrict networks if out-of-network utilization is not accounted for. However, given that carriers will be offering fairly standardized plans in the Exchange, network size will be one of the key differentiators as carriers compete with each other for new members. This fact, coupled with network adequacy laws already in place in Colorado, ensure that it will not be in the carriers' best interest to restrict network size for the sake of manipulating AV calculations. Therefore, given the limited benefit of adding out-of-network benefits to the AV calculation, as well as the market and regulatory protections already in place, we

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suggest that the COBHE Board support the position stated by HHS in their bulletin and not support the DOI's position.

Thank you for your consideration and please contact CAHP if you have any questions.

Sincerely,

Marc Reece
Associate Director
Colorado Association of Health Plans