

Anthem Blue Cross and Blue Shield of Colorado has the following comments and concerns regarding the calculation of actuarial value for the various metal tiers in the Exchange:

- Anthem Blue Cross and Blue Shield of Colorado supports HHS' decision to give health insurance issuers flexibility to design benefit packages that meet the required actuarial value (AV) levels. We believe this flexibility, rather than requiring standardized cost sharing subsidies, will help issuers to design and offer health plans that best meet the needs of our customers.
- We are concerned about the compressed timeline given that we are anticipating some states will request that we file rates as early as April 1, 2013. We respectfully ask the Department to provide plans with the necessary data and calculator by June 30, 2012 to ensure we are able to meet these deadlines. We have to design our products, adjust our provider networks, develop and determine the AVs of our products, align our individual and small group products, and price our products in a short period of time. Further we anticipate that based on state-specific essential health benefit (EHB) benchmarks, the model may have to change to capture state-specific mandates.
- Anthem Blue Cross and Blue Shield of Colorado believes it is important for the AV calculator to reflect induced utilization, as this is an important driver of expected cost levels. Thus, the AV calculator should include utilization assumptions that vary based on cost sharing features such as deductible and copays. The same utilization assumptions should be applied to both the numerator and denominator of the AV calculation, to ensure that AV accurately measures the percent of allowed.
- Anthem Blue Cross and Blue Shield of Colorado would like to encourage HHS to consider a de minimis variation of three percentage points. We believe this additional flexibility is necessary for plans to have straightforward cost-sharing but still meets a similar level of generosity to other plans with a metal level. This additional flexibility would also allow plans to modify plan designs to better meet the needs of consumers without having to change the plan's metal level from year to year.
- Anthem Blue Cross and Blue Shield of Colorado supports the calculation of AV on a standard population provided by HHS to all issuers reflecting only the essential health benefits with geographic tiers to represent regional differences in cost and utilization. However, we would appreciate additional information on how states will be assigned to the geographic tiers.
- Anthem Blue Cross and Blue Shield of Colorado also agrees with state flexibility to either create a state-based standard population or modify the national standard based on demographic or other adjustors. However, we recommend that state flexibility be delayed

to 2016 and that all states use the national population for 2014 and 2015. We are concerned about the ability of states to create a new population or adjust the national population in time for plans to have needed information for 2014 bids. In addition, delaying state flexibility to 2016 will provide states a year of data from 2014 with which to generate a state-specific model.

- We suggest that the underlying data in the model be updated every two years. Annual updates, particularly in the first few years when it will be important to maintain stability in the market, will be undesirable.
- Anthem Blue Cross and Blue Shield of Colorado recommends that the AV calculation use cost share inputs based on individual coverage (not family) in order to reduce the complexity of the calculation. As noted in the bulletin, pricing of products should be allowed to reflect differences which are not necessarily included in AV, such as provider reimbursement level, size of network, utilization differences, and medical management programs.
- We strongly urge HHS to issue guidance indicating that cost sharing changes made pursuant to maintaining AV levels be considered permissible relative to both federal and state regulations of guaranteed renewability.
- Anthem Blue Cross and Blue Shield of Colorado supports the inclusion of annual employer contributions to HSAs or HRAs in the AV calculation. The annual employer contributions should be assumed to apply first-dollar coverage for benefits subject to the deductible.
- In addition, we ask that HHS require employers to make the agreed-upon contribution to HSA plans and certify that they have done so. If employers contribute more or less than the HSA amount required for a specific plan design, the plan may no longer meet the AV requirements, leaving employees without minimum essential coverage and thus subject to income tax penalties.
- Anthem Blue Cross and Blue Shield of Colorado recommends that the inputs of the calculator be flexible enough to accommodate significant variations in cost-share structure in order to handle the types of variation seen in the market today and to allow for future innovation. The calculator should recognize that the deductible and coinsurance may not be applied to all benefits and provide the option to specify the benefits included for each. The calculator should provide for copays on inpatient hospital by admission or by day with a maximum, outpatient hospital visits, laboratory and imaging, ER, and

primary and specialist office visits. Drug cost share should accommodate multi-tier formulary designs.

- For plans designs that are not supported by the HHS calculator, we respectfully ask the Department to allow carriers to make their own calculations, using the same data and assumptions that form the basis of the HHS calculator, to adequately capture innovative plan designs in the determination of AV. We would suggest that HHS permit carriers to go beyond the base model via interpolation and that their calculations would be certified by an actuary.
- HHS has proposed that AV calculations should be based on in-network (IN) benefits only, and we agree with this proposal. While including out-of-network (OON) benefits in AV might increase accuracy to some degree, it would require specifying the percent of utilization that is OON. If the OON percentage is allowed to vary, issuers could game the system by using this input to manipulate AV. If the OON percentage is fixed, then there is little increase in accuracy over an IN-only method. Therefore, we believe that the IN-only method is more likely to generate acceptable results while ensuring the consistency of AV calculations across issuers.