



January 2, 2024

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Deputy Administrator and Director  
Center for Consumer Information & Insurance Oversight (CCIIO)  
Centers for Medicare & Medicaid Services (CMS)  
200 Independence Avenue SW, Room 739H-02  
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Via email: [PMPolicy@cms.hhs.gov](mailto:PMPolicy@cms.hhs.gov)

Re: Draft 2025 Actuarial Value Calculator Methodology

Dear Deputy Administrator and Director Montz:

On behalf of the Individual and Small Group Markets Committee of the American Academy of Actuaries (“the committee”),<sup>1</sup> I appreciate the opportunity to provide comments in response to the Centers for Medicare & Medicaid Services (CMS) Draft 2025 Actuarial Value (AV) Calculator Methodology.<sup>2</sup>

### **Use of EDGE Data**

The committee [reiterates](#) its appreciation of CMS’ move from Health Intelligence Company (HIC) data to External Data Gathering Environment (EDGE) data to support the AV Calculator. We note that the use of EDGE data better aligns the standard populations underlying the AV Calculator with the single risk pool. It also eliminates the need to infer benefit design characteristics such as member cost sharing as benefit plans are identified and cost sharing can be directly derived through a link to the Product Benefit Templates.

The committee notes that adjustments to the population weights in 2025 relative to 2021 are appropriate, given that enhanced subsidies driving individual market growth in recent years were made available in mid-2021 and that the Medicaid continuous coverage requirement was still in place. The committee and other stakeholders would benefit from additional detail from CMS on how these adjustments were determined and applied. The committee also notes that further adjustments for 2026 may be appropriate as enhanced subsidies are set to expire at the end of 2025.

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<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

<sup>2</sup> Centers for Medicare & Medicaid Services, [Draft 2025 Actuarial Value Calculator Methodology](#), Nov. 15, 2023.

## Implications of the Use of Separate Standard Populations

The committee had previously commented that the AV Calculator should use a single standard population as the experience base for all metal levels.<sup>3</sup> This table would then be adjusted to reflect induced utilization differences based on the standard benefit generosity for each metal level to produce the continuance tables by metal level. For tables designed in this manner, the AVs for a given plan design would increase monotonically from bronze to platinum, reflecting only the effect of induced utilization, and not morbidity differences. The current process uses distinct standard populations for each metal tier, which results in metal level tables that reflect morbidity differences in the underlying populations.

The inclusion of morbidity in the AV Calculator's continuance tables adds confusion to the purpose of the tool—namely, to aid in consumer shopping. Stakeholders may view the output of the tool as a representation of federal regulators' understanding of the single risk pool. The use of separate standard populations underlying each metal tier suggests that the single risk pool can reflect the characteristics of enrollment in that metal tier while maintaining a single risk pool, which appears to be inconsistent with other guidance and regulation published by the U.S. Department of Health and Human Services.<sup>4</sup> Federal regulators have clearly indicated in the methodology document, and in comments to industry stakeholders, that the AV Calculator is an aid in consumer shopping and not a pricing tool.<sup>5</sup>

If not modified, stakeholders may conclude that health plans are not pricing plans appropriately due to the inconsistency between pricing requirements of the single risk pool in individual and small group markets and the construct of the AV Calculator. The variations between the nominal AV produced by the AV Calculator and the pricing AV of an issuer may be valid, particularly when they are driven by the use of an issuer's specific projection of the single risk pool. As such, this variation reduces transparency of premium rating in the market and adds an additional level of complication to regulatory efforts to evaluate issuer compliance with the single risk pool requirements. The committee notes that the conversion of the AV Calculator to the use of a single continuance table would not eliminate all variation, as there are several reasons why a plan's pricing actuarial value may vary from the federal AV produced by the AV Calculator.<sup>6</sup> Many of these variations are driven by the range of payment levels and practice patterns between issuers and regions—a distinguishing feature of the commercial health coverage market. As long as these differences remain, the use of a pricing model that reflects an issuer's specific characteristics will continue to produce a more accurate representation of single risk pool AV for pricing purposes. Use of a single risk pool for the AV Calculator would help issuers better understand how much variation these aforementioned characteristics drive relative to the nationwide value produced by the tool.

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<sup>3</sup> American Academy of Actuaries, [comments of January 12, 2023](#), [comments of January 31, 2022](#), and [comments of November 9, 2020](#).

<sup>4</sup> The single risk pool is the subject of [45 CFR 156.80](#), and the discussion at [78 FR 13422](#) surrounding the original implementation of this regulatory section emphasizes that a single risk pool reflects all enrollees in a given market.

<sup>5</sup> Centers for Medicare & Medicaid Services, [Draft 2025 Actuarial Value Calculator Methodology](#), p. 2-3; Nov. 15, 2023.

<sup>6</sup> American Academy of Actuaries; [Presentation](#) at the National Association of Insurance Commissioners (NAIC) Affordable Care Act (ACA) State Rate Review Discussion Meeting; Nov. 16, 2022.

## Selection of Metal Tier for Cost-Sharing Reduction Plan Variation Enrollees

The committee notes that, as in previous years, the current metal level continuance tables are developed from the experience of enrollees with plan designs assumed to match the metal level. As in prior years, cost-sharing reduction (CSR) enrollees in the highest CSR variants are evaluated using the platinum and gold metal level continuance tables. The committee notes that the CMS analysis in the 2021 risk adjustment technical paper<sup>7</sup> indicates that high-AV CSR enrollees do not exhibit induced utilization for the higher benefits compared to standard silver enrollees, so their experience may not be appropriate for platinum or gold enrollees.

## Actuarial Value Calculator Results

One significant improvement in the 2025 AV Calculator over previous years is that AVs do appear to be monotonically increasing for a given plan design across all four metal levels. This outcome is an improvement over the 2024 AV Calculator, which featured platinum AVs lower than gold AVs for the same plan design. These results are illustrated in Table 1.

**Table 1. Actuarial Values Produced by the 2020, 2024, and 2025 AV Calculators, Select Plan Designs**

Plan Option	Year	Bronze	Silver	Gold	Platinum
\$8,250 Deductible 100% Coinsurance \$8,250 MOOP*	2020	59.1%	59.8%	60.0%	60.8%
	2024	62.4%	64.0%	65.9%	64.3%
	2025	61.5%	63.4%	66.1%	66.4%
\$3,000 Deductible 80% Coinsurance \$6,000 MOOP	2020	69.4%	70.3%	70.7%	71.6%
	2024	71.4%	73.4%	75.0%	73.8%
	2025	70.6%	73.0%	75.4%	75.7%
\$1,500 Deductible 80% Coinsurance \$5,000 MOOP \$25 PCP/MH/SA copay** \$35 SCP copay***	2020	79.0%	79.4%	79.5%	80.0%
	2024	79.7%	81.2%	82.0%	81.1%
	2025	79.0%	80.4%	82.0%	82.2%
\$500 Deductible 90% Coinsurance \$1,000 MOOP \$2/\$5/\$25/\$100 pharmacy copays	2020	91.3%	91.8%	92.0%	92.3%
	2024	91.4%	92.6%	93.2%	92.9%
	2025	90.8%	92.3%	93.3%	93.5%

\*MOOP—Maximum out-of-pocket

\*\*PCP—Primary care physician/MH—Mental Health/SA—Substance abuse

\*\*\*SCP—Specialty care physician

<sup>7</sup> Centers for Medicare & Medicaid Services, [2021 RA Technical Paper 102621](#).

The committee notes that the directional variation in AVs is in many cases significant, though it varies by plan design and metal tier. Bronze and Silver AVs appear to be decreasing year over year, while platinum plan AV increases significantly. This may create challenges with regard to compliance with de minimis variation requirements. It is likely that some benefit designs will need to reduce deductibles, copay amounts, coinsurance percentages, and/or maximum out of pocket limits (MOOPs) in order to maintain AV compliance, a trend that runs contrary to the general rise in health care costs. In the absence of any benefit changes, the percentage of costs is expected to increase year over year as deductible, copayments, and MOOPs become more highly leveraged. Increases in cost levels push a greater portion of costs above the deductible and the MOOP, where the consumer share of spending decreases. In other words, in the absence of benefit changes, premiums will typically increase faster than the medical costs grow. As such, benefits whose AV for 2025 falls below the AV de minimis threshold may exhibit relatively higher rate increases, as premiums would reflect both the usual cost increase associated with maintenance of the same plan and the cost of increasing benefit generosity relative to the prior year. The committee notes an opposite dynamic may apply for plans that see an increase in AV, which appear more likely to increase in actuarial value, potentially requiring insurers to reduce benefit generosity to comply with AV de minimis standards. The effect of these increased deductibles, copayments, coinsurance, and/or MOOPs would offset any premium increase applicable to the prior year's plan design. This varying directionality may complicate regulatory review, as rate increases may then be more likely to vary materially by metal level.

The committee reiterates our support for the shift to EDGE data, and notes that issuers should not necessarily be surprised by additional variability in actuarial value arising from the new AV Calculator data source. Federal regulators have long sought stability in actuarial value through the years, and with this change it may be appropriate to consider additional flexibility surrounding AV de minimis requirements. One potential approach would be expansion of the de minimis ranges for this year. Another potential approach targeted more at limiting premium increases would be the creation of a safe harbor for plans that maintain the same benefits but which fall below their 2024 metal tier de minimis threshold in the updated calculator.

### **Bronze Plan Designs and Actuarial Value**

The committee restates that a continuing issue with AV Calculator updates is the difficulty in designing a bronze plan that meets the AV de minimis requirements. The leanest possible ACA-compliant plan design<sup>8</sup> produced by the 2025 AV Calculator has an actuarial value of 59.65%, which remains above the lowest de minimis value of 58% for the bronze tier. However, the committee notes that the AV for this plan design dropped relative to the leanest possible plan design in the 2024 AV Calculator, which had an AV of 60.17% for a plan with a \$9,450 MOOP, even though the 2025 plan design is more generous than the 2024 plan design. This result appears to be driven by use of EDGE data and ameliorates but does not eliminate the challenge facing plans seeking to offer bronze coverage.

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<sup>8</sup> Plan design with an \$9,450 deductible and MOOP and 100% coinsurance.

## Health Equity

The Academy's Health Equity Committee and Individual and Small Group Markets Committee (the committees) appreciate that CMS is committed to placing health equity at the center of its work, as outlined in its 2022–2023 framework.<sup>9</sup> The proposed methodology for the 2025 AV Calculator does not mention health equity considerations. Given the large impact the AV Calculator has on plan benefit design and how it impacts health equity,<sup>10</sup> the committees welcome the opportunity to learn more about CMS' plans and priorities for health equity and to engage more with CMS on advancing health equity.

## Timing

The committee also appreciates the release of the Draft 2025 AV Calculator in November. In conjunction with the final maximum annual limitation on cost sharing and the history of minimal changes between draft and final AV Calculator, this timing is more consistent with the typical product development process, allowing stakeholders to better model and design benefit packages for the 2025 plan year that can be expected to comply with actuarial value standards and meet federal and state form and rate filing requirements.

## Minimum Value Calculator

The committee encourages CMS to continue to work with the U.S. Department of the Treasury to update the Minimum Value (MV) Calculator. The MV Calculator has yet to be updated since its initial launch, to reflect more recent large group data and to incorporate appropriate model changes that have been made to the AV Calculator. Going forward, the committee further encourages regular updates of the MV Calculator and, in a manner, consistent with improvements that are made to the AV Calculator, including MOOP limits, fixes to underlying logic, and trend. As the current MV Calculator reflects 2014 plan year experience and plan limits, the calculator cannot accommodate many compliant plan designs, and results are increasingly unlikely to provide an accurate representation of the generosity of plan designs in 2015 and beyond. Assuming a 5% cost trend from 2014 through 2025, total cost levels for 2025 plans would be over 71% higher than suggested by the current MV Calculator. This increased level of costs means the current MV Calculator most likely underestimates the generosity of a given plan design when that plan design can be entered into the calculator. Given the differences in the underlying population used for the MV Calculator and for the AV Calculator, it is not appropriate to use the AV Calculator to demonstrate compliance with the MV requirement. Of concern to the Academy is that actuaries who are working with large employers could increasingly be left without uniform usable federal guidance as to how to assess whether a given plan design complies with the minimum value requirement.

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<sup>9</sup> Centers for Medicare & Medicaid Services; [CMS Framework for Health Equity 2022–2032](#); April 2022.

<sup>10</sup> American Academy of Actuaries; [Health Benefit Design Innovations for Advancing Health Equity: Removing the Barriers to Successful Implementation—Overcoming Constraints to Implementation](#); November 2023.

The committee welcomes the opportunity to speak with you in more detail and answer any questions you have regarding these comments. If you have any questions or to discuss further, please contact Matthew Williams, the Academy's senior health policy analyst, at [williams@actuary.org](mailto:williams@actuary.org).

Sincerely,

Jason Karcher, MAAA, FSA  
Chairperson, Individual & Small Group Markets Committee  
American Academy of Actuaries

CC:

Jeff Wu, Deputy Director for Policy, Center for Consumer Information & Insurance Oversight  
Catherine Crato, Senior Leader, Health Tax Analysis, U.S. Department of the Treasury