ACTUARIAL STANDARDS BOARD

Actuarial Standard
of Practice
No. 50

Determining Minimum Value and Actuarial Value under the Affordable Care Act

Developed by the
Actuarial Value/Minimum Value Task Force of the
Health Committee of the
Actuarial Standards Board

Adopted by the
Actuarial Standards Board
September 2015

Doc. No. 181

T A B L E O F C O N T E N T S

September 2015

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in Determining Minimum Value and Actuarial Value under the Affordable Care Act

FROM: Actuarial Standards Board (ASB)

SUBJ: Actuarial Standard of Practice (ASOP) No. 50

This document is the final version of ASOP No. 50, *Determining Minimum Value and Actuarial Value under the Affordable Care Act.*

Background

Section 1302 of the Affordable Care Act (ACA) establishes the use of an actuarial value to categorize health insurance plans into bronze, silver, gold, and platinum tiers, specify a minimum level of coverage, and help consumers compare different plan designs and cost-sharing provisions. Similarly, Section 1401 of the ACA added Section 36B to the Internal Revenue Code of 1986, which creates a minimum value requirement for employer-sponsored plans (defined in terms of the health insurance plan's share of total costs). Although a practice note provides information on the subject of determining minimum value and actuarial value under the ACA, no guidance for actuaries on the subject exists other than the regulation. Therefore, the ASB requested that the ASB Health Committee explore a potential ASOP to provide guidance to actuaries performing these tasks. As a result, the ASB Health Committee issued a discussion draft in April 2014 to gather feedback on such a potential ASOP.

A question regarding whether an ASOP was necessary for this subject was posed in the discussion draft. This question generated comments on both sides of the issue. Following discussions among the reviewers—which included the task force, Health Committee, and ASB—the decision was made to issue an exposure draft.

Exposure Draft

The exposure draft of this ASOP was approved in December 2014 with a comment deadline of May 1, 2015. Fourteen comment letters were received and considered in making clarifications that were reflected in this final ASOP. For a summary of the issues contained in the comment letters, please see appendix 2. In general, the suggestions helped improve the clarity of the standard but did not result in substantive changes to the standard.

The ASB thanks everyone who took the time to contribute comments and suggestions on both the discussion draft and the exposure draft of this ASOP.

The ASB voted in September 2015 to adopt this standard.

Task Force on Actuarial Value/Minimum Value under the Affordable Care Act

Timothy J. Wilder, Chairperson
David V. Axene
Elaine T. Corrough
Gregory G. Fann
Nancy F. Nelson
Donna C. Novak
Ngoc Trang
John M. Stenson

Health Committee of the ASB

Nancy F. Nelson, Chairperson
Robert M. Damler
Shannon C. Keller
Richard A. Lassow
Annette James
Donna C. Novak
Timothy J. Wilder

Actuarial Standards Board

Patricia E. Matson, Chairperson
Christopher S. Carlson
Maryellen J. Coggins
Beth E. Fitzgerald
Darrell D. Knapp
Thomas D. Levy
Barbara L. Snyder
Frank Todisco
Ross A. Winkelman

The ASB establishes and improves standards of actuarial practice. These ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for the U.S.

ASOP No. 50—September 2015

DETERMINING MINIMUM VALUE AND ACTUARIAL VALUE UNDER THE AFFORDABLE CARE ACT

STANDARD OF PRACTICE

Section 1. Purpose, Scope, Cross References, and Effective Date

1.1 Purpose—This actuarial standard of practice (ASOP) provides guidance to actuaries performing professional services with respect to determining the **actuarial value** (**AV**) of a **health insurance plan** and testing whether the **minimum value (MV) requirement** is met in accordance with the Affordable Care Act (ACA).

1.2 Scope—This standard applies to actuaries performing professional services with respect to calculating **actuarial values** and testing **minimum value requirements** in accordance with the ACA and related regulations, specifically for purposes of (1) categorizing individual and small group **health insurance plans** into metal levels; (2) testing whether employer-sponsored **health insurance plans** meet the federal **minimum value requirements**; or (3) making any required certifications.

This ASOP does not apply to actuaries performing calculations of actuarial values for other purposes. For example, the calculation of an **actuarial value** used for converting allowed costs to plan-incurred costs when calculating plan-level premiums is not covered by the standard.

If the actuary departs from the guidance set forth in this standard in order to comply with applicable law (statutes, regulations, and other legally binding authority), or for any other reason the actuary deems appropriate, the actuary should refer to section 4.

1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the originally referenced document, the actuary should consider the guidance in this standard to the extent it is applicable and appropriate.

1.4 Effective Date—This standard will be effective for any actuarial work product covered by this standard's scope issued on or after January 31, 2016.

Section 2. Definitions

The terms below are defined for use in this actuarial standard of practice.

2.1 Actuarial Value (AV)—A measure of the proportion of total allowed medical costs for a specified population that the **health insurance plan** is contractually obligated to pay.

2.2 AV Calculator (AVC)—Data and methodology released or approved by Health and Human Services (HHS) that is used to determine the **AV** of a **health insurance plan**.

2.3 AVC-AV—The **AV** calculated using the **AVC**, including any adjustments for **non-standard plan designs**.

2.4 Essential Health Benefits (EHBs)—The specific items and services that the ACA requires issuers to cover in benefit plans offered in the individual and small group markets. EHBs must include any benefit defined by the Secretary of Health and Human Services. In addition, some EHBs may be defined by individual states.

2.5 Health Insurance Plan—A contract or other financial arrangement providing hospital, medical, prescription drug, dental, or vision benefits, including a self-insured employer plan.

2.6 Minimum Value (MV) Requirement—The minimum required **AV** for certain employer-sponsored **health insurance plans**, as defined by regulations issued pursuant to the ACA.

2.7 MV Calculator (MVC)—Data and methodology released by HHS that is used to determine whether the **MV requirement** is met.

2.8 MVC-AV—The **AV** calculated using the **MVC**, including any adjustments for **non-standard plan designs**.

2.9 Non-Standard Plan Designs—Plan designs that include benefits not reflected in the **AVC** or **MVC**.

Section 3. Analysis of Issues and Recommended Practices

3.1 Use of AVC or MVC—The actuary should use the appropriate calculator when calculating the actuarial value.

HHS requires use of an **AVC** for certain **health insurance plans** offered in the individual and small group markets for the purpose of determining metal levels of coverage.

HHS and the Internal Revenue Service (IRS) require use of the **MVC** to determine whether an employer-sponsored **health insurance plan** meets minimum coverage requirements, unless it is determined that the safe harbor requirements established by HHS or the IRS are met.

3.2 Exceptions to the AVC—If a **health insurance plan's** design is a **non-standard plan design**, the actuary should determine the plan's **AVC-AV** using one of the following options:

a. adjust the inputs to the **AVC** in such a way that the results are consistent with the actual coverage being provided (i.e. estimating a fit of the plan design into the **AVC**); or

b. use the **AVC** to determine the **AVC-AV** for the plan provisions that are consistent with the calculator's parameters and then make appropriate adjustments.

3.3 Exceptions to the MVC—If a **health insurance plan's** design is a **non-standard plan design** and the safe harbor test is not met, then the actuary should determine the plan's **MVC-AV** using one of the following options:

a. adjust the inputs to the **MVC** in such a way that the results are consistent with the actual coverage being provided (i.e. estimating a fit of the plan design into the **MVC**); or

b. use the **MVC** to determine the **MVC-AV** for the plan provisions that are consistent with the calculator's parameters and then make appropriate adjustments.

3.4 Evaluating Non-Standard Plan Designs—The **AVC** and **MVC** do not accommodate all plan designs. In situations of a non-standard plan design, the ACA requires the actuary to evaluate the plan and to certify the value of the plan. When evaluating **non-standard plan designs**, the actuary should confirm that the data, methods, and assumptions used are consistent with those underlying the applicable **AVC** or **MVC**, as required by regulations. For example, the actuary should use a model that is based on data for a population that is consistent with the population underlying the applicable **AVC** or **MVC**, where possible.

3.5 Reasonableness of Assumptions for Non-Standard Plan Designs—The actuary should review the assumptions used for making adjustments for **non-standard plan designs**. These assumptions should be reasonable in the aggregate and for each of these assumptions individually. The actuary should determine whether these assumptions are reasonable based on the actuary's professional judgment, using relevant information available to the actuary.

3.6 Unreasonable Results—In some circumstances, the **AVC** or **MVC** may, in the actuary's professional judgment, produce unreasonable results. The actuary may use unreasonable results from the **AVC** or **MVC** if required to do so by regulators. In such cases, the actuary should document within the actuarial memorandum the nature of the unreasonable results.

When the **AVC** or **MVC** produces an unreasonable result for either a standard plan design or a **non-standard plan design**, the actuary should document the value of the unreasonable result, the plan design used to produce the **AV** before adjustments for non-

standard plan design, why the actuary considered the result unreasonable, and by what authority the actuary was required to use the unreasonable result.

If the unreasonable result was after adjustment for a **non-standard plan design**, the actuary should document the approach used to develop the adjusted **AV**.

3.7 Documentation—The actuary should prepare and retain documentation in compliance with the requirements of ASOP No. 41, *Actuarial Communications*. The actuary should also prepare and retain documentation to demonstrate compliance with the disclosure requirements of section 4.1 of this ASOP.

The actuary should document results from the **AVC** or **MVC** and the plan design used to produce the **AV** before adjustments for non-standard plan design.

In addition, for a **non-standard plan design**, the actuary should document the approach used to develop the adjusted **AVC-AV** or **MVC-AV**. The actuary should indicate the data that was used and its source, the rationale for using that data, and how it was used to calculate the adjustments;

Section 4. Communications and Disclosures

4.1 Actuarial Certifications—When issuing an actuarial certification, the actuary should include the following information:

a. a statement that the actuary is a member of the American Academy of Actuaries, meets the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States promulgated by the American Academy of Actuaries, and has the education and experience necessary to perform the work;

b. a statement describing the actuary's relationship to the issuer or the employer;

c. the purpose of the certification, including whether the certification is for an employer-sponsored **health insurance plan(s)** or for a plan(s) offered in the individual and small group markets;

d. the plan year for which the **AVC-AV** or **MVC-AV** certification applies;

e. a statement that the **AVC-AV** or **MVC-AV** was determined in accordance with the ASOPs established by the ASB and with applicable laws and regulations; and

f. a certification that the plan meets the minimum requirement for the **MVC-AV** determination in the case of an employer-sponsored health insurance plan; or a certification that the metal levels were appropriately assigned based on

applicable law, in the case of plans offered in the individual and small group markets.

When issuing actuarial certifications related to work subject to this standard, the actuary should also produce an actuarial memorandum.

4.2 Other Communications and Disclosures—When issuing other actuarial communications related to work subject to this standard, including the actuarial report accompanying a certification, the actuary should refer to and follow ASOP Nos. 23, *Data Quality*, and 41. In addition to the disclosures required by ASOP Nos. 23 and 41, the actuary should include the following, as applicable:

a. for a **non-standard plan design**, the approach and assumptions used to develop the adjusted **AVC-AV** or **MVC-AV**. The actuary should indicate the data that was used and its source, the rationale for using that data, and how it was used to calculate the adjustments;

b. a statement that the **AVC-AV** or **MVC-AV** is based on prescribed methodology and, therefore, may not reasonably reflect the actuary's estimate of the portion of allowed costs covered by the **health insurance plan**;

c. the disclosure in ASOP No. 41, section 4.2, if any material assumption or method was prescribed by applicable law (statutes, regulations, and other legally binding authority);

d. the disclosure in ASOP No. 41, section 4.3, if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method selected by a party other than the actuary; and

e. the disclosure in ASOP No. 41, section 4.4, if, in the actuary's professional judgment, the actuary has otherwise deviated materially from the guidance of this ASOP.

Appendix 1

Background and Current Practices

Note: This appendix is provided for informational purposes only and is not part of the standard of practice.

Background

Section 1302 of the Affordable Care Act (ACA) establishes the use of actuarial value to categorize health insurance plans into bronze, silver, gold, and platinum metal levels. Section 1401 of the ACA adds Section 36B to the Internal Revenue Code of 1986, which creates a minimum value requirement for employer-sponsored health insurance plans.

In certain circumstances, ACA regulations require an actuary who is a member of the American Academy of Actuaries to certify that the actuarial value calculation is in accordance with generally accepted actuarial principles and methodologies.

Section 1302 of the ACA establishes the use of actuarial value (AV) to help consumers compare different plan designs and cost-sharing provisions. Similarly, Section 1401 of the ACA added Section 36B to the Internal Revenue Code of 1986, which creates a minimum value (MV) requirement for employer-sponsored health insurance plans. The AV of a health insurance plan is a measure of the percentage of health care costs, on average, that the plan is expected to cover. AV is a measure of the level of a plan's cost sharing provisions, whereas MV is the minimum AV that certain employer-sponsored health insurance plans must provide.

In the individual and small group markets, the AV is defined as the ratio of (i) total expected payments by the plan for essential health benefits (EHBs) computed in accordance with the plan's cost-sharing provisions for a standard population over (ii) the total allowed costs for the EHB that the standard population is expected to incur. Benefits that are not considered part of EHB are not included in the AV calculation.

AV is a key concept in the ACA. AV is used to categorize health insurance plans sold in the individual and small group markets into coverage tiers. These tiers are referred to as "metal levels"—bronze, silver, gold, and platinum—with AVs of 60 percent, 70 percent, 80 percent, and 90 percent, respectively. Federal tax credits for certain individuals and families with qualifying incomes are tied to the cost of a silver plan. Federal cost-sharing reductions for certain individuals and families with qualifying incomes are also defined in terms of AV.

The benefits offered by applicable large employers will be assessed to see whether or not they can be considered to meet the "minimum value" requirement, currently set at 60 percent. In the employer market, the MV requirement is a component of the determination of whether an employer is subject to a penalty.

Current Practices

The AV Calculator (AVC) and Minimum Value Calculator (MVC) were developed using standardized populations that are applied across all geographic locations. The calculators take into account cost-sharing parameters; the AVC accounts for induced demand in the underlying assumptions while the MVC does not. Beginning in 2015, a state may elect to utilize state-specific tables in the AVC, with HHS pre-approval.

The AV calculated with the AVC and MVC may differ from AVs that may be used in pricing, and several items are reflected in health insurance plan premiums that are not considered in the Federal AVC/MVC. These items include, but are not limited to, provider negotiated payments, administrative costs, and the impact of care management and utilization management programs. In addition, the calculators use a standard population with a prescribed nationwide data set and specific assumptions on price and utilization, which may differ significantly from a specific health insurance plan's population, price and utilization assumptions, and other assumptions used to develop premium.

The AVC and MVC are not intended to be used as pricing tools. As a result, two plan designs with the same Federal AV/MV may not have the same premium for the reasons stated above. The intent of the AV and MV calculation process is to apply a standardized population and cost structure.

Additional Resources

The following resources may assist in furthering actuaries' understanding of AV and MV.

- The Patient Protection and Affordable Care Act
http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf

- The Center for Consumer Information & Insurance Oversight, Regulations and Guidance
http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/

- American Academy of Actuaries, Health Council Practice Note, *Minimum Value and AV Determinations Under the Affordable Care Act*, April 2014
http://www.actuary.org/files/MVPN_042314.pdf

- Final HHS Rule for Standards Related to Essential Health Benefits, AV, and Accreditation
http://www.gpo.gov/fdsys/pkg/FR-2013-02-25/pdf/2013-04084.pdf

- Minimum Value of an Employer-Sponsored Health Plan, IRS Notice 2012-31
http://www.irs.gov/pub/irs-drop/n-12-31.pdf

Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of proposed ASOP, *Determining Minimum Value and Actuarial Value under the Affordable Care Act*, was issued in December 2014 with a comment deadline of May 1, 2015. Fourteen comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term "commentator" may refer to more than one person associated with a particular comment letter. The Task Force on Actuarial Value/Minimum Value under the Affordable Care Act and the Health Committee of the Actuarial Standards Board carefully considered all comments received, and the Health Committee and ASB reviewed (and modified, where appropriate) the changes proposed by the task force.

Summarized below are the significant issues and questions contained in the comment letters and the responses.

The term "reviewers" in appendix 2 includes the Task Force, the Health Committee, and the ASB. Also, unless otherwise noted, the section numbers and titles used in appendix 2 refer to those in the exposure draft.

GENERAL COMMENTS	
Comment	One commentator suggested providing a "crosswalk map" that would allow the MV calculator (MVC) to become significantly more useful for the detailed benefits of each acceptable EHB standard into the row categories of the MVC.
Response	The reviewers believe this is beyond the scope of the standard and made no change.
Comment	One commentator suggested that the ASOP should add a discussion regarding how regulators define the term "substantial" when referring to inpatient hospitalization and physician services.
Response	The reviewers believe interpreting the regulations is beyond the scope of the standard. Therefore, no change was made.
Comment	One commentator suggested separate ASOPs for AV and MV be considered.
Response	The reviewers believe that the coverage of these related topics in a single ASOP is appropriate and made no change.
Comment	Several commentators believed in-network cost sharing and tiered networks should be specifically discussed in this ASOP.
Response	The reviewers believe that specific non-standard benefits are beyond the scope of the ASOP and made no change.
Comment	Several commentators suggested the ASOP should provide guidance about the MV calculation by describing the responsibilities of the actuary to include awareness of and compliance with all applicable regulations associated with the required covered services.
Response	The reviewers note that the *Code of Professional Conduct* (the Code) requires that "an actuary must be familiar with, and keep current with, not only the Code but also applicable law and rules of professional conduct for the jurisdictions in which the actuary renders actuarial services." Therefore, no change was made.

Comment	One commentator suggested that health insurance plans use an alternative method under 45 CFR 156.135(b) that requires certification by an actuary only in specific cases where the health insurance plan's design isn't compatible with the AV calculator (AVC). The commentator also suggested the ASB consider the guidance the CMS has issued and reference all such sources of guidance and instructions in the final draft of the ASOP.
Response	The reviewers believe the standard contains appropriate references to the requirements and made no change.
TRANSMITTAL MEMORANDUM	
1. Does this ASOP provide appropriate guidance to actuaries who are determining actuarial values for purposes of meeting the various ACA AV and MV requirements?	
Comment	One commentator indicated that there were some clarity issues associated with the use of the term "specific population" in section 2.1 and with the definition of health insurance plan in section 2.5.
Response	The reviewers believe the ASOP is clear and made no change.
Comment	Another commentator suggested adding the specification that a plan with an aggregate family deductible is a non-standard plan design and that the actuary should consider this fact in determining whether a plan meets the MV standard and requirement.
Response	The reviewers believe the ASOP provides guidance for handling non-standard plan design, in general, which actuaries can apply to specific situations and, therefore, made no change.
Comment	One commentator suggested consideration of whether the ASOP should address an actuary's obligations for ensuring that each plan is administered exactly how the plan was evaluated.
Response	The reviewers believe that validating the administration of plan design was outside the scope of this ASOP and made no change.
Comment	One commentator suggested guidance be provided regarding evaluation of certain plans that are substantially missing coverage categories.
Response	The reviewers believe the ASOP provides guidance for handling non-standard plan design, in general, which actuaries can apply to specific situations and, therefore, made no change.
2. Is the ASOP clear that it applies only to the calculation of actuarial value as required by the ACA, and not to other uses and determinations of actuarial value?	
Comment	Citing section 1.1, Purpose, section 1.2, Scope, and the draft as a whole, all commentators believed the purpose of the ASOP to be clear.
Response	The reviewers agree.
3. Do the descriptors AVC-AV and MVC-AV in sections [2.3] and [2.8] add clarity to the ASOP? We note that the American Academy of Actuaries' practice note uses the terms "Metal AV" and "MV" for these two values.	
Comment	The majority of commentators believed that the descriptors AVC-AV and MVC-AV are clear and add clarity to the ASOP.
Response	The reviewers agree.
Comment	One commentator stated that the definitions for AVC-AV and MVC-AV consider future changes and broadened functionality.
Response	The reviewers believe the language is sufficiently broad to account for future changes and made no change.

4. Is the guidance of the ASOP sufficient for situations where the actuary does not agree with the determination of the AV made by the AV or MV calculator?	
Comment	The majority of the commentators agreed that the guidance of the ASOP is sufficient for situations of disagreement with the determination of the AV made by the calculators
Response	The reviewers agree.
Comment	Commentators suggested that alternative language be used in section 3.6 where the exposure draft states that "the actuary should consider documenting…." The commentators suggested that this be written as follows: "the actuary should document…"
Response	The reviewers agree and made the suggested change.
Comment	One commentator stated that in circumstances where an actuary does not agree with another actuary's work in regards to metal level compliance (AVC-AV), or the pass/fail opinion for AVC-MV evaluations, timely notification is desirable.
Response	The reviewers believe ASOP No. 41, *Actuarial Communications*, and the Code adequately address issues of communication and professional courtesy, and made no change.
5. Should the title of this proposed ASOP be changed to be more specific regarding testing of minimum values? If so, what change should be made?	
Comment	Nearly all commentators believed no change was needed in regards to the title of the ASOP. One commentator suggested the title be changed to "Determining Actuarial Value and Testing Minimum Value Requirements of the Affordable Care Act."
Response	The reviewers agree that the suggested alternative title would also be appropriate but opted not to make a change.
6. Is the detail proposed for a certification in section 4 appropriate? Should additional items be added?	
Comment	Most commentators believed the detail for certification in section 4 is appropriate. Several commentators also desired the certification be accompanied by documentation in the plan filing, along with a summary of the plan design.
Response	The reviewers believe the current language, when considered in concert with ASOP No. 41 provides appropriate guidance. Therefore, no change was made.
Comment	One commentator suggested that the ASOP should require an actuarial certification of both the AVC and the MVC, with such certification including appropriate disclosures as required by ASOP No. 23, *Data Quality*, as well as specific disclosures on the testing of any specific implementations such as the Excel spreadsheet provided by HHS currently.
Response	The reviewers believe development and testing of the AVC and MVC is outside of the scope of this ASOP and made no change.
Comment	One commentator believed that the ASOP should make it clear when either an AV or MV calculation is necessary.
Response	The reviewers believe the ASOP is clear, and note that Federal and State regulations will determine when an MV or AV calculation is necessary. Therefore, no change was made.
Comment	One commentator requested consideration of all plan design elements, not only those captured within the MVC and AVC.
Response	The reviewers believe the ASOP provides guidance for handling non-standard plan design, in general, which actuaries can apply to specific situations and, therefore, made no change.

SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.2, Scope	
Comment	Several commentators suggested that the adjective "large" when referring to employer size was not necessary. In addition, one commentator recommended more inclusive language and clarity towards listing self-insured health insurance plans without reference to "size."
Response	The reviewers agree and made the change.
Comment	One commentator requested additional guidance for self-insured small group cases and clarification of whether the MVC or AVC should be used for groups that self-insure.
Response	The reviewers believe the ASOP is clear, and note that Federal and State regulations will determine when an AV or MV calculation is necessary. Therefore, no change was made.
Comment	Several commentators recommended that the scope be expanded to include the development and documentation of the actuarial calculators.
Response	The reviewers believe the development, documentation, and testing of the AVC and MVC is outside of the scope of this ASOP and made no change.
SECTION 2. DEFINITIONS	
Section 2.1, Actuarial Value (AV)	
Comment	Two commentators noted that the AV is required to be computed for a standard population and not the population of a specific plan. The use of "specified population" in this section may imply that the AV may change based on the population of a plan which is not the intent of the statute.
Response	The reviewers disagree and made no change. Section 2.1 is meant to be a general definition of "actuarial value."
Section 2.2, AV Calculator (AVC)	
Comment	Due to possible change in the future, one commentator believed that the AVC should be defined as the data and methodology released by HHS to determine the AV of a plan, as required by current regulation.
Response	The reviewers agree and made the change.
Section 2.3, AVC-AV	
Comment	Several commentators suggested the modification that "actuarial value" be capitalized in this section.
Response	The reviewers agree but substituted the acronym "AV" that was established in section 2.1.
Section 2.5, Health Insurance Plan	
Comment	One commentator believed that the definition of "health insurance plan" is too broad and its application would include specific excepted benefits plans under Federal Regulations even though they are not subject to AV or MV calculations.
Response	The reviewers believe section 1.2, Scope, addresses this issue and made no change.
Section 2.7, MV Calculator (MVC)	
Comment	One commentator suggested that the definition be limited to data and methodology released by HHS rather than the specific Excel implementation.
Response	The reviewers agree and made the change.

Section 2.8, MVC-AV	
Comment	Similarly to section 2.3, several commentators suggested that "actuarial value" be capitalized.
Response	The reviewers agree but substituted the acronym "AV."
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Comment	Several commentators requested an additional item in section 3 referencing materiality, such as stating that the setting of assumptions or evaluation of plan design attributes should consider their materiality in light of the purpose of the assignment.
Response	The reviewers note that ASOP No. 1, *Introductory Actuarial Standard of Practice*, section 2.6, states that "when evaluating materiality, the actuary should consider the purposes of the actuary's work and how the actuary anticipates it will be used by intended users…The guidance in ASOPs need not be applied to immaterial items." The reviewers believe this guidance appropriately covers "materiality," and therefore made no change.
Section 3.1, Use of AV or MV Calculator	
Comment	One commentator suggested that the ASOP should make clear that, in the event safe harbor requirements were met for an MV determination, an actuary is not required to be involved with the determination and calculation of the MV.
Response	The reviewers agree and added clarifying language.
Comment	Several commentators believed that the term "affordable insurance exchanges" isn't widely used and suggested alternate language.
Response	The reviewers deleted the "affordable insurance exchanges" language from this section, as it was not needed.
Comment	Several commentators suggested that "Except as noted in 3.2" and "Except as noted in 3.3" be added to the section.
Response	The reviewers believe that because sections 3.2 and 3.3 are titled "Exceptions to the AVC" and "Exceptions to the MVC," respectively, that it is clear that there are exceptions. Therefore, no change was made.
Comment	One commentator recommended that the ASOP provide more guidance on what approaches might be appropriate to normalize data to a consistent population for use in making adjustments to either the input or output from the calculators.
Response	The reviewers believe that providing specific guidance for normalizing the data is beyond the scope of this ASOP and made no change.
Comment	One commentator suggested that the sentence "The actuary should use the appropriate calculator when calculating the actuarial value" be modified to "The actuary should use the appropriate calculator for the appropriate plan year when calculating the actuarial value."
Response	The reviewers believe the language is clear regarding the choice of appropriate calculator and made no change.
Section 3.4, Evaluating Non-Standard Plan Designs	
Comment	Several commentators observed that the AVC and MVC don't anticipate all plan designs.
Response	The reviewers agree but believe the standard provides appropriate guidance regarding the evaluation of non-standard plan designs.

Section 3.5, Reasonableness of Assumptions for Non-Standard Plan Designs	
Comment	One commentator suggested adding a comment regarding materiality to the section. The commentator specifically suggested altering the second sentence to read "These assumptions should be reasonable in relation to the materiality of the assumption on the plan's AV or MV."
Response	The reviewers believe the current language is appropriate and made no change. For additional information on materiality, see ASOP No. 1, section 2.6.
Section 3.6, Unreasonable Results	
Comment	Several commentators stated that the use of the term "AV" in this section is confusing and suggested that AV be spelled out as "actuarial value" in order to avoid association with AV and MV calculations.
Response	The reviewers believe the current language is appropriate since AVC-AV and MVC-MV are defined, and made no change.
Comment	One commentator recommended that in order to strengthen the guidance in this section, the words "considering documenting" should be replaced with "document" in both cases it arises.
Response	The reviewers agree and made the change.
Comment	One commentator suggested modifying the paragraph to read "In some circumstances, the AVC or MVC may, in the actuary's professional judgment, produce unreasonable results. In such cases, the actuary may make adjustments in addition to the stated options in section 3.2 and 3.3 for plan design attributes. The actuary may use what they have deemed unreasonable results if required to do so by regulators." The commentator also stated that the last two paragraphs of section 3.6 were redundant.
Response	The reviewers believe the current language is appropriate in light of the regulatory requirements. Sections 3.2 and 3.3 already cover allowable adjustments for non-standard plan designs. The reviewers note that the last two paragraphs in section 3.6 address unreasonable results before and after applying such allowable adjustments, respectively. Therefore, no changes were made.
Comment	One commentator recommended modifying the sentence "The actuary may use unreasonable results if required to do so by regulators" to "The actuary should make adjustments to inputs/outputs if the results are unreasonable unless required not to do so by regulators."
Response	The reviewers note that sections 3.2 and 3.3 cover allowable adjustments for non-standard plan designs and made no change.
Section 3.7, Documentation	
Comment	One commentator suggested that the ASB consider whether section 3.7 applies also to actuaries involved with the development of the AV and MV calculators.
Response	The reviewers believe that the development of the AVC and MVC by regulators is outside the scope of this ASOP, and made no change.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Actuarial Certifications	
Comment	One commentator suggested including a sentence in this section that reflects that separate actuarial reports need not be created, if such documentation is included in another report.
Response	The reviewers believe that the definition of "actuarial report" in ASOP No. 41 is sufficiently broad to allow for a scenario where a separate report is not needed. Therefore, no change was made.

Comment	One commentator stated that based upon requirements by law for actuaries to use the AVC/MVC, an actuarial certification should indicate a reliance on a regulatory tool. The commentator recommended the use of language that clarifies that the actuary is certifying the numbers based on the calculator and not the calculator itself.
Response	The reviewers believe that given that the law requires the use of the calculators and the narrow scope of this ASOP, that such a reliance statement should not be required. The reviewers also note that the guidance does not preclude making such a reliance statement. Therefore, no change was made.
Section 4.2, Other Communications and Disclosures	
Comment	Several commentators suggested that this section should contain the following statement, "The actuary should indicate the data that was used and its source (for example, HHS or state data) to calculate adjustments to the calculator results, the rationale for using the data, and how it was used to calculate the adjustments."
Response	The reviewers broadened the language to provide guidance that the actuary should identify the data used and its source.
APPENDIX	
Comment	One commentator recommended that language in the "Current Practices" section be strengthened to read, "The actuarial value calculated with the AVC and MVC is likely to differ from actuarial values that may be used in pricing…"
Response	The reviewers believe the current language indicating the AVC and MVC may differ from pricing AVs is appropriate. The reviewers note that the "Current Practices" section identifies reasons why the actuarial values calculated with the AVC and MVC could differ from an actuarial value used for pricing. Therefore, no change was made.