



June 4, 2026

Rep. James Frank, Chair
Rep. Toni Rose, Vice Chair
Rep. Tom Oliverson
Texas House of Representatives
Select Committee on Health Care Affordability
CAP 1N.9
PO Box 12910
Austin, Texas 78711

Dear Chair Frank, Vice Chair Rose, and Rep. Oliverson,

On behalf of the Health Practice Council of the American Academy of Actuaries (Academy),¹ we would like to respond to the question that Rep. Oliverson asked during the insurance panel of the Texas House of Representatives' Select Committee on Health Care Affordability's April 30 – May 1 hearing, referencing public comments that were submitted to the Centers for Medicare & Medicaid Services (CMS).

Dr. Oliverson asked, “... [I]f the position of the Academy is to prefer an experience rating position for calculating the CSR versus actuarial value calculation done by the federal government, which is what we use here in Texas. Does that not violate the single risk pool rule under the ACA?”

Pricing for unfunded cost-sharing reduction subsidies (CSRs) provided to health plan enrollees has evolved significantly since federal reimbursements for CSRs were stopped in October 2017. The Academy consistently provides public comments to CMS on various aspects of CSRs and CSR loading, which we have included in Attachment One.

The Academy believes that CSR loads, like any other component of premiums, should be calculated in an actuarially sound manner. In plain language, actuarial soundness means matching the premium component with the cost component, which is necessary both to protect consumers and ensure market stability. In this case, that means matching the CSR load at the single risk pool level with the additional liability incurred by an issuer. The additional premium

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 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.

collected for all members in the single risk pool under a CSR load calculated in an actuarially sound manner should correspond to the CSRs provided.

This additional plan liability, the unfunded federal reimbursement for CSRs provided to eligible enrollees, is generated by a subset of the population, namely individuals who are eligible for and enrolled in a plan that includes CSRs. This pattern is typical of any actuarial pricing process, as premiums reflect the expected average cost of services. The component of premium attributable to any single part of the benefit reflects the total costs of those who are expected to utilize that benefit and those who are not expected to utilize that benefit. The single risk pool requirement is satisfied because this average cost reflects the entirety of the expected experience. This is true of all benefits, including benefits used by every individual enrolled in the plan, such as an office visit, and benefits that are limited to a specific subset of the population, such as pediatric vision care.

We also note that limiting CSR loads to a subset of plans, such as silver plans, was explicitly authorized by CMS in its August 2018 insurance standards bulletin on the offering of plans that are not QHPs without CSR “loading”. CMS also allows other plan-specific premium adjustments that are limited to a specific class of plans and are ultimately based on the experience of a subset of a single risk pool. For example, plans that cover benefits in addition to essential health benefits develop plan-level adjustments for those benefits separately based upon the expected utilization of these additional benefits in these plans. These premium adjustments are pooled across all plans with the same additional benefits but are not applied to plans without those benefits. Catastrophic plans are another example, as their premiums may be adjusted to reflect their specific eligibility criteria.

We believe the approach outlined in the second paragraph of this response is consistent with the single risk pool requirement. A state generally retains authority to determine what is and is not consistent with the single risk pool requirement, as long as the state’s interpretation is consistent with existing federal regulatory requirements related to the single risk pool. As we noted in our March 13, 2026, comment letter in response to the proposed 2027 HHS Notice of Benefit and Payment Parameters, CMS has explicitly included CSR loading as part of the allowable plan-level adjustment for actuarial value and cost-sharing of the plan since the 2026 HHS Notice of Benefit and Payment Parameters final rule. CMS also noted that the collection of sufficient information for rate review authorities to evaluate compliance with the single risk pool requirement is reasonable and appropriate.

We have attached additional resources, including some of our recent work and prior public comments on federal regulations related to CSRs and CSR loading. The Academy continues to encourage legislators and regulators to ask questions about actuarial soundness, as well as the potential implications of various policy choices on the affordability of health insurance within the U.S. and in Texas. As actuaries, we recognize the value of understanding the framework and variables that can influence costs, benefit design, and accessibility of insurance. We appreciate the invitation to present to the Special Committee and look forward to our continued engagement

as you consider potential solutions. If we can answer any additional questions or offer other resources, please contact Michelle Anaba, the Academy's health policy project manager (anaba@actuary.org).

Sincerely,

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

Attachment One

Academy comment letters related to CSRs:

- [March 2026 comments on the proposed 2027 HHS Notice of Benefit and Payment Parameters rule](#)
- [May 2025 comments on the proposed Marketplace Integrity and Affordability rule](#)
- [December 2024 comments on the proposed 2026 HHS Notice of Benefit and Payment Parameters rule](#)
- [September 2022 comments on CSR loading practices](#)
- [November 2021 comments on CCIIO's Risk Adjustment Model Technical Paper](#)
- [March 2020 comments on the proposed 2020 HHS Notice of Benefit and Payment Parameters](#)

Other Academy resources:

- November 2025 Comment Letter to the U.S. Senate Committee on Finance's Rising Costs of Health Care Hearing
- November 2025 discussion brief, [*Health Insurance Marketplace Stability Considerations for States*](#)
- July 2025 illustration of the 2026 [*Individual Health Insurance Market Premium Rate Development Timeline*](#)
- July 2025 discussion paper, [*Strategies to Achieve Market Stability in the Individual Health Insurance Market*](#)
- July 2025 [*Drivers of 2026 Premium Changes*](#) issue brief
- March 2025 [*Ensuring Access, Affordability, Choice, and Competition in the Individual Health Insurance Market*](#) issue brief