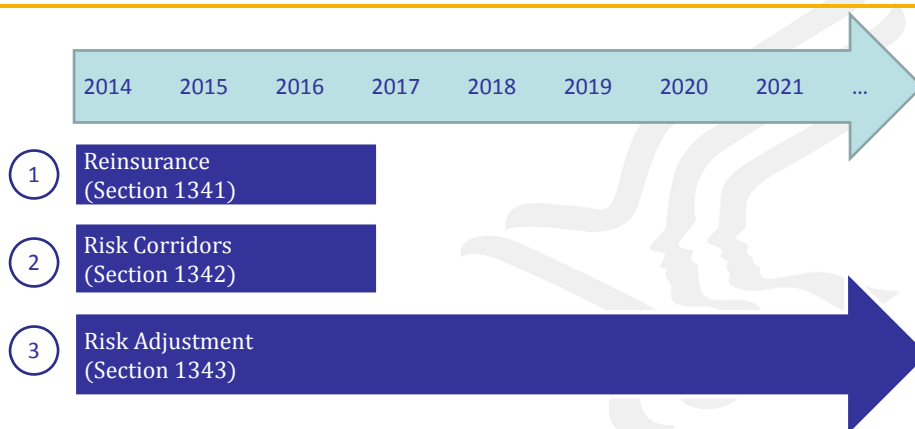


Perspectives on Risk Adjustment Under the ACA

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Three ACA Risk-Sharing Provisions



Overarching Design Considerations

- **Goals:**
 - Reduce premiums and “risk premiums”
 - Encourage competition on price and quality
 - Stabilize plan participation in the individual and small group markets
 - Maintain viability of the Exchange

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Overarching Design Considerations (2)

- **Strategies are complementary**
 - **Reinsurance**
 - Addresses high-cost outliers (in the individual market)
 - Reduces premiums in the individual market
 - **Risk corridors**
 - Protect plans and the government from inaccurate rate setting/bids
 - Must account for reinsurance and risk adjustment payments
 - **Risk adjustment**
 - Accounts for systematic selection and differences in chronic disease burden among plans in the individual and small group market
 - Operates inside and outside of the Exchanges

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Criteria in Choosing a Risk-Adjustment Grouping System

- Predictive accuracy
- Susceptibility to gaming
- Desirable incentive effects
- Transparency

Choosing or creating a grouping system is a small part of creating a risk-adjustment system that accomplishes program goals

Source: Winkelman R, Mehmud S. A Comparative Analysis of Claims-Based Tools for Health Risk Assessment. Society of Actuaries. 2007

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Model Related Questions

- Dx, Rx, or both?
 - Variation in relative weights across bronze, silver, gold, and platinum?
 - Low-income adjustment?
 - Concurrent vs. prospective weights (and how to deal with pregnancy and neo-nates)?
 - Age factors in the context of 3:1 rating bands?
-

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Data Questions

- Standardized format for data submission across states?
- Distributed vs. centralized data model?

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Payment Related Questions

- Individual vs. plan level adjustment?
- What is the “base premium” for a plan with a score of 0.9 with a 10% assessment?

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Timing and Phase-In Questions

- What information on expected Risk Adjustment charges or payments will plans have when they set premiums for 2014? 2015?
- Implications of limited information on phase-in of Risk Adjustment?
- Consider six-month data collection period in 2014 in order to have information available for 2016 bids?

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Federal-State Questions

- If there are states in which the federal government operates the Exchange, HHS will need to answer the questions on previous slides for those Exchanges
- How much flexibility, and for which elements, should be given to states in the selection, development, and implementation of a risk adjustment approach?

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