

Overview of Risk Adjustment: Goals and Approaches

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What is Risk Adjustment?

- Payments between health insurers to compensate plans with sicker enrollees

Goals

- Efficiency
 - Incentivize insurers to compete on quality and price, not selection
- Stability
 - Avoid premium spirals and plans leaving market
- Pricing
 - Minimize price padding from “risk premium”

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Medicare Hierarchical Conditions Model (CMS-HCC, 2004)

<u>\$</u>	<u>Diagnosis</u>
1055	Diabetic
1839	Diabetic w/ eye problems
2056	Diabetic w/ acute problems
2931	Diabetic w/ neuro problems
3822	Diabetic w/ renal problems

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Timeline: Urgent

- Carriers will need RA details in 2013 to write 2014 policies.
- Implies RA needs to be developed in 2012, based on data from 2011 plan year.
- Legislation needed NOW to have carriers provide the 2011 diagnosis/cost data to some state approved entity.