

## Options and Approaches for Risk Adjustment in California

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### Easing Overall Pressure on the Risk Adjustment System

Less risk selection, easier for risk adjustment to perform adequately.

1. Inside/outside exchange
2. Within the exchange

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## Setting Up Risk Adjustment

How will the risk adjustment system be operated? State will likely have some flexibility in the following areas:

1. Risk adjustment entity
2. Financing for operations
3. Contribution and payment system
4. Timing

## Tailoring the Federal System

State can choose federal risk adjustment methodology or substitute its own. Even if the state elects to use the federal system, state will likely have some flexibility in how it is applied to take into account state-by-state differences.

1. Data
2. Adjustments

## Addressing Upcoding

Critical that the system appropriately deal with upcoding, inaccurate reporting and calculations, and similar issues.

1. Data collection
2. Auditing and other ongoing data analysis
3. Coordination with other tools (risk pooling, rate review, etc.)
4. Modifications and improvements over time