

# Risk Adjustment Overview



- Center for Consumer Information and Insurance Oversight.
- Centers for Medicare & Medicaid Services.
- Department of Health and Human Services.

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# CONTEXT

The contents of this presentation represent preliminary information with the purpose of soliciting stakeholder feedback. Draft policies for the risk adjustment program will be announced in the draft HHS notice of benefit and payment parameters, which will be subject to comment before finalized.

# Contents

- Introduction and overview.
- Context.
- Market environment.
- Meeting agenda.

# Risk Adjustment Under the Affordable Care Act

- **What:** Transfers funds from plans with lower risk enrollees to plans with higher risk enrollees.
- **Who participates:** Non-grandfathered individual and small group market plans, inside and outside the Exchange.
- **How:** Criteria and methods developed by the Secretary, in consultation with States. May be similar to criteria and methods utilized under Part C or D of Medicare.

# Need for Risk Adjustment

- History.
- ACA policy context.
- Purpose.

# Affordable Care Act vs. Medicare Risk Adjustment

Category	ACA Risk Adjustment	Medicare
<b>Plan Benefits</b>	Benefit tiers based on actuarial value; benefit structure varies within tiers.	Plans provide, at a minimum, Medicare benefits.
<b>Plan-level premiums</b>	Can vary based on age, tobacco use, geography and family size.	Uniform plan premiums.
<b>Monetary basis for transfers</b>	Based on premiums seen in market.	Standardized bid.
<b>Transfer of funds</b>	Charges assessed at plan level; lower risk plans are charged and higher risk plans make payments after the benefit year.	Prospective payment adjustments (up or down) to individual standardized bid.
<b>Budget</b>	Budget-neutral.	Not budget-neutral.

# Market Context: Rating Reforms

- Rating reforms.
  - Age (up to 3:1).
  - Tobacco use (up to 1.5:1).
  - Family size.
  - Geography.
  - Single risk pool.
- Metal levels
  - Bronze, silver, gold, platinum, catastrophic.
  - Silver variants for cost-sharing reductions.

# Market Context: New Enrollees

- Currently uninsured.
- Individual market – current enrollees.
- PCIP enrollees.
- Individuals with prior employer sponsored insurance.

# Agenda

- Final rule summary.
- HHS developed risk adjustment model.
- Plan average actuarial risk calculations & payments and charges calculations.
- State flexibility for risk adjustment.
- Tomorrow: HHS operated risk adjustment.