



# RISK ADJUSTMENT

## What is risk adjustment?

Risk adjustment is a stabilization program designed to spread the financial risk that health plans (insurers) assume for their enrolled population – in and out of the public health care Marketplaces. It is designed to encourage insurers to offer a variety of health plans with stable premiums.

Risk adjustment is just one of three components of the stabilization program:

### **Risk adjustment (long-term)**

- Budget-neutral redistribution program
  - Those with "less risky" populations pay into the program
  - Those with "riskier" populations get payments from the program
- "Risk" is determined based on demographics and claims' ICD-9/ICD-10 diagnosis codes
- Applied at the state/market level
- Permanent program

### **Reinsurance (short-term)**

- Applied at the individual customer level
- Reimbursed carriers for a portion of a customer's claims when those claims are high
- Funded by industry fees
- Applied from 2014-2016

### **Risk corridor (short-term)**

- Protected issuers as they set rates for the first time for non-underwritten, guaranteed issue plans
- Looked at actual versus expected claims
- Applied from 2014-2016