



Risk Adjustment's Critical Role in Assuring Market Stability

Blue Cross and Blue Shield companies believe all Americans, including those with pre-existing medical conditions, should have access to quality health coverage and care. The ACA risk adjustment program is essential for health insurance to work properly and appropriately balance the cost of care so that everyone can obtain quality coverage regardless of their health status.

KEY FACTS



The Affordable Care Act did not begin risk adjustment. Medicare Advantage and Medicare Part D have risk adjustment programs, as do Medicaid programs **in at least 23 STATES.**

Risk adjustment promotes fair competition and minimizes incentives for insurers to “cherry pick” healthy customers.



BCBSA RECOMMENDS

Risk adjustment is critical to ensuring stability in the individual and small group markets where 23.6 million Americans obtain their health coverage. Before making significant changes to the program, policymakers should carefully vet proposals to ensure that insurance companies with higher-risk enrollees can continue to offer competitive premiums. The risk adjustment program:

1 BALANCES COSTS AMONG HEALTHY AND SICKER ENROLLEES

- In order to have a system in which everyone can obtain health insurance regardless of their health status, there has to be a way to balance the cost of caring for those with significant medical needs with those that are healthier and need less care. Risk adjustment is how that balance is achieved.
- The goal is to ensure that insurance companies within markets and states compete for customers based on factors other than the health status of their enrollees, such as hospital and doctor networks, the breadth of benefits covered and customer service.

2 ASSURES LEVEL COMPETITION

- The ACA risk adjustment program works by transferring money among insurance companies in the individual and small group markets. These transfers provide payments to health insurers that disproportionately provide coverage for those with significant medical needs, such as people with chronic conditions.
- The funds come from insurers with enrollees who are expected to use fewer medical services. This helps assure level competition and helps minimize incentives to design benefits, networks and marketing approaches in order to attract primarily healthy consumers.

3 DOES NOT FAVOR BIG INSURERS

- There is a fairly even split among insurers with low and high market shares between risk adjustment payers and receivers.
- For example, among individual market insurers with less than 20 percent market share in 2016, 110 insurers were receivers and 142 were payers.

4 WORKS AS INTENDED

- Experts, including the American Academy of Actuaries and Centers for Medicare & Medicaid Services (CMS), have found that the ACA risk adjustment program is working as intended.
- For example, a recent CMS analysis found issuers that received risk adjustment payments were those that: enrolled a large share of HIV/AIDS patients; attracted more patients with significant medical needs due to networks that include key specialty hospitals; and had a history of serving individuals with substantial medical needs. Small insurers with isolated cases of catastrophically ill patients also received payments.