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Actuaries Examine How Changes to ACA Market Rules Would Affect Risk Adjustment

WASHINGTON—Proposals to alter the market rules applying to the individual and small group health insurance markets would likely require changing the Affordable Care Act's (ACA) risk adjustment program, the American Academy of Actuaries said in an [issue brief](#) published today. Loosening the issue and rating rules, incorporating high-risk pools, allowing sales across state lines, or eliminating federal essential health benefit (EHB) requirements could necessitate changes ranging from minor adjustments to major structural modifications.

“Risk adjustment plays an important stabilizing function in the individual and small group markets, leveling out the differences in risk among enrolled populations through payments to and from insurers,” said Academy Senior Health Fellow Cori Uccello. “The risk adjustment program reduces incentives for insurers to avoid enrolling people at risk of high health spending, thereby supporting the ACA’s protections for people with pre-existing conditions. But some changes in market rules would make it more difficult for the risk adjustment program to operate as intended.”

The ACA risk adjustments shift funds from insurers with relatively healthy enrollee populations to those with less healthy enrollees. The model and formulas used to determine those payments would need to be revised under various health policy proposals, including the American Health Care Act (AHCA) that was passed by the U.S. House of Representatives on May 4.

“Some changes, such as incorporating high-risk pooling and increased flexibility in cost-sharing requirements, could require only adjustments to the risk adjustment design,” the Academy’s issue brief notes. “Other changes, such as loosening or eliminating the EHB requirements and allowing sales across state lines, could greatly complicate the design and effectiveness of a risk adjustment mechanism. If

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states have flexibility in setting benefit and rating rules, the risk adjustment models and payment transfer factors may need to vary by state.”

Read the issue brief, [*How Changes to Health Insurance Market Rules Would Affect Risk Adjustment*](#), and learn more about the Academy’s health-related public policy work at actuary.org.

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The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.