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American Academy of Actuaries Assesses Available Risk Mitigation Policy Options to Limit Effects of COVID-19's New Uncertainties for Health Insurers

WASHINGTON—The COVID-19 pandemic is affecting the U.S. health care system in numerous ways, many of which will affect health insurers. This includes impacts due to uncertainties surrounding changes in the utilization of health care services, shifts in enrollment, and the duration of the pandemic. A new [issue brief](#) from the American Academy of Actuaries outlines various risk mitigation mechanisms and assesses their implications for addressing the increased risks health insurers face due to COVID-19.

“As policymakers consider different risk mitigation mechanisms, it’s important to understand how they would work and what risks they are intended to address,” said Cori Uccello, the Academy’s senior health fellow and primary drafter of the issue brief, *Health Insurance Risk Mitigation Mechanisms and COVID-19*. “Depending on how they are structured, risk mitigation mechanisms such as risk corridors could help with the increased uncertainty health insurers face due to COVID-19. But they won’t address other risks in the health system such as declining provider revenues and increased pressures on state Medicaid programs.”

Conclusions of the issue brief include:

- Risk mitigation mechanisms could help address the increased uncertainty health insurers face due to COVID-19.
- One-sided risk corridors can shield insurers from unusually large losses due to COVID-19; two-sided risk corridors would also protect against unusually high insurer gains.
- Reinsurance can offset the costs of high-cost enrollees, regardless of whether the insurer faced unexpected losses.
- Medical loss ratio (MLR) requirements could provide a backstop on unanticipated insurer gains under either one-sided risk corridors or reinsurance.

(MORE)

- Risk mitigation efforts directed at insurers won't address other risks in the health system, including declining enrollment in employer-sponsored insurance, increased pressures on state Medicaid programs, and declines in provider revenues that threaten their financial stability and patient access.

Read the [issue brief](#) and learn more about the Academy's health policy work online under the public policy tab at actuary.org.

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The American Academy of Actuaries is a 19,500-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.