

Risk Adjustment  
Recommendations to Minnesota  
Health Insurance Exchange  
Advisory Task Force

October 24, 2012

# Risk Adjustment

- Risk adjustment is one of three risk sharing programs included in the ACA.
  - Risk corridors are a three year program that must be federally administered
  - Reinsurance is a three year program that the Task Force has already recommended be administered by the federal government
  - Risk adjustment may be administered by a state-based Exchange or by the federal government
- State-based risk adjustment programs need a centralized data source with information about enrollee health risk factors if they wish to implement a prospective risk adjustment methodology, which provides stronger incentives for effective care coordination and health promotion.

# Risk Adjustment

- Although Minnesota has this type of data source through its de-identified all-payer claims data base, the State does not have the authority to use it for risk adjustment purposes.
- Work Group members generally agree the potential benefits of pursuing state-based risk adjustment without authority to use the state's all-payer claims database will likely not outweigh the effort associated with developing and implementing that methodology.



# Risk Adjustment

- The disadvantage of not pursuing a state-based approach is that we lose the opportunity for risk adjustment to work as well as it can given Minnesota's unique characteristics
- Minnesota can choose to propose a state-based methodology in the future if the law is changed to permit use of the all-payer claims database for risk adjustment

# Risk Adjustment Recommendation

- Because Minnesota does not presently have the ability to propose and implement a prospective risk adjustment methodology, the U.S. Department of Health and Human Services should administer the risk adjustment program on Minnesota's behalf.
- The Exchange should pursue obtaining authority to use the all-payer claims database and develop a state-based risk adjustment methodology in the future.