

Summary of NPRM 45 CFR Part 143 Patient Protection and Affordable Care Act; Standards Related to Reinsurance, Risk Corridors and Risk Adjustment (Released 7//11/2011)

The proposed rule develops the following guidelines for the risk adjustment and reinsurance functions, per the Affordable Care Act. These functions require the collection of data from insurance carriers surrounding the risk scores and costs of the insured population.

Reinsurance: A temporary program between 2014 and 2016 that collects from carriers and redistributes the dollars to those carriers with the highest costs to help compensate for unknown risks.

1. States that elect to operate an Exchange must establish a reinsurance program for the years 2014 to 2016. For each State that does not establish an Exchange the State can operate its own reinsurance program or elect not to operate the reinsurance program. If a State elects not to operate the reinsurance program HHS will carry out the program.
2. States establishing reinsurance programs must contract with one or more applicable reinsurance entities. These entities are responsible for collecting contributions from plans to fund the reinsurance program and collecting and making contributions to the US treasury per the ACA. States must accept the HHS standard contribution rate that will be set as a percentage of premiums.
3. To calculate payment of reinsurance states can use a formula to be developed by HHS or they may develop their own formula to distribute reinsurance payments.
4. The rule requires states to eliminate or modify any high risk pool to the extent necessary to carry out the reinsurance program. States can coordinate a state high risk pool with the reinsurance program as long as it conforms to the reinsurance regulations.

Risk-Adjustment: A permanent program that a State can elect to implement if they run an Exchange. If the State elects not to implement risk-adjustment HHS will administer the program.

5. A State that elects to operate an Exchange is eligible to establish a risk adjustment program. States that do not operate an Exchange, or operate an Exchange not approved by HHS, may not operate a Risk Adjustment Program.
6. States may use a federally certified risk adjustment methodology provided by HHS or may develop a state alternative risk adjustment methodology that must be certified by HHS.

Risk Corridors: A temporary federal program aimed to help normalize risk.

7. The risk corridor program administered by HHS provides payments to carriers with above average risk for the years from 2014 – 2016.
8. Carriers receive payments from HHS under this program when their costs for covering care exceed 103% of the projected or target costs. These payments will not cover the entire excess cost but start at covering 50% and decrease as the excess cost grows.

9. Carriers must remit payments to HHS under this program if their costs are less than 97% of the projected or target cost. Carrier payments start at 50% of the deficit in cost and increase as the gap between projected cost and actual cost widens.

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