

# Risk Adjustment

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# Agenda

- Background
- History of Risk Adjustment at CalPERS
- Experience with Risk Adjustment
- Summary
- Risk Adjustment Market



# Background



What is Risk Adjustment

How Does It Work

Risk Adjustment Method

Phases of Risk Adjustment

# History of Risk Adjustment at CalPERS



Health  
Benefits  
Purchasing  
Review



Risk  
Adjustment  
Regulations



Health Plan  
Procurements  
& Meetings



Report to the  
Legislature

# Experience with Risk Adjustment



# Summary



CalPERS Team  
Experience



Risk  
Adjustment  
Evaluation



Risk  
Adjustment  
Today

# Risk Adjustment Market

Robert Cosway, FSA, MAAA, Milliman



# Goals of Risk Adjustment



Charge premiums based on plan value not health status of the enrolled population



Pay health plans based on plan value and actual health status of the enrolled population










## Charge premiums based on plan value not health status of the enrolled population

	Before Risk Adjustment (Calendar Year 2013)	After Risk Adjustment (Calendar Year 2018)
PERS Select Employee Only Premium	\$463.12	\$661.29
PERSCare Employee Only Premium	\$1,029.57	\$776.19

- Prior to risk adjustment, PERSCare premiums were **more than double** PERS Select premiums, due mostly to differences in health status.
- After risk adjustment, PERSCare premiums are **17% higher** than PERS Select premiums, which is more in line with plan values.

# Examples in Industry

-  Medicare Advantage
-  Affordable Care Act
-  Other State Employee Health Plans
-  University of California
-  Medicaid



## Pay health plans based on plan value and actual health status of the enrolled population

- **Medicare Advantage**
  - Each carrier's payment is based on their bid and their own risk score.
- **Affordable Care Act**
  - Each carrier's payment is based on statewide average premiums and their risk score relative to other carriers' scores.
- **Other State Employee Health Plans**
  - Each carrier's payment is based on their bid.
- **CalPERS**
  - Each carrier's payment is based on their bid and their risk score relative to other carriers' scores.

# Q & A