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New York to set up 'stabilization pool' to counter risk adjustment program 'imbalance'

By Katherine Dela Cruz

The New York Department of Financial Services has issued an emergency regulation that would allow the state to create "a market stabilization pool" to mitigate the "adverse" impact of the federal risk adjustment program to its small group health insurance market.

"In order to support the continued success of the [Affordable Care Act] and New York's vibrant market, DFS is taking appropriate action to rectify certain unintended consequences of the federal risk adjustment program and correct the current imbalance due to issues that are not accounted for in the federal program," Superintendent Maria Vullo said in a news release.

The department said the federal risk adjustment program was intended to even out the claims experience of insurers to help insurers with relatively less healthy members compete with those with relatively healthier members. In New York, the program has caused some insurers to transfer more than 30% of their premium to other insurers because federal calculations include administrative expenses and profits and may not appropriately consider how the state's rating structure counts a member's children.

Under the planned regulation, part of the money that insurers received from the risk adjustment program will go into a fund administered by the department, which will then transfer the money to insurers that "paid into the risk adjustment program and were adversely impacted." The department will calculate the amount that insurers need to pay into the pool based on its own "estimate of the amount of the imbalance" caused by the federal calculations. The amount will not exceed 30% of the total amount that an insurer received from the risk adjustment program.

The emergency regulation will only apply to the small group market for the 2017 plan year.