The 3Rs: This is *all* arithmetic!

A comparison of the three risk mechanisms established under the federal Affordable Care Act

Program	Reinsurance	Risk corridors	Risk adjustment
What	Provides funding to issuers that incur high claims costs for enrollees.	Limits issuer losses (and gains)	Transfers funds from lower risk plans to higher risk plans.
Program Operation	State option to operate, regardless of whether the State establishes an Exchange.	HHS	State option to operate if the State establishes an Exchange.
Who Participates	All issuers and third party administrators on behalf of group health plans contribute funding; non-grandfathered individual market plans (inside and outside the Exchange) are eligible for payments.	Qualified health plans	Non-grandfathered individual and small group market plans, inside and outside the Exchange.
Why	Offsets high cost outliers	Protects against inaccurate rate-setting.	Protects against adverse selection.
When	Throughout the year	After reinsurance and risk adjustment.	Before June 30 of the calendar year following the benefit year.
Time Frame	3 years (2014–2016)	3 years (2014–2016)	Permanent.

Source: Preamble to 45 CFR Part 153: Patient Protection and Affordable Care Act; Standards Related to Reinsurance, Risk Corridors and Risk Adjustment; Final Rule. Federal Register /Vol. 77, No. 57 / Friday, March 23, 2012 / Rules and Regulations, p. 17221.

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