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Governor

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Executive Director

MEMORANDUM

To: Interested Stakeholders

From: Colorado Division of Insurance

Date: September 7, 2012

Re: Risk Adjustment Implementation

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After reviewing current state legislative authority, staff resources and upcoming federal deadlines, the Colorado Division of Insurance has decided to defer the administration of the risk adjustment process to the federal government at this time.

Following is a list of questions that states need to answer in order to decide whether they will have a state-based risk adjustment process or use the federal process. The Division's decision to defer to the federal system is based on these answers.

1. Does the DOI have the legal authority to implement the program?

*No, Colorado does not have the authority to administer risk adjustment for carriers. The Affordable Care Act does not confer authority to states for these functions and state legislation would be necessary. At this time, the Division of Insurance is not interested in pursuing this legislative change due to other public policy priorities and resource constraints.*

2. Will Colorado administer the risk adjustment process?

*Not at this time. Federal administration will be most efficient, Because this will be a permanent program, the Division may reconsider its decision in the future.*

3. Because risk adjustment is a long-term program, do the long-term benefits justify short-term challenges?

*Resources are not available in the short-term to make this tradeoff.*

4. Does the DOI have the resources necessary to run the program? If not, can funding and staff be found and sustained within short timeframes?

*Resources are not currently available. In addition, the Division often struggles to hire qualified candidates for these types of technical positions. The state hiring system can sometimes take months to navigate and qualified candidates who can develop and execute the system within the deadlines may not be found.*

5. Does a state model provide more flexibility?

*Not clear at this time.*

6. Can the tight deadlines be met? Are they complicated by the legislative session?

*Much of the work would already need to be finished, and the Division would need legislation to obtain the authority to administer the program. At this point, meeting deadlines would be very challenging .*

7. Will a state program provide better or worse coordination with other risk mitigation programs?

*Not clear at this time.*

8. Which model would be most effective in mitigating adverse risk selection? Which is easiest for carriers?

*Unclear; however, federal model is sound.*