

Appendix A - Comparison of Pros and Cons - Potential District Approaches To Reducing Premium Rates

Pros			
	#1 - Reinsurance Based on Claim Thresholds	#2 - Reinsurance Based on Total Annual Claim Costs Net of Risk Adjustment	#3 - Direct Premium Subsidies
Carrier Familiarity	X		
Flexibility	X	X	
Ability to Cap Risk to the District	X	X	X
Predictability (% Claims Reduction Basis)		X	
Guaranteed % Reduction to Premium Rates			X
Protection Against Large Claim Volatility	X		
Coordinated with Risk Adjustment		X	X
No Reduction to Federal Funding			X
Full Incentives to Manage Care Remain			X
Timing of Implementation			X

Cons			
	#1 - Reinsurance Based on Claim Thresholds	#2 - Reinsurance Based on Total Annual Claim Costs Net of Risk Adjustment	#3 - Direct Premium Subsidies
"Double-Counting" with Risk Adjustment	X		
Risk of Misestimating	XX	XX	X
Diminished Impact of Cost Management	X	X	
Reduced Federal Funding (w/o 1332 Waiver)	X	X	
Timing of Reimbursement		X	
Less Protection Against Large Claim Volatility Than #1		X	X
Increased Cost Relative to Reinsurance Approaches (#1 and #2)			X
Potential For Non-APTC Rates to be Less than APTC Rates			X
Reliance on Carriers to Implement Premium Rate Reductions	X	X	
Timing of Implementation	X	X	