

## Theorie und Praxis des Risikostrukturausgleichs

### Risk Adjustment in Theory and Practice

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Risk adjustment, adverse selection, incentive effects.

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#### Summary

This article reviews the basic theoretical model of risk adjustment (Glazer/McGuire 2000) with a special focus on a coherent presentation of the main results. With adverse selection a regulator pursuing efficiency and solidarity objectives will need a risk adjustment scheme acting on a signal to accomplish both aims. With an imperfect signal this result will not hold. The regulator can react by trying to find more informative signals or by changing the calculation of the risk adjustment scheme (optimal risk adjustment). The model is then extended to derive results on the associated incentives regarding economic efficiency, manipulation of signals and innovation. The incentives will hold with perfect signals but may be violated in the imperfect signal setting. Optimal risk adjustment will most likely have a negative effect on these incentives. The results are contrasted with the empirical literature on the risk adjustment procedure in Germany which is centred on risk selection, the choice of risk adjustors and incentive effects. The paper concludes with an outlook on the ongoing reform of the German risk adjustment procedure.