



SOCIETY OF ACTUARIES

**Health Spring Meeting
June 2009**

**Session # 38 PD: The Uninsured - Yesterday,
Today, and Tomorrow**

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THE UNINSURED – Yesterday, Today and Tomorrow: State High Risk Pools

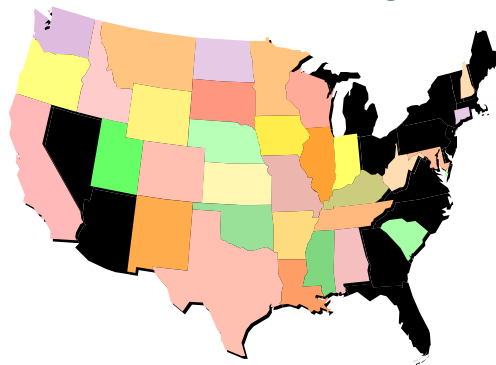
Society of Actuaries
2009 Health Spring Meeting
June 9, 2009
8:00 – 9:30 am

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John Ahrens, FSA

State High Risk Pools - Background

33 States Have Programs



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State High Risk Pools - Background

Presenter:

John Ahrens, FSA - Hause Actuarial

Actuarial Consultant to High Risk Pools

- Missouri 1993 - 2004
- Oklahoma 2003 - Present
- Illinois 2008 - Present

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State High Risk Pools - Background

Members Covered 2007 – 201,047

2006 – 190,361

2005 – 192,535

Top Six States (TX, MN, IL, OR, WI, and MD)

Average 20,212 Members

Other 27 States

Average 2,942 Members

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State High Risk Pools - Background

Effective?: % of 300% FPL Covered

- 300% of Federal Poverty Level (FPL) is \$43.7k in 2009 for Family of Two
- About 25% of Uninsured are at 300+% of FPL
- Pools cover 220k / 12,300k = 1.8%

Cost still the big factor – mo. premium for 50-54 female in suburban Chicago is \$785 at 150% SRR for \$1,000 deductible.

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High Risk Pools – Common Features

Eligibility

- State Resident
- No Other Coverage
- Waiting Period for Pre-Existing Conditions
Usually 6 – 12 Months, 9 for Maternity

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High Risk Pools – Common Features

2 or 3 Risk Classes

- Traditional
 - Declined by 2 Insurers
 - Certain Disease Conditions
- HIPAA
 - After COBRA Ends
- Low-Income Subsidized

High Risk Pools – Common Features

Member Characteristics

Mostly Older, More Females

<u>Age Group</u>	<u>National Uninsured</u>	<u>Typical High Risk Pool</u>
18-24	22.7%	5.7%
25-34	28.2%	7.8%
35-44	20.5%	13.3%
45-54	17.5%	27.2%
55-64	11.1%	46.0%
Average Age	36.9	50.0
Female %	45.2%	55.2%

High Risk Pools – Common Features

Rate Levels

- Standard Risk Rate (SRR)
 - Average Rate Charged by Largest Ind. Insurers
 - Average Inforce vs. New Business
- Range of Multiples
 - Top Six: 120% (MN, OR) - 200% (TX)
 - Typical Level: 135% - 150%
 - Maximums: 125% to 200%

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High Risk Pools – Common Features

Organization

- Active Boards
 - Usually 7-12 from Various Constituencies
 - May Include Actuaries
- Executive Director
 - Point Person, Legislative Contact
- Staff vs. Vendors

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High Risk Pools – Common Features

Plan Designs

- Typically PPO
 - Minimum Deductible Often Legislated
 - High Lifetime Max. but Not as High as Individual Marketplace
- Qualified High Deductible Health Plan
 - Many Offer but Don't Push Health Savings Account Which Could Save Tax Dollars

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High Risk Pools – Common Features

Networks / Discounts

- Discounts Important for Large Claims
 - Rate of \$100,000+ Claims = 4x Typical Group
- Comprehensive Networks, Good Discounts
 - About 50% Use Blues Network and Admin.
- Medicare or Medicaid Levels?
 - A Few States Have Providers Discount Extra so Close to Medicare or Medicaid

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High Risk Pools – Common Features

Marketing / Communications

- How Aware are Uninsured of Program?
- Link on Insurance Dept Website
- Information in Insurer Declination Letter
- Agent Referrals
- Low Income Rate Subsidy

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High Risk Pools – Actuarial Issues

Standard Risk Rate (SRR)

- Typical Rating Factors
 1. Age (100%)
 2. Gender (66%)
 3. Area (40%)
- Other Rating Factors Not Always Considered
 1. Smoker / Non-Smoker (37%) vs. Average
 2. Individual Age (31%) vs. Age Bracket
 3. Split HIPAA vs. Traditional (17%)
 4. Health Status (0%)

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High Risk Pools – Actuarial Issues

Standard Risk Rate (SRR) cont'd.

- Calculation Process Varies
 1. Simple or weighted (by policies) average of top insurers
 2. Adjust for deductibles and other plan differences
 3. Average inforce business or new business
 4. Association business and individual policies
- Follow Applicable State Law
- Get Direction / Interpretations from the Board
- Document Approach and Assumptions

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High Risk Pools – Actuarial Issues

Standard Risk Rate (SRR) cont'd.

- Impact on Members
 1. Leveraged Impact of 125% - 200% SRR
 2. Typical Members are Over 50, \$ Impact Large
 3. Average Smoker Load Benefits Smokers
 4. Low Deductibles (\$500 - \$1,000) Should Be Poor Buy
 5. Maternity as an Option – Loaded Selection?

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High Risk Pools – Actuarial Issues

Deficit Forecasts

- Member Premiums Cover 57% of Costs (2007)
- Assessments or Other Funding Required
- Quarterly Fluctuations Can Be Significant
- Are Surplus Funds Available?
- Is There a Timing Risk?
- Are Funds Subject to Legislative Approval?

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High Risk Pools – Actuarial Issues

Reserves / Budgeting

- IBNR Funded?
- Surplus or Contingency Reserves?
- Pay As You Go Funding?
- Program Membership Limits?
- True Up Prior Assessments / Funding?

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High Risk Pools – Actuarial Issues

Assessment Base – Approaches

- Insurers with Premium Tax Offset
- Insurers with No Tax Offset
- Insurers and Stop Loss on Cov. Lives or Premium
- State Funds or Taxes (Tobacco, etc.)
- Hospitals or Health Providers
- Some Combination of Above

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State High Risk Pools – The Future

Funding Sources

- More Discounts from Providers?
- Assessing Self-Funded Employers
- Vary Assessments By Risk Pool
 - Traditional – Individual, Small Group, Association
 - HIPAA – True Group, Self-Funded
 - Low Income – States, Providers
- State Funding or Tax Offsets Dangerous in Current Economy?

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State High Risk Pools – The Future

Immediate Concerns

- Impact of COBRA Subsidies on HIPAA Pools
- Need Income Based Subsidies to Increase Participation – But Where Does Money Come From?
- Need National Voice – NASCHIP, NAHU
- Possible Move to Open Enrollment, Guarantee Issue by Individual Insurers



ASSURANT
Health

US Health Care Reform

Don Hamm
President and CEO

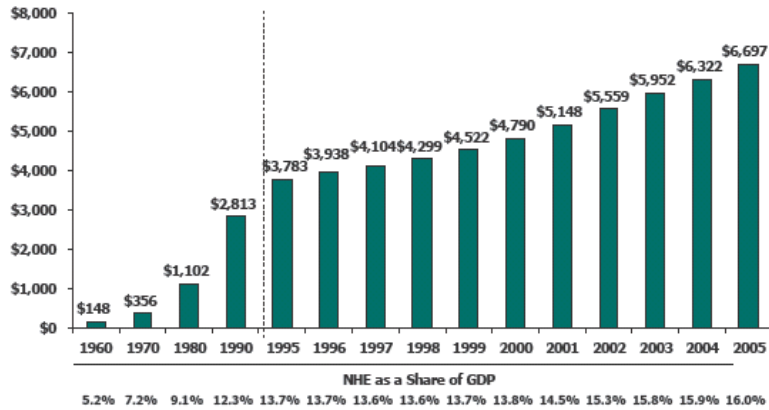
U.S. Health Care Reform

All Americans must have access to high
quality, affordable health care

- How did we get here?
- Where is it going?
- What does it mean to You?

How did we get here?

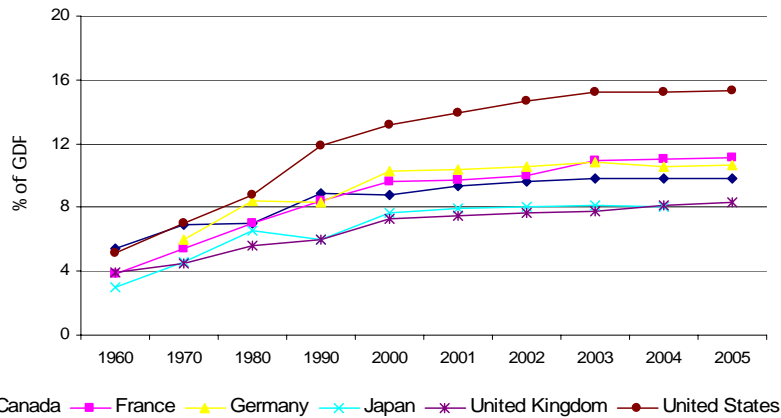
U.S. Health Expenditures per Capita and Share of GDP



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; NHE summary including share of GDP, CY 1960-2005; file nhegd05.zip).

How did we get here?

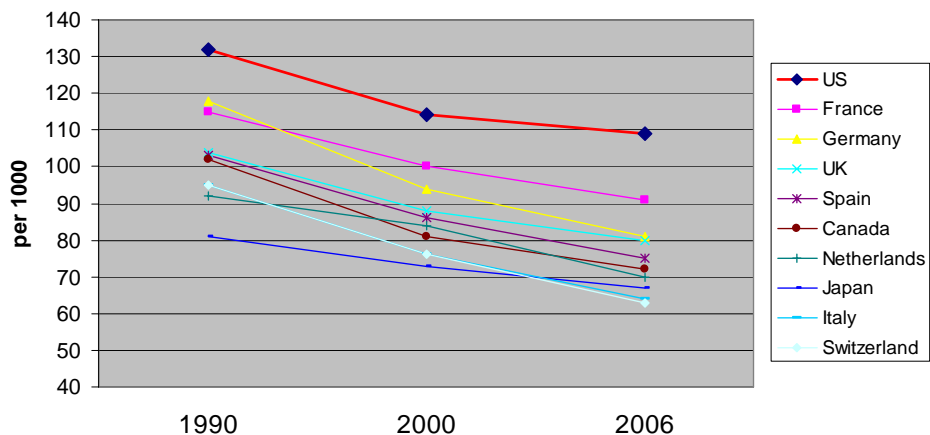
Health Expenditures as a % of GDP: U.S. vs. Other Developed Nations



Source: OECD Health Data 2007 - Version: July 2007

How did we get here?

Adult Mortality



Data Source: ©World Health Organization

How did we get here?

- 46 million uninsured Americans
- Fear - employers, employees, baby boomers
- Media attention - written, TV, Internet

Where is it going?

- Political process
- Health care financing and delivery
- Cost drivers
 - Unnecessary care
 - Lack of IT connectivity
 - Tort reform
 - Technology
 - Aging
 - Wellness
 - Societal expectations

Where is it going?

All Americans must have access to high quality, affordable health care regardless of their income or health status



Income

- Expand Medicaid Safety Net
- Premium subsidies
- Tax equity

Health Status

- Guaranteed issue, no pre-ex
- Avoid Rate Shock
- Enforced mandate

Where is it going?

