

2016 SOA
**Health
Meeting**

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Session 129 IF, Health Regulatory Updates: Non-ACA products

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2016 SOA Health Meeting

Session 129

Regulatory Updates Non-ACA Products

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Agenda

- Introductions
- Excepted Benefits, Regulatory Issues, Market Conduct Issues
- SOA Cancer Tables, Medicare Supplement, Long-Term Care, Non-ACA Product Loss Ratio Regulations

Excepted Benefits - Regulatory & Market Conduct Issues



What are HIPAA Excepted Benefits?

- The Health Insurance Portability and Accountability Act of 1996 (HIPAA) established “excepted benefits” as a broad category health insurance products that are regulated differently than major medical products
- HIPAA excepted benefits are not subject to the Affordable Care Act (other than pediatric dental and vision which are part of an essential benefit package)
- Traditional excepted benefits include:
 - Critical Illness or Specified Disease
 - Hospital Confinement
 - Accident
 - Cancer
 - Disability
 - Long Term Care
 - Vision
 - Dental

Supplemental Excepted Benefits – Characteristics

- Financial Protection
 - Helps customers limit financial challenges caused by health events
- Benefit Design
 - Fixed indemnity
 - No coordination
 - Pay direct to insured
 - Not based on medical expense
 - Benefits used for any purpose
- Marketing
 - Supplemental to primary coverage (ACA coverage)
 - Clear and conspicuous disclosures to promote consumer knowledge

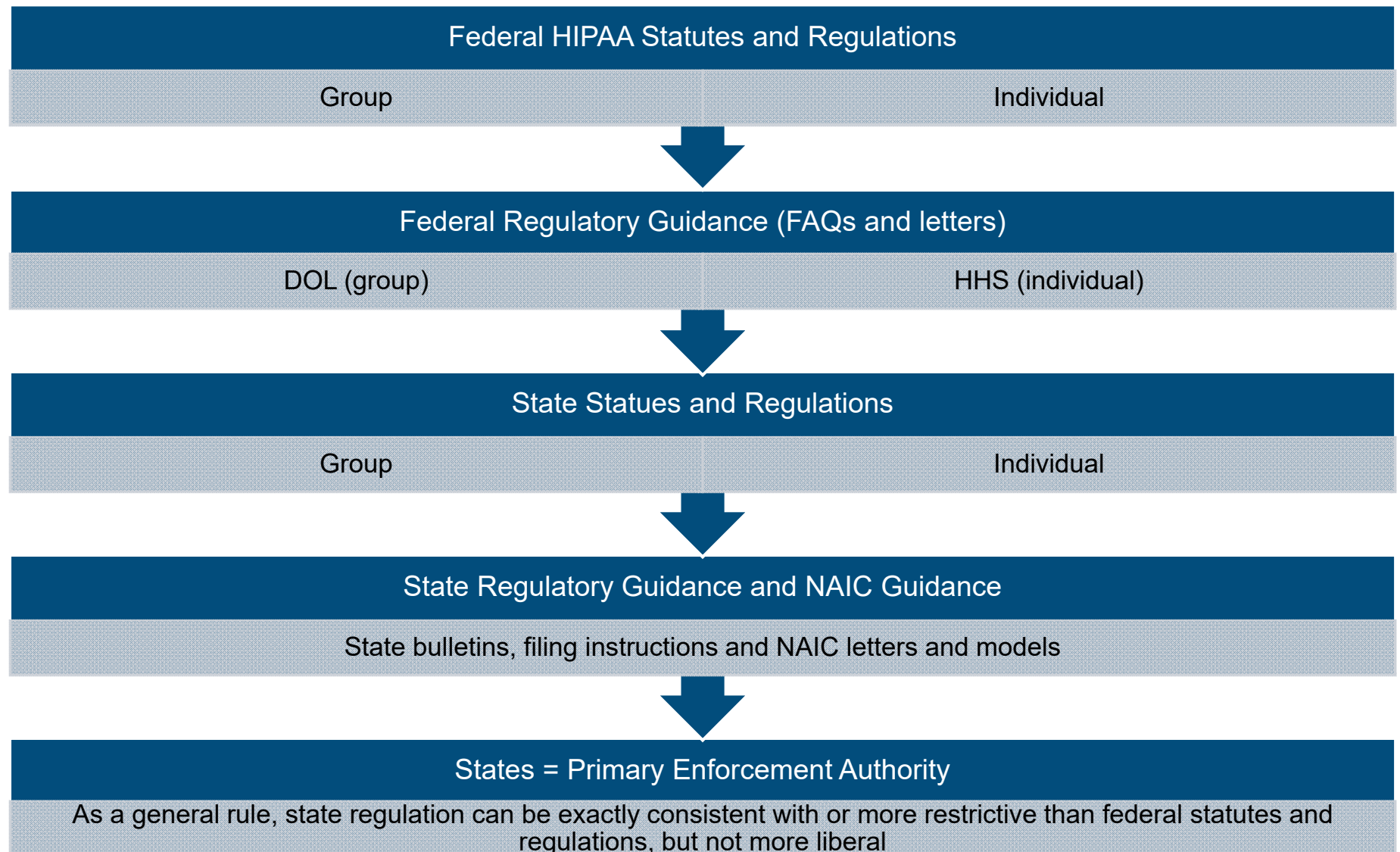
More Characteristics

- Customers
 - Primarily sold at worksite
 - Payroll deduction
 - Group and individual products
 - Employers of all sizes
- Distribution
 - Brokers
 - Agents (independent and captive)
 - Direct marketing

Market Trends

- Post Affordable Care Act Environment
 - Continues to create confusion in the market for consumers, employers and regulators
- Online Distribution Methods
 - Private exchanges, web-based application, customer specific software
- Strong Employer Market
 - Increased interest by employers of all sizes in making excepted benefits available to employees
- Hybrid Products
 - Industry pursuing combination products driven by market demand

Excepted Benefit Regulatory Structure



Regulatory Developments

- Federal Individual Hospital Indemnity and Fixed Indemnity Regulation
 - Enacted on May 9, 2014
 - Attestation requirement successfully challenged by Central United Life in 2015; case pending in Federal Appeals court
- Federal and state regulators, consumer groups and some members of the industry are seeking clarification of the entire supplemental market
 - NY expanded attestation to individual and group accident and hospital indemnity products
 - NAIC revising Minimum Standard Models 170 and 171
 - 23 states have adopted laws using the NAIC model, some with modifications
- Federal “gap coverage” guidance issued in 2015
- Recently proposed federal group hospital indemnity and critical illness regulations

Emerging Regulatory Issues

- Complex Product Design
- Increasing Federal and State Oversight
- Non-Traditional Distribution and Offerings
- Regulation of Group Voluntary Products
- Loss Ratio Concerns

Market Conduct Issues

- Claims Handling
- Marketing and Sales
- Supervision of Producers
- Premium Billing

SOA Cancer Tables

Medicare Supplement

Long-Term Care

Individual A&H Loss Ratio Regulations



SOA Cancer Table Update

- Current cancer table
 - NAIC 1985 tables
 - Prescribed for cancer policy valuation
- 2011 RFP for Cancer Claim Cost Table Workgroup
- Proposed table
 - Experience period 2001 - 2010
- Data has been collected, processed, and prepared for final tables
- Report may be exposed to NAIC as early as August 2016

SOA Cancer Table Update

- Major table updates
- 1985 Tables
 - Claim costs for many benefits: Daily Hospital, Surgery, Anesthesia, Drug, Radiation & Chemo, Physician Services, Blood / Plasma, Nursing, Transportation
 - Claim costs by AA / Sex
 - Confinement length of stay adjustments
- Current Tables
 - 2 benefits: first occurrence and hospitalization
 - Claim costs by AA / Sex (expected)
 - Many different ways to pay (one claim cost table not feasible)

Medicare Supplement

- Medicare Access and CHIP Reauthorization Act of 2015
 - aka “the Doc Fix”
- Part B Deductible (\$166 in 2016) no longer covered
 - Affects newly eligible as of 1/1/2020
- Pricing implications for Plans G and F
 - Plan F historically available Guarantee Issue
 - Plan G not GI
 - Pricing may converge based on new cohort of entrants

Medicare Supplement

- Updates: NAIC Medicare Supplement Model Regulation (#651)
- High-deductible Plan G
 - OOP spending on Part B Deductible may not count towards OOP Max
- Plans D and G will be guaranteed issue options for eligible new entrants after 1/1/20
- States to adopt before 2020
 - Waivered states (MA, WI, MN) must adjust their regulation & laws by then
- Discussion of revising the rebate calculation (current 'cliff' structure)
 - 2014 AAA Medicare Supplement Work Group

Long Term Care

- Ongoing Rate Increase hearings happening in many states
 - MD, WA, ME
- Public policy discussion
 - LTC Think Tank
 - Bipartisan Policy Center
 - LTC Financing Collaborative
 - NAIC
 - SCAN Foundation
 - AARP
- Plenty of ideas for the future of LTC products
- Including proposed changes to regulation and IRC

Long Term Care

- Principles-Based reserving
 - AAA task force
- NAIC update
- SOA LTC Section Council
 - Regulatory Liaison
- IIPRC
 - Updated individual filing standards
 - Expected to dovetail with NAIC 2014 Model Regulation
 - Group LTC still on docket (probably following disability)

Long Term Care

- September 2014: NAIC update to the LTC Model Reg (#641)
 - Not widely adopted (3 states as of Q1 2016)
- Section 10: Initial Filing Requirements
 - Premiums contain margin for adverse deviation
 - At least 10% of lifetime claims
 - May be lower for LTC bens provided through a life policy, with actuarial justification (e.g. death benefit savings)
 - Greater margin for less credible experience
 - Demonstration of margin, documentation
- Section 15: Reporting Requirements
 - Annual Rate Certification, statements:
 - Premium is sufficient under moderately adverse conditions, OR
 - Not sufficient; plan of action for re-establishing margins
- Initial Filing & Reporting Requirements: a push for carriers to recognize insufficient premiums earlier

ACA Impact on LTC

- NAIC Changes
 - LTC Study
 - Produced by NAIC and the Center for Insurance Policy and Research (CIPR)
 - ACA CLASS Act (repealed)
 - LTC Reform Efforts
 - LTC combination products
 - “Life stage” products
 - Including LTC in Medicare Advantage and Medicare Supplement plans
 - ACA’s Medicaid Expansion and the impact to LTC

Individual A&H Loss Ratios

- Where to start?
 - Traditional Life: no loss ratio requirements
 - Long-Term Care
 - previously ~ 65% minimum loss ratio requirement
 - Rate stability: replaced this with PAD to claims
 - Major Medical / ACA products: higher LR requirements
- Marketing
 - Historically: kitchen table
 - Sales volumes low compared with mainstream health products
 - Initial expenses higher
 - Fewer economies of scale
- Available data, small compared with major medical

Individual A&H Loss Ratios

- Risk Considerations
 - Anti-selection
 - Higher risk margin
- Long-term nature of many products
 - No immediate repricing
 - May take decades, not years, to determine appropriateness of assumptions
 - Contract reserves
 - Issue age rates
 - Administrative difficulties
 - Capital constraints
 - Deficiency testing, asset adequacy testing

Questions?

