



SOCIETY OF ACTUARIES

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Soundbites

from the American Academy of Actuaries' Health Practice Council

by Heather Jerbi and Melissa Lawler

Editor's note: *If it looks like the list of activities under "What's New" is longer—and goes back further—than it normally does, that's because we inadvertently omitted this feature from our January issue. Our apologies to the Academy and to our readers for this oversight!*

What's New

The American Academy of Actuaries' Health Practice Council hosted a free webcast on Friday, Jan. 23, 2009. The webcast, cosponsored by the Society of Actuaries and the Conference of Consulting Actuaries, provided health actuaries with an understanding of a new microsimulation model created by the RAND Corporation. The Comprehensive Assessment of Reform Efforts (COMPARE) model examines the intended and unintended effects of different health care reform proposals. The model's Web interface allows users to compare policy options under different scenarios and assumptions.

In December, the Academy's Medicare Steering Committee and Health Care Quality Work Group submitted comments to Senators Baucus and Grassley regarding draft legislation, Medicare Hospital Quality Improvement Act of 2008, which would link Medicare hospital payments to performance on certain quality measures. The letter encouraged policymakers to act quickly to restore Medicare's financial soundness and noted that moving to a value-based purchasing program would be a step toward better alignment of reimbursement with improved health outcomes. The letter can be found online at: <http://www.actuary.org/pdf/health/hospitalquality08.pdf>.

In October, the Academy's Health Practice Financial Reporting Council (HPFRC) sent a letter to the American Institute of Certified Public Accountants commenting on a draft Technical Practice Aid (TPA) regarding prospective unlocking for long-duration insurance contracts that allow for premium increases. In the letter, HPFRC said that the draft TPA is an appropriate guideline, but suggested that it be expanded to include a discussion of imple-

mentation considerations. The letter listed specific implementation questions that should be answered as part of the draft TPA, and suggested that absent those answers there will be significant variations in practice among companies. The letter can be found online at: http://www.actuary.org/pdf/health/aicpa_nov08.pdf.

Also in October, the Academy's Individual Medical Insurance Market Task Force released a new issue brief, The Individual Medical Insurance Market: A Guide for Policymakers. The brief is intended to provide policymakers with an understanding of how the current individual market works, the relative ease or difficulty a person may have acquiring coverage in this market and the cost implications once the individual is covered. This brief was also submitted as a statement by the Academy for the written record of a House Ways and Means Subcommittee on Health hearing on the health of the private insurance market. The brief can be found online at: http://www.actuary.org/pdf/health/med_market_1008.pdf.

In September, the Academy's Health Care Quality Work Group released a new issue brief, Health Insurance Coverage and Reimbursement Decisions: Implications for Increased Comparative Effectiveness Research, which provides a current assessment of health care quality, outlines the process for incorporating new treatment protocols and technologies into health insurance coverage and discusses the policy implications of comparative effectiveness research. The issue brief can be found at: <http://www.actuary.org/pdf/health/comparative.pdf>.

The Academy's Uninsured Work Group also released two issue briefs. The first one, Fundamentals of Insurance: Implications for Health Coverage, was released in August. In the context of recent health reform proposals that aim to increase coverage for the uninsured, the brief discusses the fundamental principles of insurance, whether and how they apply to health coverage plans, and the implications of deviating from those principles. The issue brief

can be found at: http://www.actuary.org/pdf/health/coverage_ib_08.pdf.

The second brief, *Taking Control: An Actuarial Perspective on Health Spending Growth*, was released in September. The brief discusses a number of the major causes of health spending growth—drivers that increase health care service prices and drivers that increase utilization—and also examines various options that have been proposed to address these drivers. This issue brief was released in conjunction with a Capitol Hill briefing on Sept. 22. Cathy Murphy-Barron, chairperson of the Uninsured Work Group, and Stacey Lampkin, vice-chairperson of the Uninsured Work Group, presented at the briefing. The issue brief can be found at: http://www.actuary.org/pdf/health/spending_ib_08.pdf.

In August, the Academy's Health RBC Trend Test Work Group submitted a report on a health RBC trend test to the NAIC's Health RBC (E) Working Group. The NAIC group asked the Academy to determine whether or not a leading indicator based on annual financial statement information could be developed to identify those companies with reported HRBC ratios above 200 percent that face a significant risk of subsequently falling below 200 percent in the following year. Based in part on the Academy work group's report, the NAIC working group voted on November 12 to adopt a trend test identifying companies with an RBC ratio between 200 percent and 300 percent, and a combined ratio greater than 150 percent.

Ongoing Activities

The Academy's Health Practice Council has many ongoing activities. Below is a snapshot of some current projects.

- **Consumer Driven Health Plans Emerging Data Subgroup** (David Tuomala, Chairperson)—This work group is developing a paper analyzing emerging CDHP data, which is expected to be available in 2009.
- **Health Practice Financial Reporting Committee** (Darrell Knapp, Chairperson)—The committee continues to work on updating several practice notes (Small Group Certification, Large Group Medical and General Considerations).
- **Long-Term Care Principles-Based Work Group** (Bob Yee, Chairperson)—This work group is in the modeling phase of its work and will be providing quarterly updates to the NAIC Accident and Health Work Group in 2009.
- **Uninsured Work Group** (Cathy Murphy-Barron, Chairperson)—The work group is currently working on a project that discusses approaches to expand health insurance coverage among high-risk individuals.
- **Health Care Quality Work Group** (Michael Thompson, Chairperson)—This work group is developing an issue brief that examines value-based insurance design (VBID), including the issues that are considered by insurers and employers when developing plan designs.
- **State Mandated Coverage Task Force** (Kevin Borchert, Chairperson)—This task force is developing an issue brief that will discuss the mandated purchase of health insurance coverage. The brief will address the goals of such programs, funding considerations for implementing mandated coverage legislation, benefit design considerations and modeling issues (including data availability).



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- **Stop-Loss Work Group** (Shaun Peterson, Chairperson)—This work group is continuing to update a 1994 report to the NAIC on stop-loss factors, and is currently checking data calculations prior to re-starting the modeling phase of their work.
- **Medicare Part D Risk-Based Capital Subgroup** (Jim Braue, Chairperson)—The subgroup has submitted to the NAIC Health RBC Working Group a report updating the Part D RBC risk factors.
- **Disease Management Work Group** (Ian Duncan, Chairperson)—This work group has begun development of a public statement on evaluating wellness programs.
- **Small Group Market Task Force** (Karen Bender, Chairperson)—This work group has begun work on an issue brief that looks at transition issues when considering health care reform proposals—specifically those related to rating reform, underwriting/issue reform and changing the definition of small group. In addition, a subgroup of the Small Group Market Task Force and the **Individual Market Task Force** (Mike Abroe, Chairperson) is considering a brief that would

examine the implications of reform proposals that would merge the two markets.

- **Medicare Supplement Work Group** (Michael Carstens, Chairperson)—This work group submitted recommendations for changing the Medicare Supplement Refund Formula to the NAIC's Medicare Supplement Refund Formula Subgroup (of the Accident and Health Working Group), per the request of the subgroup.

Other NAIC Projects

The Committee on State Health Issues and the Health Practice Financial Reporting Committee continue to monitor NAIC-related issues, including LTC, Medicare Part D, principle-based methodologies, Medigap modernization and general health insurance issues.

If you want to participate in any of these activities or want more information about the work of the Academy's Health Practice Council, contact Heather Jerbi at Jerbi@actuary.org or Melissa Lawler at Lawler@actuary.org. ■

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