



SOCIETY OF ACTUARIES

Article from:

Health Watch

May 2010 – Issue 64

Soundbites from the American Academy of Actuaries' Health Practice Council

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What's New

Over the past year, the Academy's Health Practice Council (HPC) has been actively engaged in the dialogue on health care reform. Even in the weeks leading up to the final passage of the Patient Protection and Affordable Care Act (PPACA), the HPC continued to offer comments on various aspects of the reform bill. Many of those statements are highlighted below. With the passage of health care reform in March, the HPC has shifted its attention to providing input as the relevant government agencies begin to develop regulations to facilitate the implementation of the new law. Details on those efforts will be outlined in the next edition of Health Watch.

Federal Health Reform – Policy Statements

In advance of the administration's bipartisan health reform summit on February 25 at the Blair House, the HPC sent a letter¹ to each of the policymakers invited to participate in the meeting. The letter reiterates the HPC's key criteria to viable health care reform and urges the policymakers to view these criteria as requirements for a sustainable health insurance system. The administration extended the invitation to this summit to both House and Senate Democrats and Republicans in leadership positions, and put forward its own proposal (largely made up of potential reconciliation "fixes" intended to move current comprehensive legislation forward) in advance of the summit.

That administration proposal included a provision that would create a federal Health Insurance Rate Authority to enforce and monitor a new rate review process. The HPC urged policymakers to base any oversight of health insurance premiums on actuarial principles² in response to this proposal. The council stressed that health insurance premiums should be adequate to pay projected claims, expenses, and supporting risk charges; that premium rating oversight should be done in conjunction with insurer solvency oversight; and that premium oversight requires strong actuarial representation.

Beginning in November, the HPC released several comment letters at the various stages in the legislative process for both the House and Senate bills.

- On November 20, the Academy's Health Practice Council (HPC) submitted a comment letter³ to Senate Majority Leader Harry Reid and Minority Leader Mitch McConnell on the *Patient Protection and Affordable Care Act*.

The letter outlined the key issues that need to be considered when evaluating whether the Senate's health care reform bill will lead to a viable health insurance system and discusses whether the *Patient Protection and Affordable Care Act* addresses these issues.

- A similar letter⁴ was sent to Speaker of the House Nancy Pelosi and House Republican Leader John Boehner on November 6. That letter specifically addressed issues related to the *Affordable Health Care for America Act* (H.R. 3962).
- On November 23, the HPC sent a comment letter⁵ to the leadership of the Senate Committee on Health, Education, Labor and Pensions. This letter was in response to a request from the committee for analysis of the grandfathering provisions contained in the *Patient Protection and Affordable Care Act* and whether they would mitigate "rate shock" for those individuals who keep the coverage they have.
- On January 14, the HPC released a comment letter⁶ to House and Senate leadership on the differences between the *Patient Protection and Affordable Care Act* and the *Affordable Health Care for America Act* (H.R. 3962). The council developed the letter to provide input to policymakers during the reconciliation process. The letter discusses the implications of these differences and, where appropriate, offers recommendations on which chamber's approach (if either) would be more viable.

In addition to these comment letters, a joint work group of the Academy and the Society of Actuaries (SOA) released a new technical report⁷ on the potential implications of an excise tax on high-cost employer health plans (often called "Cadillac Plans"). The Senate-approved health care reform bill included the 40 percent excise tax on coverage in excess of specified dollar thresholds. The thresholds would be higher for some individuals based on age,

¹ http://www.actuary.org/pdf/health/summit_feb10.pdf

² http://actuary.org/newsroom/pdf/premium_feb24.pdf

³ http://www.actuary.org/pdf/health/ppaca_nov09.pdf

⁴ http://www.actuary.org/pdf/health/ahcaa_nov09.pdf

⁵ http://www.actuary.org/pdf/health/ppaca_grandfather_nov09.pdf

⁶ http://www.actuary.org/pdf/health/differences_jan10.pdf

⁷ http://www.actuary.org/pdf/health/cadillac_jan10.pdf

occupation, and geographic area. According to the Academy/SOA report, an excise tax based on plan benefits rather than the proposed premium dollar threshold would more accurately target overly generous plans.

Finally, the newest additions to the *Critical Issues in Health Reform* series include: *State Level Impacts*⁸ and the accompanying chart⁹ that illustrates the relative and directional impact of health care reform on premiums by state, as well as an update of the *Minimum Loss Ratios*¹⁰ paper. This series was developed in response to feedback received during the course of the annual Capitol Hill visits.

In an effort to inform actuaries (in all specialties) about the status of health care reform and the Academy's activities during the debate, the HPC hosted a webcast¹¹ in January, co-sponsored by the Conference of Consulting Actuaries and the Society of Actuaries. Webcast panelists David Shea, Tom Wildsmith and Cori Uccello provided attendees with an overview of the current status of health care reform, outlined some of the more significant differences between the House and Senate bills, and discussed the Academy's involvement in the health care reform debate (including publications, interactions with policymakers and inquiries from media).

As an ongoing part of this effort, the Academy also implemented a weekly newsletter, the Health Check, which is sent out to all members on Fridays. The newsletter includes a legislative update, the HPC's reform-related activities, and a list of relevant media inquiries for the week.

For reference, each of the HPC's policy statements related to health reform can be found on a dedicated webpage¹² through the Academy's Web site, which was developed in order to highlight these new statements, as well as additional materials related to health care reform.

Outreach to Policymakers and the Media

While the development of various policy statements and technical reports (those projects done in conjunction with the Society of Actuaries) are often the more tangible activities undertaken by the HPC, the often "behind-the-scenes" outreach and response to policymakers is just as significant. During the height of the congressional debate on health care reform, Academy staff and members of the HPC and its work groups/task forces have

responded to requests for information related to reform provisions from congressional committees (e.g., majority and minority staff from the Senate Health, Education, Labor and Pensions Committee; House Energy and Commerce Committee; Senate Budget Committee; Senate Small Business and Entrepreneurship Committee), personal offices (e.g., Sen. Susan Collins (R-ME), Sen. Nelson (D-NE), Sen. Wyden (D-OR), Rep. Terry (R-NE), Sen. Rockefeller (D-WV)), and government agencies (e.g., Dept. of Health and Human Services, Centers for Medicare and Medicaid Services and Congressional Budget Office).

In terms of media, various publications/policy statements have been quoted in the *New York Times*, *Washington Post*, *Wall Street Journal*, *Time*, *Newsweek*, *Fortune*, *The Hill*, and *National Underwriter*. In addition to print media, Cori Uccello, the Academy's senior health fellow, has appeared on Fox Business, PBS Nightly Business Report and National Public Radio to discuss various aspects of health reform.

We continue to receive and respond to inquiries from policymakers, as well as the media, related to health care reform.

State Health Reform

Shari Westerfield submitted written testimony¹³ in February to the Massachusetts House and Senate Joint Committee on Financial Services for their hearing regarding Bill 3447, *An Act Providing for Equitable Coverage in Disability Policies*. The bill seeks to prohibit gender discrimination in the area of disability insurance. The testimony described some of the unintended consequences that could arise as a result of the bill's passage. In addition, the Academy noted that life and auto insurance could also be affected due to the broad wording of the bill.

Medicare

In light of President Obama's State of the Union pledge to create a bipartisan commission to address deficit reduction and the release of his adminis-

⁸ http://www.actuary.org/pdf/health/state_level_nov09.pdf

⁹ http://www.actuary.org/pdf/health/state_characteristics_nov09.pdf

¹⁰ http://www.actuary.org/pdf/health/loss_feb10.pdf

¹¹ http://www.actuary.org/webcasts/health_jan10.asp

¹² http://www.actuary.org/issues/health_reform.asp

¹³ http://www.actuary.org/pdf/health/mabill3477_feb10.pdf

tration's 2011 budget proposal, the Academy's Health Practice Council continues to urge the president and Congress to undertake comprehensive Medicare reform. An updated Call to Action¹⁴ outlines four goals that any comprehensive reform of the program must seek to achieve: the Hospital Insurance trust fund must meet short-range financial adequacy, the fund must meet long-range actuarial balance, the program's growing demand on the federal budget must be reigned in by a reduction in the growth in general revenue contributions, and overall Medicare spending must be limited by a reduction in the growth of spending.

NAIC Activities

The Academy's Medicare Supplement Work Group issued a letter¹⁵ in February to the co-chairs of the NAIC Medicare Supplement Compliance Manual Subgroup of the Accident and Health Working Group of the Life and Health Actuarial Task Force. The letter highlighted specific areas in which the Academy believes that the Medicare Supplement Compliance Manual could be improved regarding 1990 and 2010 standard plans.

On December 4, Shari Westerfield provided testimony¹⁶ at a public hearing on health care reform during the National Association of Insurance Commissioners' (NAIC) Winter 2009 National Meeting. The testimony outlined several issues that the NAIC would need to address (in terms of implementation at the state level) if federal health care reform is enacted.

New Practice Notes

In December, the Health Practice Financial Reporting Committee released a new practice note¹⁷ on the actuarial certification of restrictions relating to premium rates in the small group market. The practice note was originally developed to provide guidance to actuaries who prepared small group actuarial certifications required by state laws and regulations. The updated version of the practice note incorporates the passage of Actuarial Standard of Practice (ASOP) 26, *Compliance with Statutory*

and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans. It also has been updated to reflect relevant revisions of certification requirements in various states and practical changes that have occurred since the original publication.

Ongoing Activities

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

Health Practice Financial Reporting Committee (Darrell Knapp, Chairperson)—The committee currently has one practice note on contract reserves under review.

Long-Term Care Principles-Based Work Group (Bob Yee, Chairperson)—This work group is forming a joint Academy/SOA task force to develop and recommend valuation morbidity tables for long-term care insurance at the request of the NAIC's Accident and Health Working Group.

Stop-Loss Work Group (Eric Smithback, 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.

Disease Management Work Group (Ian Duncan, Chairperson) – This work group has begun development of a public statement on evaluating wellness programs.

Medicare Supplement Work Group (Michael Carstens, Chairperson)—This work group has submitted recommended changes to the Medicare Supplement Refund Formula to the NAIC's Medicare Supplement Refund Formula Subgroup, of the Accident and Health Working Group, and continues to work with the NAIC to develop a refund formula.

Solvency Work Group (Donna Novak, Chairperson) —The NAIC International Solvency Working Group released a paper related to regulatory capital requirements. There were 60 questions posed in the paper and the Academy responded to those questions. This work group provided comments for inclusion in the overall Academy response.

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

¹⁴ http://www.actuary.org/pdf/medicare/med_reform_feb10.pdf

¹⁵ http://www.actuary.org/pdf/health/compliance_manual_feb10.pdf

¹⁶ http://www.actuary.org/pdf/health/naic_dec09.pdf
http://www.actuary.org/pdf/health/smallgroup_dec09.pdf

¹⁷ http://www.actuary.org/pdf/health/smallgroup_dec09.pdf