



SOCIETY OF ACTUARIES

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Soundbites

from the American Academy of Actuaries' Health Practice Council Activities

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What's New

Even as Congress faces the political quagmire of raising the debt limit and crafting a deficit reduction proposal that could achieve bipartisan support, work on the implementation of the Affordable Care Act (ACA) continues. Several significant regulations were released this spring and summer, including proposed rules on the implementation of the exchanges; the standards associated with the risk adjustment, reinsurance and risk corridor mechanisms; and the establishment of accountable care organizations (ACOs). The Health Practice Council (HPC) continues to task a number of work groups with providing input and responding to requests for information from the Department of Health and Human Services (HHS), the National Association of Insurance Commissioners (NAIC) and other interested parties, as well as commenting on proposed and final regulations issued on the various provisions of ACA.

In late February, the HPC and Federal Health Committee held their annual Capitol Hill visits. Twenty-three members visited 30 congressional offices, government agencies and external organizations over the course of a two-day period. During these visits, Academy members responded to questions on a wide variety of issues, primarily related to ACA: the Community Living Assistance Services and Supports (CLASS) Act, essential benefits and actuarial value, the large employer response to ACA, alternatives to the individual mandate, the effect of ACA on premiums, payment reform, Medicare and Medicaid. The information gleaned from these visits helps guide the council's priorities for the short and long term.

While health reform implementation remains a significant priority for the HPC, the council continues to work on other relevant issues, as well. Specifically, there has been an increased focus on Medicare's long-term sustainability in light of associated deficit-reduction proposals. Work groups also are working with the NAIC on various projects including the development of a long-term care

valuation table, an update of the cancer cost tables and a review of the MedSupp refund formula.

Some of the more recent communications to HHS and the NAIC on several of the HPC's priority issues are highlighted below.

Medicare

In July, the Academy's HPC submitted written testimony¹ to the House Ways and Means Subcommittee on Health in response to a hearing on the 2011 Medicare Trustees Report.

On May 27, the Academy also hosted a Capitol Hill briefing on the trustees' report. Tom Wildsmith, the vice president of the Academy's HPC, and Cori Uccello, the Academy's senior health fellow, presented the findings of the trustees' report and offered an actuarial perspective on options to address Medicare's long-term sustainability. The briefing was held in conjunction with the release of the Medicare Steering Committee's annual issue brief² examining the findings from the annual report.

In May, the Academy's Medicare Steering Committee released a new issue brief³ that summarizes the key cost, access and quality issues associated with some of the Medicare-related provisions in the various debt and deficit reduction proposals.

Accountable Care Organizations (ACOs)

On June 6, the Academy's Health Care Quality Work Group submitted comments⁴ to the Centers for Medicare & Medicaid Services (CMS) on the proposed rule implementing the Medicare Shared Savings Program under the ACA.

The work group also released two new publications in June, also on the Medicare Shared Savings Program and ACOs in general:

A fact sheet⁵ that provides an overview of the Medicare Shared Savings Program and how ACOs are addressed in the ACA.

¹ http://www.actuary.org/pdf/health/medicaretestimony_070511_final.pdf.

² <http://www.actuary.org/pdf/health/Medicare%20Financial%20IB%20Final%20052511.pdf>.

³ http://www.actuary.org/pdf/Medicare_Financial_IB_Final_051211.pdf.

⁴ http://www.actuary.org/pdf/Acad_on_ACO_prop_regs_060711_final.pdf.

⁵ http://www.actuary.org/pdf/ACO_fact_sheet.pdf.

⁶ http://www.actuary.org/pdf/ACO_issue_brief.pdf.

⁷ http://www.actuary.org/pdf/Risk_Adjustment_IB_FINAL_060811.pdf.

A new issue brief,⁶ *An Actuarial Perspective on Accountable Care Organizations*, which outlines a number of issues that stakeholders should evaluate as ACOs are created and implemented.

Risk-Sharing Mechanisms

In June, the Academy's Risk-Sharing Work Group released a new issue brief,⁷ *Risk Adjustment and Other Risk-Sharing Provisions in the Affordable Care Act*. The brief provides an overview of the three risk-sharing mechanisms in the ACA—risk adjustment, reinsurance and risk corridors—and examines the risks each of the mechanisms can mitigate.

Actuarial Value

In a new issue brief,⁸ *Actuarial Value under the Affordable Care Act*, the Academy's Actuarial Value Subgroup offers an overview of the concept of actuarial value and its calculation under ACA.

Medicaid

On June 16, three members of the Academy's Medicaid Work Group gave a presentation to staff at CMS on the Medicaid rate-setting process for Medicaid Managed Care programs. The presentation⁹ was broadcast via video conference to all 10 CMS regional offices nationwide. It included a discussion about base data adjustments, base data sources, risk adjustment, risk-sharing arrangements and performance incentives.

CLASS Act—Congressional Testimony

On March 17, Al Schmitz provided testimony¹⁰ on behalf of the Academy at a U.S. House Energy and Commerce Subcommittee on Health hearing on the CLASS Act. Schmitz testified that despite the inclusion of the requirement that the program be actuarially sound over a 75-year period, it would be difficult to achieve under the current program design.

In July, Steve Schoonveld, the co-chairperson of the Joint Academy/Society of Actuaries (SOA) CLASS Act Task Force, gave an update¹¹ on the CLASS program at the National Conference of Insurance Legislators (NCOIL) Summer Meeting.

Consumer Operated and Oriented Plans (CO-OPs)

On March 4, the Academy's CO-OP Subgroup submitted a letter¹² in response to the HHS request for comments on the planning and establishment of CO-OPs. The proposed rule on CO-OPs was released in July, with comments due in September.

Premium Review

On June 28, the Academy's Premium Review Work Group submitted comments¹³ to the CMS in response to the revised preliminary justification and consumer disclosure forms for the purposes of rate review disclosure and reporting requirements under ACA. The comments reflected changes made to the initial set of forms and instructions, which the work group also submitted comments¹⁴ on in May.

NAIC Activities

On Feb. 18, the Academy's Long-Term Care Practice Note Subgroup sent a letter to the NAIC's Long-Term Care Task Force and Health Actuarial Working Group informing them of the creation of the Academy's subgroup. The subgroup is charged with updating the Academy's 2003 practice note, Long-Term Care Insurance Compliance with the NAIC LTCI Model Regulation Relating to Rate Stability.

Ongoing Activities

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

Health Practice Financial Reporting Committee

(Darrell Knapp, Chairperson)—The committee has reviewed the list of Academy health-related practice notes that need updating and will decide a process for moving forward as to the timeline for development.

Medicare Steering Committee (Ed Husted, Chairperson)—The committee is developing a series of public statements related to specific Medicare-related provisions included in recent deficit reduction proposals.

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⁸ http://www.actuary.org/pdf/Risk_Adjustment_IB_FINAL_060811.pdf.

⁹ http://www.actuary.org/pdf/Risk_Adjustment_IB_FINAL_060811.pdf.

¹⁰ <http://www.actuary.org/pdf/Allen%20Schmitz%20Acad%20CLASS%20testimony%20031511.pdf>.

¹¹ <https://www.actuary.org/pdf/health/NCOIL%20CLASS%20Act%20Presentation%20Final.pdf>.

¹² <http://www.actuary.org/pdf/health/AAA%20comments%20on%20co-op%20rfi%20030411%20final.pdf>.

¹³ http://www.actuary.org/pdf/health/Acad_cmts_on_discl_forms_062811_final.pdf.

¹⁴ <http://www.actuary.org/issues/pdf/Acad%20cmts%20on%20disclosure%20forms%20050211.pdf>.

Academy/SOA Cancer Claims Cost Tables Work Group (Brad Spenny, Chairperson)—The work group has been charged with evaluating and updating the 1985 cancer claims cost tables. Last November, the work group submitted a survey to companies that write cancer insurance to get their opinions about the table. Not enough companies have submitted responses, so the work group is working with the SOA to come up with an alternative plan.

Disease Management Work Group (Ian Duncan, Chairperson)—This work group is in the final stages of developing a public statement on evaluating wellness programs.

Group Long-Term Disability Work Group (Darrell Knapp, Roger Martin, Co-chairpersons)—This work group has been charged with developing a valuation table for group long-term disability insurance. The work group expects to complete the table by the first quarter of 2012.

Health Practice International Task Force (April Choi, Chairperson)—A subgroup of the task force published articles in the September issue of *Contingencies* on the health care systems in Japan and Singapore as well as an article in the January issue of *Contingencies* on risk adjustment. The Task Force has created two subgroups, one focusing on long-term care systems in foreign countries and one on types of wellness initiatives in foreign countries.

Health Receivables Factors Work Group (Kevin Russell, Chairperson)—This work group is reviewing current health care receivables factors for the NAIC's Health RBC Working Group and providing guidance.

Long-Term Care Principles-Based Work Group (Al Schmitz, Chairperson)—This work group has formed a joint Academy/SOA task force to develop and recommend valuation morbidity tables for long-term care insurance (LTCI) at the request of the NAIC's Accident and Health Working Group. The group is working with a company to help solicit the data for and determine the structure of the morbidity tables. The project is expected to be completed by the third quarter of this year.

Long-Term Care Valuation Work Group (Bob Yee, Chair)—This group is developing valuation morbidity tables for LTCI. A company is currently analyzing the data and will report to the work group when it is ready.

Long-Term Care LTCI Practice Note Update (Warren Jones, Chairperson)—This work group has been formed with the goal of updating the Academy's 2003 LTCI practice note. The group expects to complete the practice note update by the end of the year.

Medicaid Work Group (Mike Nordstrom, Chairperson)—This work group conducted a presentation in June to CMS regarding the Medicaid rate-setting process. The Actuarial Standards Board (ASB) has approved the work group's request to have the 2005 Medicaid Managed Care practice note developed into an actuarial standard of practice (ASOP) and has formed a task force to complete this task.

Medicare Part D RBC Subgroup (Brian Collender, Chairperson)—This subgroup is recommending changes to Medicare Part D RBC formula and has asked the NAIC's Health RBC Working Group to assist with administering a survey of companies that write Medicare Part D business.

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. The NAIC is compiling a database of selected states for this project and will update the work group when it is finished.

Health Solvency Work Group (Donna Novak, Chairperson)—The work group continues to evaluate the current health RBC covariance calculation for potential changes to the calculation or methodology and the impact of health reform on the health RBC formula. The work group will be predominantly focused this year on the NAIC's Solvency Modernization Initiative (SMI). The report was submitted on Jan. 31.

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 in discussions to have someone from the University of Connecticut transform the data results into a loss ratio variance model.

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