



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

Every four years brings Leap Day, the Summer Olympics, and a U.S. presidential election. Although the actuarial profession doesn't have any particular insights into the first two events, we can provide a unique perspective on issues relevant to the presidential campaigns. It is often difficult for voters to sift through the various campaign promises, political rhetoric, and potentially misleading information dominating the headline news. The actuarial profession can provide objective information and technical expertise to both candidates and the public.

To this end, the Academy's Health Practice Council (HPC) has begun the task of creating 2012 campaign toolkits on health policy related issues, including Medicare and the ongoing implementation of the Affordable Care Act (ACA). These toolkits are designed to provide Academy members across all practice areas with the tools necessary to deliver objective information about health care-related issues within their own communities. They include a standard PowerPoint slide deck that can

be used to present information on a relevant subject, notes to assist members with crafting public presentations, and Academy issue briefs and other policy statements that can be handed out or used to enhance the presentation. The toolkits also will include voter guides that highlight the key facts about the relevant subject and suggest questions to consider when evaluating various proposals by candidates.

The Academy published the first toolkit in November. It focuses on Medicare's financial condition and provides an overview of the basic structure of Medicare, the challenges to the program's solvency and sustainability, and options that have been proposed to reform the program. Containing the same types of educational material that the HPC shares with policymakers, it is formatted in a way that can be easily communicated to the general public via community associations and or local media outlets. Future toolkits will be released on topics related to the ACA and health reform topics in general.

For the Academy, the goal of informing the general public begins with informing our own membership. As such, the HPC has hosted two recent webinars that were intended to provide actuaries across practice areas with some basic information on both Medicare and the ACA in general. In addition, the webinars highlighted the activities in which the HPC has engaged to educate policymakers and regulators on the actuarial implications of proposals to address Medicare's financial condition and rules designed to implement the ACA. The first webinar in December, which attracted more than 1500 actuaries, focused on Medicare and went over much of the information that is included in the campaign toolkit. The second webinar in February focused on the coverage expansion and market reform provisions in the ACA. More than 1800 actuaries attended the webinar, which provided information on the uninsured and pre-reform markets, highlighted many of the key provisions in the ACA that expand coverage, and discussed the implementation status of five provisions of particular interest to actuaries (MLR, rate review, actuarial value, essential health benefits, and risk-sharing mechanisms).

In addition to the new campaign toolkits and these webinars, members also can access our other publications that address a variety of health-related policy issues. The following publications represent a sampling of some of our most recent (as of the time this article was written) communications to Capitol Hill, HHS, CMS, and the NAIC.

Amicus Brief

In November, the U.S. Supreme Court announced that it would hear a challenge to President Obama's health reform law. The court said it would consider arguments relating to the ACA including: whether the individual mandate is constitutional, and if not, whether that affects the feasibility of other provisions of the law; whether the challenges have standing to contest the law (under the Anti-Injunction Act); and whether the expansion of the Medicaid program is constitutional. The court is expected to hear arguments at the end of March, with a final decision expected in June.

In January, the Academy filed an amicus curiae brief¹ with the court on the question of whether to overturn a lower court ruling that the individual mandate could be "severed" from the guaranteed issue and modified community rating provisions in the ACA. The Academy's brief provides actuarial input to the court on the consequences of severing the mandate—should it be invalidated by the court—and allowing the market reforms to remain in effect. It addresses the adverse selection that would result if the mandate were severed from the guaranteed issue and modified community rating provisions, noting that it would lead to lower participation and higher health insurance premiums. This point consistently was made by the Academy during the deliberations on the health reform legislation—that along with any market reforms, mechanisms to ensure a broad cross-section of enrollee participation was necessary. The Academy did not take a position on the law itself, on the constitutionality of the mandate, or whether the mandate is severable from any provisions in the law other than those related to guaranteed issue and modified community rating.

MLR

On Feb. 14, the Academy's Medical Loss Ratio Work Group sent a letter² to CMS regarding its exposure draft of the annual MLR reporting form. The letter outlined concerns with excluding duration-related contract reserves from the MLR calculation.

On Feb. 8, the SOA and the Academy jointly sponsored a webinar: Medical Loss Ratios—Final Regulations and Repercussions for the Health Insurance Marketplace. More than 225 actuaries attended the webinar, which addressed the differences between the interim and final regulations for MLR reporting and rebates, insurer experiences to date, areas of uncertainty in MLR and rebate calculations and how regulators may respond, and implications for 2014 and beyond.

Actuarial Value

On Jan. 31, the council's Actuarial Value Subgroup sent a comment letter³ to the Assistant Secretary for

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Planning and Evaluation (ASPE) at HHS providing comments on its research brief, *Actuarial Value and Employer-Sponsored Insurance*. The letter addresses the effect differences in levels of coverage between large and small employers can have on actuarial value and the effect different models, methods, and data can have on the calculation of actuarial values. The letter also encourages potential additional analysis that would provide insight on how AV can vary based on employer size, plan type, and insurance status.

Rate Review

On Nov. 1, the Academy's Premium Review Work Group sent a letter⁴ to the Massachusetts Senate regarding an amendment to the state budget bill that would require any disapproval of health insurance rates to be "supported by sound actuarial assumptions and methods." The amendment was vetoed by Massachusetts Gov. Deval Patrick, but was overridden in the Massachusetts House. The Senate's attempt to override the veto on Nov. 16 failed.

On an issue related to the implementation of the new rate review process under the ACA, in November

the HPC co-signed a letter⁵ with the Committee on Qualifications to the Arizona insurance director pointing out that the state's regulatory definition "qualified actuary" for health premium actuarial certifications was inappropriate and suggested corrective language. A second letter⁶ urging a clarification of the definition of "qualified actuary" was sent in February after the department responded to the Academy that no modifications would be made.

Essential Health Benefits

On Jan. 31, the Academy's Individual and Small Group Market Task Force submitted a letter⁷ to HHS on its December 2011 bulletin on essential health benefits under the ACA. The Academy's comments addressed issues related to benefit design flexibility, scope of benefits, mandated benefits, and actuarial equivalence.

NAIC Activities

On Dec. 9, the Academy's Pension Accounting Committee and Joint Committee on Retiree Health submitted a comment letter⁸ to the National Association of Insurance Commissioners (NAIC) on the exposure drafts of Statements of Statutory Accounting Principles (SSAP) No. 92 and No. 102. These exposure drafts are intended to replace existing standards governing accounting for pension benefits and postretirement benefits other than pensions (OPEBs).

On Nov. 2, the Academy's Cancer Claims Cost Tables Work Group submitted a letter⁹ to the NAIC's Health Actuarial Task Force (HATF) indicating progress it has made over the last year and informing HATF of what it intends to do in the coming year.

Also on Nov. 2, the Academy/SOA Long-Term Disability Work Group updated¹⁰ HATF on the work group's progress on the creation of a valuation table for group long-term disability. The joint work group has created three subgroups (margins, table development, and company experience) to assist in the development of the table and completion of the project. The work group expects the table to be completed by March 2012.

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 has reviewed the list of Academy health related practice notes that need updating. It is currently updating the Large Group Medical Business Practice Note and will be updating the 1995 Long-Term Care Insurance practice note in 2012.

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.

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. In November 2010, the work group submitted a survey to companies that write cancer insurance to get their opinions about the table. Not enough companies submitted responses, so the group is working with the SOA to submit a smaller data call in early 2012.

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 second quarter of 2012.

Health Practice International Task Force (April Choi, Chairperson) – 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. The long-term care subgroup is publishing an article on international long-term care challenges in the March/April 2012 issue of Contingencies.

Health Receivables Factors Work Group (Kevin Russell, Chairperson) – This work group is review-

ing 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 at the request of the NAIC's Accident and Health Working Group. The work group is summarizing results from various scenarios to determine the structure of the morbidity tables. The project is expected to be completed by final quarter 2012.

Long-Term Care Valuation Work Group (Bob Yee, Chair) – This group is developing valuation morbidity tables for LTCI. The work group is working with the Medical Information Bureau (MIB) to finalize the data and will construct the tables in March 2012 and compile a draft report by July 2012.

Long-Term Care LTCI Practice Note Update (Warren Jones, Chairperson) – This work group has been formed with updating the Academy's 2003 LTCI practice note. The work group expects to release an exposure draft of the practice note in early 2012.

Medicaid Work Group (Mike Nordstrom, Chairperson) – The ASB has approved the work group's request to have the 2005 Medicaid Managed Care practice note developed into an 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. The subgroup is awaiting further guidance from the NAIC.

Medicare Supplement Work Group (Michael Carstens, Chairperson) – This work group has submitted recommended changes to the Medicare

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Supplement Refund Formula to the NAIC's Medicare Supplement Refund Formula Subgroup. 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. The work group has been

asked by the NAIC's Health RBC Working Group to look at various missing health risks related to the RBC formula.

Stop-Loss Work Group (Eric Smithback, Chairperson) – This work group is continuing to update a 1994 report to the NAIC on stop-loss factors.

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. ■

END NOTES

- ¹ http://www.actuary.org/pdf/Academy_amicus_%2811-393%29.pdf
- ² http://www.actuary.org/pdf/health/MLRRWG_cmts_MLRreportingForm_120214.pdf
- ³ http://www.actuary.org/pdf/health/ASPE_AV_ESI_comment_letter_120131.pdf
- ⁴ http://www.actuary.org/pdf/health/PRWG_letter_MArate_review_budget_amend_111101.pdf
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- ⁶ <http://www.actuary.org/pdf/health/Hard-Copy-Academy-comment-letter-to-AZ-Dept-Feb-10-2012.pdf>
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- ⁸ http://www.actuary.org/pdf/naic/AAA_to_NAIC_SSAP_92_102_120911.pdf
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