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Excerpts from the Health Meeting 2013

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All in all, the 2013 Health Meeting was one of the best meetings the Society of Actuaries has ever held. The energy was high, and the sessions were informative and timely. In speaking with a couple of board of directors members who practice in other fields and never attended a health meeting before, they were very impressed with the content of the sessions, the amount and quality of volunteer speakers, and the participant interactions both in and out of sessions. We must agree: The health meeting was excellent, and it is because of the many volunteers who step up to coordinate, moderate and present. It is also because of the audience, who listened, asked great questions and kept the energy levels high. Thank you all. Another special word of thanks goes to Karl Volkmar, the meeting's chair, as well as Valerie Nelson, the meeting's vice chair. They did a great job. A reminder to all of you: If you are interested in presenting or moderating for the 2014 Health Meeting, please reach out soon to Valerie Nelson at valerie_nelson@bcbsil.com or Kristi Bohn at kbohn@soa.org. As you read this, the 2014 planning is already well underway.

Below is an overview of four great sessions from the health meeting. While most health meeting presentation materials are available for free on the SOA website, many of the sessions were recorded. The audio from these sessions, linked to the slides, is now available online through purchase at www.soa.org.

Session 32: ASOP 45 Risk Adjustment Deep Dive

Session 32 covered the content of a professionalism standard in a unique way. Approaching excerpted provisions of the standard one by one, the panelists Syed Mehmud and Bill O'Brien commented on how each provision plays a role in a variety of risk adjustment projects. In this way, while the session was very much a conversation about the professionalism standard, it was also fairly technical. Syed and Bill are both co-authors of separate SOA-commissioned studies that involve the evaluation of risk adjustment for different purposes and under different circumstances. They provided great

advice for those of you who are new or experienced with risk adjustment. For example, consistency is a key consideration; the consistency in claims run-out timing or claims coding completeness between you and your competitors is very important when revenue transfers are at stake. Syed explained, "Risk adjustment scores follow a different run-out pattern than claims." They also made an important point about the perceived flaws of the risk adjustment methodology including possible inconsistencies due to user errors, incomplete data or strategic reactions to risk adjustment. Because the system is consistently applied to each party, this normally does not present a material consequence to the final transfer of funds unless there are some biases being actively leveraged by one party. Another piece of great advice: create a pre-conceived expectation of the prevalence and risk score magnitude by condition, and then reconcile your actual results against that expectation to search out possible user errors. Seeking counsel from others is advised in the standard; Bill and Syed mentioned how important clinicians and statisticians have been to them. All in all, this professionalism session was timely, interesting and technically helpful.

Session 52: Actuarial Soundness, the CMS Checklist and Rate Certification Letters as They Relate to Medicaid Managed Care Rate Setting

Session 52 of the spring health meeting focused on the rate-setting process for Medicaid. The scope ranged from a discussion of how CMS views the landscape, as presented by Christopher Truffer, as well as a presentation of the Medicaid Managed Care Strategic Plan from Nicole Kaufmann, the acting technical director of the Center for Medicaid and CHIP Services. It was riveting to hear directly from CMS about what they are planning and what is important to them, since the profession is often receiving this information viewed as it applies to particular state programs.

Rob Damler reviewed the mechanics of the actuarial certification of rates, including a discussion of how the checklist and the 2005 AAA Practice Note



interact, as well as a note that the GAO felt that something more binding on actuaries was needed; the Academy is working on an ASOP to be released for comment in 2014.

Katia Bogush addressed the nuts and bolts of rate setting with a presentation so comprehensive and specific that we have asked her to redo the presentation in a webcast this fall so we can spend more time on this important topic. She gave an excellent compendium of everything a careful actuary needs to keep in mind when working through the checklist, along with enlightening additional information about the process that cannot be put into a dry document. Watch for an announcement about this webcast.

Session 64: Medicaid Coverage of Medicare Beneficiaries—Dual Eligibles under the ACA

Session 64 was another Medicaid session, this time looking at the dual eligibles (dual eligibles are those who are covered under both the Medicare and Medicaid programs). Two actuarial speakers, Tom Carlson and Shelly Brandel, delivered a professional and interesting presentation on how rates are developed for the demonstration programs. These demonstration programs seek to integrate

care between the state and federal programs. Shelly discussed the process for rate setting, as well as the motivation and the mechanics behind the proposals. Tom discussed details on demonstration proposals in four states: Ohio, Massachusetts, California and Illinois.

In addition to these very useful, topical and excellent presentations, the redoubtable Pam Parker from the Minnesota Department of Human Services gave us a rousing and exciting overview of the dual-eligible population, how they have interacted with the system, ways to address their specific issues, the state and federal perspective, what was at stake, where the programs were headed, possible pitfalls, along with her perspective after decades of inspired and diligent work in this area.

Session 98: The Impact of ACA on Entrepreneurs

A session at the end of the meeting featured Dr. Robert Graboyes, a health care advisor at the National Federation of Independent Business (NFIB) and a health economics professor at Virginia Commonwealth University, University of Virginia, George Mason University and George Washington University. NFIB is a lobbying firm

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for small businesses and entrepreneurs. When at your local strip mall, you might find an NFIB logo displayed on a storefront. Graboyes has not been an admirer of the Affordable Care Act and is often quoted in the popular press as such. In particular, he is cautiously pessimistic about how the Affordable Care Act will affect small businesses' health care premiums in the future, stating "no one knows." While admitting that some businesses' net premiums will be lower, and noting that the small business tax credits that are newly available could help, a major concern is that entrepreneurs do not like uncertainty. And most small employers are uncertain as to where their premiums will land over the next few years.

According to Graboyes, most small business owners lack the experience and interest to become or hire human resources experts. He stated that many would rather pay an employee more money and allow that employee to purchase an individual product, especially now that they know that all of their employees can obtain insurance. He said small employers were worried that employees may blame the employer for aspects of reform that are beyond the control of the employer. He also pointed out that small employers are worried that the Internal Revenue Service (IRS) may not agree with their determination to not offer health insurance directly. As an example, he reported that couples who own separate small businesses, or heavily invest in their children's businesses, are worried about the possibility that years in the future, certain overzealous IRS employees will inconsistently determine that certain business ventures must be joined when determining employee counts, thus implying massive hindsight penalties for those who failed to offer their employees health insurance for years. He noted that some small businesses are proactively becoming smaller in order to avoid having to offer health insurance by outsourcing or spinning off certain functions such as payroll, accounting, sales and technology. Graboyes pointed out that even large

public institutions, such as community colleges, are unexpectedly negatively affected by the Affordable Care Act; for example, many adjunct professors are seeing their hours and thus pay cut so that their college or university can continue to avoid offering them health insurance.

When asked whether brand new entrepreneurs might emerge because they know that they will have guaranteed access to health insurance starting in 2014, Graboyes said that this is a possibility, but there have been no research studies to verify and quantify this effect, and the overall question of affordability at the individual business level is still an issue. He suggested that a study of this possible new entrepreneurial resource through measurement of pre-ACA efforts in states such as Massachusetts, New York, Vermont and New Jersey would be valuable.

Graboyes pointed out that the study commissioned earlier this year by the Society of Actuaries on modeling the possible underlying claims cost changes of the insurance markets was, in his view, the only credible resource he has yet read on the long run compositional changes anticipated due to the complex and numerous insurance rule changes contained within the Affordable Care Act. However, he pointed out that the degree of uncertainty around the underlying forces is not known and was not studied. Further, the premium effects on any given individual or small business are still uncertain, and if there is one thing entrepreneurs do not like, it is uncertainty. ■