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Articles in the *North American Actuarial Journal* of Interest to Health Actuaries

By Ian Duncan

There have not been articles in the *North American Actuarial Journal* recently of specific interest to health actuaries. However, Vol. 21, Issue 2, just published an article that is relevant to many of us: “An Efficiency-Based Approach to Determining Potential Cost Savings and Profit Targets for Health Insurers: The Case of Obamacare Health Insurance CO-OPs,” by Charles C. Yang and Min-Ming Wen. Unfortunately, because of the time it takes to complete an article, go through peer-review and make necessary changes, events have proceeded apace in the ACA, including the insolvency and closure of many co-ops. Nevertheless the discussion will still be of interest to many health actuaries.

AN EFFICIENCY-BASED APPROACH TO DETERMINING POTENTIAL COST SAVINGS AND PROFIT TARGETS FOR HEALTH INSURERS: THE CASE OF OBAMACARE HEALTH INSURANCE CO-OPS

By Charles C. Yang and Min-Ming Wen

This research analyzes the performance of the health insurance consumer-operated and -oriented plans (CO-OPs), examines their medical services and operating efficiency, proposes an efficiency-based goal-oriented approach for cost reductions, profit targets, premium changes and government subsidies, and provides an important guide for improvement potentials for both the CO-OP health insurance model and other health insurers. The CO-OPs are not satisfactory in the medical services efficiency, and they are much less efficient compared with other insurers. Potential cost reductions are significant using various (conservative) efficiency goals. Most CO-OPs suffer underwriting losses, as do many other insurers; a few CO-OPs are much more operating efficient than other insurers, but all CO-OPs need significant improvement of financial performance relative to benchmark insurers. Incorporating potential cost reductions, many CO-OPs would barely require any “premium changes and government subsidies,” and they are even capable of paying back the federal loans. With both potential cost reductions and

premium increases, more CO-OPs would not need any help from the government but survive on their own. This research informs public debates and all stakeholders (including management, consumers, regulators, policymakers) of improvement potentials to be considered for related decision making besides other factors including the political environment and government policies. ■



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