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The Role of the Actuary in Self-Insurance Released

By Hobson Carroll and Jim Mange

The Society of Actuaries (SOA) Health Section's Self-Insurance Task Force has released its white paper, *The Role of the Actuary in Self-Insurance*.¹ Written by actuaries for actuaries, the white paper identifies and describes the many ways—from advising self-insured plan sponsors to delivering risk mitigation products to self-insured plans—in which actuaries contribute to the self-insurance market for health care.

Self-insurance is, arguably, the single most important approach in the private market to financing health benefits in the United States. The Henry J. Kaiser Family Foundation (KFF) estimates that employer-sponsored health benefit plans cover about 151 million people and that 60 percent of covered workers are

enrolled in self-insured plans.² And the self-insurance environment keeps changing. For example, the U.S. Department of Labor (DOL) released a proposed rule³ in January 2018 that would redefine the meaning of “employer” under the Employee Retirement Income Security Act of 1974 (ERISA).

Among other things, the new rule would permit associations of employers (called association health plans) to be treated as employers under ERISA. Such associations could choose to self-insure, expanding the market for self-insurance. A deep understanding of self-insurance—both its upside potential and its downside risks—would enable actuaries to provide wise advice to their principals as the rule is finalized.

The Self-Insurance Task Force was formed in 2017 as a strategic initiative of the Health Section. Its purpose is to provide educational material that fills some of the gaps in the actuarial literature around self-insurance. In so doing, it defines terms commonly used in the self-insurance industry today, noting how some terms may have similar meanings and the same term may have multiple meanings.

Available on the Health Section's webpage, *The Role of the Actuary in Self-Insurance* covers the following:



- At an overview level, how employee benefit plans and stop-loss insurance are regulated from early regulations through to the Affordable Care Act (ACA)
- The differences between fully and self-insured plans, including the advantages and disadvantages of self-insuring
- The decisions that must be made once a plan sponsor has decided to self-insure
- How self-insured plans are managed from plan design and contribution strategy to budgeting and risk mitigation
- Self-insured plan cash flows
- Stop-loss insurance products, features, pricing, reserving and management

It also describes the many intersections between the role of actuaries and those of federal and state regulators.

As co-chairs, we owe a debt of gratitude to the members of the task force: Jeremy T. Benson, FSA, FCAS, MAAA; Kristi M. Bohn, FSA, EA, MAAA, MSPA; Michael A. Kemp, FSA, MAAA; Mehboob A. Khoja, FSA, MAAA; David E. Olsho, FSA, MAAA; Shaun L. Peterson, FSA, MAAA; Nicholas M. Sarneso, FSA, MAAA; Brent W. Seiler, FSA, MAAA; Joseph P. Slater, FSA, MAAA; Gregory J. Sullivan, FSA, MAAA; Dustin D. Tindall, FSA, MAAA; and David Wilson, FSA, FCIA, MAAA. Their writing and review made our jobs so much easier. We also want to recognize Thomas A. Doran, FSA, MAAA, and Karin M. Swenson-Moore, FSA, MAAA, for providing independent peer

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ENDNOTES

- 1 *The Role of the Actuary in Self-Insurance* can be found on the Health Section webpage at <https://www.soa.org/sections/health/health-landing/>.
- 2 The Henry J. Kaiser Family Foundation. 2017 Employer Health Benefits Survey. Section 10: Plan Funding, October 10, 2017, www.kff.org/report-section/ehbs-2017-section-10-plan-funding/ (accessed March 28, 2018).
- 3 Employee Benefits Security Administration. Definition of "Employer" Under Section 3(5) of ERISA-Association Health Plans. *Federal Register*, January 5, 2018, www.federalregister.gov/documents/2018/01/05/2017-28103/definition-of-employer-under-section-35-of-erisa-association-health-plans (accessed March 28, 2018).