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AN UPDATE ON PPACA

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The Social Insurance & Public Finance (SIPF) Section sponsored a session at the Society of Actuaries (SOA) Annual Meeting in Chicago on the impacts of the federal health legislation called the Patient Protection and Affordable Care Act (PPACA) on Oct. 19, 2011. Panelists included Shubham Singhal of McKinsey, Stacey Muller of Milliman, and Mark Litow, chairman of the SIPF. The more salient comments of the panelists are summarized below.

Singhal discussed the impact the law would have on providers and payors based on an analysis McKinsey did of the estimated impacts of the reform. For more information, see the McKinsey report on this subject, which is public.

Muller discussed the current state of regulations being implemented or drafted relating to the law. Her focus was on minimum loss ratios, development of exchange regulations, and the essential or minimum benefit provisions. Regulations for minimum loss ratios are anticipated to have the greatest impact on the individual market as the 80 percent minimum loss ratio is higher than most companies target in today's market, whereas the small and

large group markets will see much smaller, if any, impact. Regulations and development of exchanges are in process and taking different paths in many states; some states prefer a state-controlled exchange within federal requirements of the law, and others appear more likely to adopt the federal fallback position. Regulations for essential benefit provisions are also in development at this time, and Muller discussed issues relating to preventative and other benefits within the law and what might happen in this area. She noted many regulations called for in the law are still in development and are the subject of serious lobbying and debate.

Litow discussed the impacts of PPACA to date on premiums/costs and access to treatment, as well as his estimates of future impacts given what has happened so far. Based on evidence available to date, estimates were that premiums for private coverage have increased by small amounts due to the law so far, with additional impacts expected. Overall, the law is expected to increase costs by 10 to 15 percent in aggregate, with much higher average increases in the individual market, slightly higher average increases in small group, and smaller average increases in the large group market. But he noted estimates may vary dramatically by state within a market. No material cost impacts to date were noted for government coverage, but significant increases were expected in future federal and state costs due to 10 to 20 million people entering Medicaid as well as other provisions in the law. Further, he anticipated substantial reductions in future access to treatment for many population groups, particularly Medicaid, Medicare and uninsured, due to increased demand for services combined with increasing cost pressures.

Each of the presentations is available on the SOA website for this meeting. Questions on the presentations should be directed to the panelist responsible for the material. 