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# Academy work groups go public with analyses of Clinton health care premiums, standard benefits, mental health benefits

by Cecilia Green

**A**nalyses completed by three work groups organized by the American Academy of Actuaries, the profession's public policy voice in the United States, were released to the public through press briefings in Washington, D.C., in April and May. Major daily newspapers, wire services, and trade publications reported the findings of the Guaranteed Standard Benefit Package, the Cost Estimates, and the Mental Health Benefits work groups.

The Academy's Health Practice Council supervises the 17 work groups, which to date have produced eight monographs on issues related to health care reform.

"I truly believe that we — the Academy and the actuarial profession — are having an impact on health care reform," said Academy Executive Vice President Jim Murphy. "We have just done too much analysis and have been invited to testify at too many congressional hearings and asked to brief too many key staffers not to have an impact.

"Of course, the overall direction that the final legislation takes is a political decision. But whatever the final outcome, our input ultimately will contribute to fiscally sounder, better health care reform. And that, after all, is what we as a profession want to accomplish. We'll continue to provide that actuarial input as the reform process continues, as it must, for several years to come."

## Standard package should be pared down

In the April 5 press briefing, Julia Philips, chair of the work group studying Clinton's proposed standard benefit package, told reporters the group recommended a leaner, lower premium package to minimize future cost

problems. She said it would be easier to increase benefits later if cost-saving goals have been met than to cut back coverage under the richer Clinton package. In fact, Philips said, the proposed Clinton benefits would be better than current typical offerings by many businesses, especially small businesses.

The group also recommended a plan that requires individuals to bear a higher level of costs than that proposed, which includes variations with a co-payment of \$5 or \$10 for an office visit and zero annual deductible. Philips said most people can afford a \$15 or \$20 co-payment, and if individuals were required to pay health care costs up front and apply for reimbursement, they would be more aware of actual health care costs.

Other recommendations of the work group include:

- Not to provide equal coverage for mental health care because of the difficulty in determining medically necessary procedures
- A pure HMO-type plan without out-of-network coverage except for emergencies or an alternative HMO plan with higher out-of-network cost-sharing provisions
- A prescription drug benefit favoring generic equivalents and with higher co-payments for higher cost-sharing out-of-network

## Premium estimates off by as much as 20%

On April 21, the Academy's Cost Estimates Work Group released its report stating that national average target premiums prepared by the Clinton administration may be understated by as much as 20%.

The group — Phyllis Doran, Alice Rosenblatt, and Dale Yamamoto —

questioned several key assumptions made by the administration in estimating the cost of premiums to consumers. These assumptions include: (1) the actual cost of health care expenditures in today's markets; (2) the likely cost of covering the currently uninsured population; and (3) the manner in which the premium cap provision has been incorporated into the plan.

The Academy's analysis outlines several elements of the Health Security Act that would produce fundamental changes in today's health care delivery system. The report questions whether such major changes to provider payments can be successfully implemented without leading to either significantly higher premiums or health plan insolvencies. The Academy's analysis that the President's target premiums are understated takes into account the constraints imposed on premium caps by the Act. Estimates without these constraints could range anywhere from 8% to 54% higher than the administration's estimates.

Based on data provided by the Health Care Financing Administration (HCFA), an increase in premiums of 15% would result in a federal budget increase of \$100 billion, due to the cost of subsidies and discounts provided in the legislation. The Academy estimates that a 20% increase may add as much as \$125 billion to the federal budget over a 5-year period.

The report states that one key element in the Health Security Act is that these premiums are subject to constraints; these would be enforced through premium caps. These constraints were a critical factor in the premium estimates.

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Olympics, but Harper said, "I ended my wrestling career on a high note, and now I'm ready to put in as much energy as I did in sports into being an actuary."

The wrestler who edged him out of first place was a rival during tournaments throughout the year. Harper doesn't view it as a loss, though. "I was seeded sixth when I started in the tournament and wrestled the best in my life." His team, the University of Michigan Wolverines, also did well, placing fifth in the championships.

The Monday he got back from the championships, Harper went on his second interview at CNA Insurance Companies in Chicago and soon after that, he found out he got the job. "I didn't want the month of March to end."

Harper graduated this spring with a bachelor's degree in actuarial math and started his job with CNA in June doing casualty actuarial work. After he

finishes the beginning actuarial exams, he plans to follow the casualty track.

### **Actuarial student jumps through hoops to make basketball team**

"I decided to end my senior year with a bang," said Emerson S. Moore II, an actuarial student at the University of Michigan. Before the start of his senior year, Moore trained with the Michigan basketball team for a walk-on position. He had tried for the same position the year before, but didn't make the final cut.

Not easily defeated, Moore survived the grueling workouts and got the walk-on position. The icing on the cake, though, was his team's chance to play in the Sweet 16 NCAA Basketball Tournament this year. The Wolverines had a pretty good season, but lost to Arkansas in the Elite 8 (the third round of the tournament).

Although he didn't get in much



*Emerson Moore (right) blocks a rival during a game.*

court time, Moore values the experiences he gained and the friends he made along the way. "It was a thrill just to wear the uniform," he said.

Moore took his first actuarial exam in May and will graduate in June with a bachelor's degree in actuarial mathematics.

## **Work groups go public (continued from page 6)**

Other findings from the group's analysis focused on features that affect premiums:

- Because the premiums would be community rated, employers with younger-than-average employees who are not now community rated would tend to experience increases in premiums. Similarly, employers with older-than-average employees could see decreases.
- The Act does not describe the cost basis to be used, and no direct link is made between the determination of premium caps and the determination of the fee-for-service schedule. However, these two provisions directly affect each other and would need to be consistent if the premium caps were to be set at a reasonable level.

Roland (Guy) King, HCFA's chief actuary, attended the press conference and made a brief statement after the Cost Estimates Group reported its findings. King praised the Academy's

work group for its "very thorough, professional, and rigorous review" of HCFA actuaries' methodology and assumptions to estimate premiums for the Act. However, he disagreed with certain points in the group's report.

"I feel that, for estimating current health insurance premiums, more reliance should be placed on HCFA's National Health Accounts than on the two proprietary ratebooks used by the work group...that have never been subjected to outside peer review or independent analysis to ascertain if they are nationally representative," King said.

The Academy work group chose a range for the cost of the uninsured population of 80% to 125% of the cost for the insured. "HCFA used analytical techniques to estimate that the uninsured would cost 141% of the cost of the insured," King said.

"The Academy's premium estimates are based on HCFA's model, substituting different assumptions," Murphy

said. "Because most other health care reform proposals before Congress are based on HCFA models and data, the Academy's work on the Clinton proposal has broad applicability to other bills gaining prominence."

### **Mental health group completes work**

Ron Bachman, chair of the Academy's Mental Health Benefits Work Group, spoke with 12 reporters at a briefing breakfast in Washington on May 17, the day the "Actuarial Issues in Designing Mental Health Benefits under Health Reform" monograph was released.

Monographs are available through the American Academy of Actuaries, 1100 Seventeenth Street NW, 7th Floor, Washington, DC 20036, 202/223-8196.