BENDING THE COST CURVE: WHAT DO ACTUARIES THINK?

In May 2010, the Society of Actuaries (SOA) fielded a survey of the 3,372 members of the SOA Health Section living in the United States, asking for their opinions on ways to bend the cost curve in light of the Patient Protection and Affordable Care Act (ACA), the new health reform law passed in March 2010.

We received 633 responses, with 516 complete responses, and the remainder partial responses.

Several of the questions asked for the level of agreement with certain statements or concepts. Other questions asked for open-ended responses, and these responses were compiled and grouped together into categories.

This report was prepared by Sara Teppema, FSA, MAAA, FCA, SOA Staff Fellow for Health. Special thanks to Jill Leprich, SOA Project Specialist, and to Valerie Nelson, FSA, MAAA, for their assistance in compiling these results.
For Immediate Release

Actuaries Believe More Transparency in the U.S. Healthcare System Would Help Bend the Cost Curve Downward

*Society of Actuaries’ Survey Identifies Effective Ways to Reduce Cost Trends and Create a Sustainable Healthcare System*

SCHAUMBURG, Ill., June 29, 2010 – With national healthcare spending expected to rise by hundreds of billions of dollars over the next 10 years, there needs to be a greater emphasis on finding ways to reduce healthcare cost trends. According to the findings from two recent surveys by the Society of Actuaries (SOA), actuaries and consumers both believe that more transparency within the U.S. healthcare system is the key to bending the cost curve downward: Actuaries believe there needs to be more transparency between doctors and patients, while consumers feel they could make more informed decisions if they had more information on medical procedures and options for care.
HEALTH ACTUARIES BELIEVE PRICE TRANSPARENCY, REFORMING MALPRACTICE AND COMBATING FRAUD AND ABUSE WILL BE VERY EFFECTIVE IN BENDING THE COST CURVE FOR THE COMMERCIAL POPULATION.

Question: From your actuarial perspective, please rate these recommendations in terms of how effectively they will reduce the trend of either price or utilization (or both) for the COMMERCIAL population.
HEALTH ACTUARIES BELIEVE COMBATING FRAUD AND ABUSE WILL BE VERY EFFECTIVE IN BENDING THE COST CURVE FOR THE MEDICARE POPULATION.

Question: From your actuarial perspective, please rate these recommendations in terms of how effectively they will reduce the trend of either price or utilization (or both) for the MEDICARE population.
OVER 70% OF HEALTH ACTUARIES AGREE THAT THE EMPLOYER-BASED SYSTEM OFFERS FLEXIBILITY IN PLAN DESIGN AND INCENTIVES, PROMOTES INNOVATION AND IS AN EFFICIENT VEHICLE FOR HEALTH INSURANCE

Responses In Favor of Employer-Sponsored Coverage

- Flexibility in design, incentives
- Efficient vehicle
- Promotes innovation

Question: Please rate your agreement with the following arguments for or against the effectiveness of Employer sponsored coverage to bend the cost curve downward.
OVER 50% OF HEALTH ACTUARIES AGREE THAT THE EMPLOYER SYSTEM HAS INEQUITABLE AND INEFFICIENT TAX TREATMENT AND HINDERS CONSUMERISM. ACTUARIES DISAGREE WIDELY ON WHETHER OR NOT EMPLOYERS SHOULD BE IN THE BUSINESS OF PROVIDING HEALTH INSURANCE.

Responses Against Employer-sponsored coverage

- Tax treatment inequitable and inefficient
- Removes consumerism
- Middleman is inefficient
- Employers should not be in this business

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Question: Please rate your agreement with the following arguments for or against the effectiveness of Employer sponsored coverage to bend the cost curve downward.
HEALTH ACTUARIES CAN HELP INDIVIDUALS MAKE BETTER CHOICES BY PROVIDING RESEARCH ON OUTCOMES AND PAYMENT MODELS

Question: Thinking of the roles in which actuaries may help individuals make better choices as patients and consumers, how effective are each of the following.

- Research on Outcomes and payment models
- Plan designs that incent good choices
- Develop Alternative payment models
- Quality and outcome metrics
- Health risk metrics
- Tiered networks
- ROI metrics for wellness, disease management
- Consumer education on long term risks
- Community wellness

Very effective
Somewhat effective
ACTUARIES SHOULD FOCUS ATTENTION ON CONSUMER EDUCATION AND PROVIDER PAYMENT REFORM TO BEND THE COST CURVE DOWNWARD

Question: From your actuarial perspective, where would you focus most attention in an effort to bend the cost curve downward? Responses were open responses, and have been compiled into categories.

* See appendix for more detail on this topic
ACTUARIES’ GREATEST CONCERNS WITH THE ACA ARE IN THE AREAS OF COST AND INSURANCE REFORM

Question: From your actuarial perspective, what is your greatest concern about the PPACA/HCERA? Responses were open responses, and have been compiled into categories.

* See appendix for more detail on this topic
Question: From your actuarial perspective, what is the most positive aspect of the PPACA/HCERA? Responses were open responses, and have been compiled into categories.

* See appendix for more detail on this topic
APPENDIX I:
DETAIL ON GROUPING OF RESPONSES
WHERE SHOULD THE MOST ATTENTION BE PAID TO BEND THE CURVE DOWNWARD? 
DETAIL ON THE BROAD RESPONSE OF EDUCATION

- Consumer education and personal responsibility for consumer actions
- Consumer education through financial incentives
- Consumer education will lead to decreased utilization
- Provider Education and Consumer Education
- Consumer education will improve overall health of the population

Detail on responses related to the broader topic of Education, in response to the question: From your actuarial perspective, where would you focus most attention in an effort to bend the cost curve downward?
WHERE SHOULD THE MOST ATTENTION BE PAID TO BEND THE CURVE DOWNWARD?
DETAIL ON THE BROAD RESPONSE OF PROVIDER PAYMENT

Detail on responses related to the broader topic of Provider Payment, in response to the question: From your actuarial perspective, where would you focus most attention in an effort to bend the cost curve downward?

- Lower prices of all goods and services
- Capitation or salary based
- Bundling of payments
- Provider incentives
- Outcome based payments
- All providers and facilities are reimbursed equally for equal services

Provider payment reform (general response)
WHERE SHOULD THE MOST ATTENTION BE PAID TO BEND THE CURVE DOWNWARD?
DETAIL ON THE BROAD RESPONSE OF COSTS

Detail on responses related to the broader topic of Cost, in response to the question: From your actuarial perspective, where would you focus most attention in an effort to bend the cost curve downward?
**WHAT ARE THE GREATEST CONCERNS WITH THE ACA?**

**DETAIL ON THE BROAD RESPONSE OF COST**

- Doesn't address costs/spending
- Will add costs
- We can’t pay for it and the deficit impact; unsustainable
- Will add new taxes
- Lack of provider capacity will increase costs
- Administrative and implementation costs are high
- Cost shifting from public to private
- Cost increases will be blamed on the law, before proven

Detail on responses related to the broader topic of Cost, in response to the question: From your actuarial perspective, what is your greatest concern about the PPACA/HCERA?
WHAT ARE THE GREATEST CONCERNS WITH THE ACA?

DETAIL ON THE BROAD RESPONSE OF INSURANCE REFORM

- New insurance rating rules and weak mandate will create adverse selection and increase costs
- New insurance rating rules will cause insolvencies and market consolidation
- It is health INSURANCE reform, not health CARE reform
- Richer benefits will create adverse selection and increase costs

Detail on responses related to the broader topic of Insurance Reform, in response to the question: From your actuarial perspective, what is your greatest concern about the PPACA/HCERA?
WHAT IS THE MOST POSITIVE ASPECT OF THE ACA?

DETAIL ON THE BROAD RESPONSE OF INSURANCE REFORMS

Detail on responses related to the broader topic of Insurance Reforms, in response to the question: From your actuarial perspective, what is the most positive aspect of the PPACA/HCERA?