



Article from
Health Watch
June 2017
Issue 83

Commercial Health Care: What's Next?

A Health Section Strategic Initiative

By David Dillon

The stated purpose of the Affordable Care Act (ACA) was to provide affordable health care to all Americans. The ACA has seen many successes since its passage in March 2010, including a marked reduction in the number of uninsured and a reduction in uncompensated care. While the ACA has reduced the uninsured rate, the health insurance markets have produced much higher premium increases, significant volatility and instability with much less insurer participation than initially expected. With this as the background, the new administration has an opportunity to reshape the health insurance market.

On March 6, the U.S. House Energy and Commerce Committee and the Ways and Means Committee released the American Health Care Act (AHCA) to repeal and replace the ACA. While the AHCA may not ultimately become law, many of its proposed provisions are attempts to address key issues that are still impacting the commercial health insurance market.

UNDERSTANDING THE PROPOSED CHANGES

Some initial insight regarding the AHCA includes:

Even though the AHCA may not ultimately become law, this initiative is designed to be an anthology series that will focus on education and research for health actuaries and other interested parties regarding all outstanding issues that remain with the ACA.



- Enhanced benefit flexibility could create a higher number of enrollees; however, anti-selection issues would still likely be present.
- The 30 percent continuous coverage penalty is likely not severe enough to spur additional enrollment.
- Tax credits may help young enrollees, but they may not be enough to prompt enrollment.
- Tax credits may provide less financial relief for lower-income enrollees than the current subsidized structure.
- The proposed age curve shift from 3:1 to 5:1 may reduce rates for younger enrollees; however, rates for older insureds may increase.
- The HSA and FSA contribution provisions may give certain segments of the population enhanced financial security for funding of health care.
- The state health program stability fund will allow states financial control, which can be viewed as positive due to the highly distinct populations across states.
- The proposed reductions in prevention and public health funding may impact the ability to control current and future costs of care.

EDUCATION AND RESEARCH

It is in this climate of impending change that the Health Section Council is introducing a new initiative: Commercial Health Care: What's Next? Even though the AHCA may not ultimately become law, this initiative is designed to be an anthology series that will focus on education and research for health actuaries

and other interested parties regarding all outstanding issues that remain with the ACA.

The initiative will focus on the following key underlying issues that all health actuaries should understand about the current health insurance market and where it may go in the future:

- High risk/reinsurance pools
- The impact of age rating limitations
- Impacts to the small employer market
- The impact of the individual mandate
- Modified benefit structures/changing the definition of health insurance
- Health savings accounts/high-deductible health plans
- Market stabilization
- Tax credits/subsidies

The intent of this anthology is to provide substantial educational material for practicing health actuaries, and, where possible, to share research findings related to these topics. Other topics may be added as the health insurance market evolves over the coming year.

THE TEAM

The Health Section has been fortunate enough to receive commitments from an outstanding group of volunteers to help inform and educate other health actuaries about upcoming health care reform. The current initiative team includes:

- David Dillon, vice president and principal, Lewis & Ellis Inc.
- Christopher Coulter, actuary, Cambia Health Solutions
- Greg Fann, senior consulting actuary, Axene Health Partners
- Jackie Lee, vice president and principal of Lewis & Ellis Inc.
- Liz Leif, president, Leif Associates Inc.
- Doug Norris, principal and consulting actuary, Milliman Inc.
- Julie Peper, principal and senior consulting actuary, Wakely Consulting Group
- Trey Swacker, senior director and actuary, Aetna

In addition to this team of volunteers, insight will be provided through the efforts of SOA staff: Joe Wurzbarger, Health staff fellow, and Rebecca Owen, Health research actuary.

LOOKING FORWARD

Over the next few months, this series of education and research articles will be released and updated in the online version of *The Actuary* magazine, the *Health Watch* newsletter and the Health Section website.

We look forward to you joining us as we begin to inform and educate about such an important issue that affects everyone's lives. ■



David Dillon, FSA, MAAA, is partner and consulting actuary at Lewis & Ellis Inc. He can be reached at ddillon@lewisellis.com. David has been appointed to chair the Commercial Health Care: What's Next? strategic initiative by the Health Section Council.