HEALTH ACTUARIAL (B) TASK FORCE

Health Actuarial (B) Task Force Aug. 14, 2024, Minutes
- Health Actuarial (B) Task Force May 13, 2024, Minutes (Attachment One)
  - VM-26 Credit Disability Update Proposal (Attachment One-A)
- Presentation from the Academy on Drivers of 2025 Federal ACA Health Insurance Premium Changes (Attachment Two)
- Update from Society of Actuaries Research Institute (Attachment Three)
- Update from American Academy of Actuaries Health Practice Council (Attachment Four)
- Presentation from the Academy on Health Knowledge Statements (Attachment Five)

Draft Pending Adoption

Draft: 8/16/24

Health Actuarial (B) Task Force
Chicago, Illinois
August 14, 2024

The Health Actuarial (B) Task Force met in Chicago, IL, Aug. 12, 2024. The following Task Force members participated: Anita G. Fox, Chair, represented by Kevin Dyke (MI); Jon Pike, Vice Chair, represented by Ryan Jubber (UT); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ali Zaker-Shahrak (CA); Andrew N. Mais represented by Paul Lombardo (CT); Gordon I. Ito represented by Kathleen Nakasone (HI); Doug Ommen represented by Klete Geren (IA); Dean L. Cameron represented by Weston Trexler (ID); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Josh Carlson (KS); Joy Y. Hatchette represented by Brad Boban (MD); Robert L. Carey represented by Marti Hooper (ME); Chlora Lindley-Meyers represented by William Leung (MO); Eric Dunning represented by Margaret Garrison (NE); D.J. Bettencourt represented by Jennifer Li (NH); Justin Zimmerman represented by Seong-min Eom (NJ); Judith L. French represented by Laura Miller (OH); Michael Humphreys represented by Shannen Logue (PA); Cassie Brown represented by R. Michael Markham (TX); Scott A. White represented by David Shea (VA); and Mike Kreidler represented by Lichiou Lee (WA).

1. Adopted its May 13 Minutes

Dyke said the Task Force met May 13. During this meeting, the Task Force took the following action: 1) adopted its Spring National Meeting minutes; and 2) adopted an amendment proposal form (APF) to revise Valuation Manual (VM)-26, Credit Life and Disability Reserve Requirements, Section 3.B. Contract Reserves for Credit Disability Insurance.

Miller made a motion, seconded by Trexler, to adopt the Task Force's May 13 minutes (Attachment One). The motion passed unanimously.

2. Heard a Presentation from the Academy on Drivers of 2025 Federal ACA Health Insurance Premium Changes

Cori Uccello (American Academy of Actuaries—Academy) gave a presentation (Attachment Two) on drivers of 2025 federal Affordable Care Act (ACA) health insurance premium changes. She said the Academy's recent issue brief, *Drivers of 2025 Health Insurance Premium Changes*, and her presentation today are intended to describe how premiums might change in the upcoming plan year and are not intended to be used or relied upon by actuaries or insurers for rate filings.

3. Heard an Update on SOA Research Institute Activities and SOA Education Redesign

Achilles Natsis (Society of Actuaries—SOA) gave an update (Attachment Three) on SOA Research Institute activities.

Ann Weber (SOA) said in the spring of 2023, the SOA announced its plans for an SOA Fellow, Society of Actuaries (FSA) educational redesign project. She said the project entails taking educational material for actuaries who want to be qualified to sign NAIC reserve statements from the FSA educational syllabus and moving the material to an optional certificate program. She said after the announcement was made, the SOA worked with a small group of Task Force members to discuss what content would remain in the general FSA syllabus and what would be moved to the certificate program. Weber said these discussions helped the SOA to determine what material would remain in the underlying FSA program and what would be moved to the certificate syllabus. She said a joint Academy/SOA task force was formed, and it has reviewed how webinars covering relevant topics for qualified actuaries will interplay with the SOA FSA educational redesign. She said both the Academy and SOA boards will issue the final

report of the joint task force in coming weeks. Weber said another part of the work related to the education redesign is the Academy's development of a health knowledge statement. She said the knowledge statement will be useful because it will detail what the Academy believes is important for a qualified actuary to know and to assure regulators that the Academy is providing the appropriate education for qualified actuaries. Weber said a life knowledge statement was presented at the Aug. 12 meeting of the Life Actuarial (A) Task Force, and the SOA looks forward to reviewing the life and health knowledge statements. She said the SOA plans to begin using the redesigned FSA educational program in 2025. Dyke said the Task Force will need to discuss how it wants to incorporate the health knowledge statement into whatever regulatory mechanism is most appropriate, such as the *Valuation Manual* or instructions for the annual statement.

4. Heard an Update from the Federal CCIIO

Beth Karpiak (federal Center for Consumer Information and Insurance Oversight—CCIIO) said the federal Centers for Medicare & Medicaid Services (CMS) released a public memorandum October 2023 that described Bright HealthCare (Bright) and Friday Health Plans (Friday) unpaid benefit year (BY) risk adjustment (RA) charges. She said Friday is in liquidation in several states and continues to owe RA charges for BY 2022 in Colorado, Georgia, Nevada, New Mexico, North Carolina, Oklahoma, and Texas. She said Friday continues to owe RA charges for BY 2023 in Colorado, Georgia, Nevada, North Carolina, and Oklahoma. Karpiak said CMS is filing proofs of claims with the court-appointed receivers handling the liquidations in each state to assert its claims to these debts in accordance with applicable state laws. She said last week, CMS provided payment RA payment estimates for 2023 medical loss ratio (MLR) reporting to RA payment issuers and their departments of insurance (DOIs) in states where Friday had BY 2023 RA charges in Colorado, Georgia, Nevada, North Carolina, and Oklahoma. She said CMS assumed there would be no payment from Friday for these charges.

Karpiak said Bright has continued to meet the requirements of the payment plans established for BY 2022 RA charges in Alabama, Colorado, Florida, Illinois, Nebraska, Oklahoma, Utah, and Virginia. She said Bright exited the market in 2023, with only small group run-out with default charges in Arizona, Colorado, Nebraska, and Tennessee.

Karpiak said the BY 2023 summary report on risk adjustment transfers, including the high-cost risk pool (HCRP), was released July 22. She said invoices for these charges will be sent to insurers this month, and the corresponding RA appropriation payments will be sent in September. She said CMS consulted with states to anticipate if any insurers will not be able to pay BY 2023 RA charges and provided these estimates for the 2023 MLR reporting.

Karpiak said the summary report of the BY 2022 risk adjustment data validation (RADV) adjustments to RA state transfers was released May 29, invoicing for these charges will begin in September, and the RA proration payments for RADV adjustments will begin in November. She said in response to stakeholder feedback regarding the delayed release of BY 2023 RADV samples due to the BY 2023 RA data submission extension, CMS recently announced an approximately two-week extension to the BY 2023 RADV initial validation audit submission deadlines for package 1 and package 2.

Karpiak said the proposed rulemaking for the 2026 Notice of Benefit and Payment Parameters (NBPP) is in process, and CMS expects to release the final version before the end of the year. She said CMS does not anticipate the 2026 NBPP to differ significantly from previous years' NBPPs.

Brent Plemons (CCIIO) said CMS posted preliminary rate change information for 2025 ACA policies on Aug. 1. He said the information posted includes the overall requested rate change, the redacted actuarial memorandum, and a consumer justification narrative that explains the drivers of the rate increase in cases where the increase is 15% or greater. He said 379 submissions were received for the individual market, and 361 submissions were received for the small group market. Plemons said the national weighted average rate increase is 6.6% for the individual

market and 9.2% for the small group market. He said that examination of submissions of Worksheet 1 of the Uniform Rate Review Template (URRT) shows a national average total cost and utilization trend of 7%, with 6.4% medical and 10.1% pharmacy. He said rate filings containing qualified health plans (QHPs) in states with exchanges served by the healthcare.gov platform must be finalized by Aug. 14, and in states with exchanges not served by the healthcare.gov platform, rate filings must be finalized by the date set by the state, provided that date is no later than Oct. 15. Plemons said rate filings that do not contain QHPs must be finalized by Oct. 15. He said CMS intends to post final rate change information by Nov. 1.

5. Heard an Update from the Academy's HPC

Matthew Williams (American Academy of Actuaries—Academy) gave an update (Attachment Four) on recent Academy Health Practice Council (HPC) activities.

Dyke said that since the Long-Term Care Actuarial (B) Working Group now reports to the Long-Term Care Insurance (B) Task Force, it may be preferrable for the Academy to report on HPC activities related to long-term care insurance (LTCI) to the Long-Term Care Actuarial (B) Working Group in the future.

6. Heard a Presentation from the Academy on Health Knowledge Statements

Lisa Slotznick (Academy), Darrell Knapp (Academy), and Rhonda Ahrens (Thrivent) gave a presentation (Attachment Five) on health knowledge statements.

Dyke said the Task Force has not previously discussed the use and implementation of health knowledge statements. He said the Task Force will schedule a meeting to discuss prior to the Fall National Meeting.

7. Heard an Academy Professionalism Update

Maryellen Coggins (PricewaterhouseCoopers LLP), the Academy's Committee on Qualifications (COQ) chair, said the COQ issued the most recent update to the U.S. Qualification Standards (USQS) in 2021 and updated the frequently asked questions (FAQ) in 2022. She said the USQS specifies the qualifications for issuing a Statement of Actuarial Opinion (SAO), which is defined as an opinion expressed in the course of performing actuarial services and an opinion that is expected to be relied upon. She said the USQS is not limited to regulatory required opinions.

Coggins said that in 2024, the COQ has been focused on ways to improve the clarity and readability of the USQS, some of which will be incorporated into the USQS the next time it is open for updates. She said feedback received indicates that actuaries carefully read the USQS itself, but sometimes do not read the FAQ, which have proven to provide answers to many of the questions raised in the past. She said as a result of this feedback, the COQ is looking at ways to better integrate the FAQ into the USQS. She said the COQ has a strong interest in ensuring that actuaries are qualified to do their work, and it is monitoring draft proposals for potential changes to the education underlying U.S. actuarial credentials in the context of how the USQS might apply to these changes. She said the COQ is committed to providing appropriate qualification guidance for actuaries and contributing to the basic and continuing education (CE) necessary for U.S. actuaries to become qualified and to maintain their qualification over time.

Coggins said the COQ has received 13 questions about the USQS covering primarily CE and specific qualification requirements in the first half of 2024. She said 43 questions were received in 2023. She said the COQ typically receives more than half of all questions in a given year in the last half of the year, when actuaries are completing their CE requirements. Coggins said for each question received, the COQ determines whether the question and answer should be added to the FAQ or if a direct one-on-one response is sufficient. She said questions on specific qualification requirements may be forwarded to the Actuarial Board for Counseling and Discipline (ABCD) and

become requests for guidance. She said the current USQS states that if an actuary was qualified under a prior version of the USQS, their qualification remains in force, but for new actuaries, qualification became dependent in part on the completion of an actuarial credential rather than membership in an actuarial organization. She said one requirement in the 2021 USQS that affects all actuaries is the completion of one hour of bias CE annually. She said the Academy will offer webinars that count towards bias and professionalism CE credits. She said bias and professionalism CE credits can also be obtained through self-study of materials on the Academy's website and other sources.

Dyke, chair of the Actuarial Standards Board (ASB) for 2024, said the purpose of the ASB is to set standards for appropriate actuarial practice in the U.S .through the development and promulgation of Actuarial Standards of Practice (ASOPs). He said the ASB's *Boxscore* publication provides updates about the ASB's activities.

Dyke said ASOP No. 28, Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities, was exposed for comment with a small revision to make its scope consistent with proposed changes to ASOP No. 36, Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves. He said changes to ASOP No. 28 have been adopted and will be effective Oct. 1. He said ASOP No. 49, Medicaid Managed Care Capitation Rate Development and Certification, is currently under review by an ASB task force and is scheduled to be presented to the ASB in March 2025. Dyke said revisions to ASOP No. 45, The Use of Health Status Based Risk Adjustment Methodologies, will be effective in late 2024, concurrent with the exposure for comment of ASOP No. 12, Risk Classification (for All Practice Areas).

Dyke said revisions to ASOP No. 12, Risk Classification (for All Practice Areas), were exposed for comment in January, with a comment deadline of May 1. He said an ASB task force is currently reviewing comments received. He said revisions to ASOP No. 7, Analysis of Life, Health, or Property/Casualty Insurer Cash Flows, were exposed for comment with a comment deadline of June 1. He said an ASB task force is currently reviewing comments received. He said the ASB continues to review ASOP No. 41, Actuarial Communications, after having received comments on its first exposure. Dyke said another draft exposure of ASOP No. 41 is expected after revisions resulting from comments received are made.

Dyke said the ASB has reduced the number of ASOPs pending revision from 18 to 12.

John Schubert (Deloitte Consulting LLP), ABCD chair, said the ABCD responds to members' requests for guidance, particularly as they relate to qualifications to sign SAOs, and hopes that this aspect of the ABCD's work results in better quality work and fewer issues for state insurance regulators. He said the ABCD deals with any potential violations of the Academy's Code of Professional Conduct through investigations and recommendations to the actuarial organizations that the subjects of the inquiries are members of. He said the actuarial organizations, not the ABCD, administer any resulting discipline. He said the ABCD conducts education and outreach through professionalism webinars throughout the year, and it also contributes professionalism articles to the Academy's *Contingencies* magazine.

8. Discussed Other Matters

Dyke said a presentation by Nebraska on Medicare supplement underwriting and rating issues scheduled to be given today by Michael Muldoon (NE) has been postponed due to Muldoon's retirement from the Nebraska DOI. He said the presentation will be rescheduled for a future Task Force meeting.

Having no further business, the Health Actuarial (B) Task Force adjourned.

Draft: 6/7/24

Health Actuarial (B) Task Force
Virtual Meeting
May 13, 2024

The Health Actuarial (B) Task Force met May 13, 2024. The following Task Force members participated: Anita G. Fox, Chair, represented by Kevin Dyke (MI); Jon Pike, Vice Chair, represented by Ryan Jubber (UT); Ricardo Lara represented by Ali Zaker-Shahrak (CA); Michael Conway represented by Eric Unger (CO); Michael Yaworsky represented by Kyle Collins (FL); Doug Ommen represented by Klete Geren (IA); Dean L. Cameron represented by Weston Trexler (ID); Amy L. Beard represented by Scott Shover (IN); Robert L. Carey represented by Marti Hooper (ME); D.J. Bettencourt represented by Jennifer Li (NH); Justin Zimmerman represented by Seong-min Eom (NJ); Judith L. French represented by Craig Kalman (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Dave Yanick (PA); Cassie Brown represented by Aaron Hodges (TX); Scott A. White represented by Julie Fairbanks (VA); and Mike Kreidler represented by Lichiou Lee (WA).

1. Adopted its Spring National Meeting Minutes

Hodges made a motion, seconded by Trexler, to adopt the Task Force's March 15 minutes (*see NAIC Proceedings – Spring 2024, Health Actuarial (B) Task Force*). The motion passed unanimously.

2. Adopted a VM-26 Credit Disability Update Proposal

Dyke said that on Feb. 20, the Task Force exposed an amendment proposal form (APF) (Attachment One-A) to revise Valuation Manual (VM)-26, Credit Life and Disability Reserve Requirements, Section 3.B. Contract Reserves for Credit Disability Insurance, for a public comment period ending March 22. No comments were received on the exposure.

Shover made a motion, seconded by Unger, to adopt the APF and forward it to the Life Actuarial (A) Task Force for consideration. The motion passed.

Having no further business, the Health Actuarial (B) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/B CMTE/HATF/2024_Summer/HATF/5-13 HATF/HATF Minutes 05-13-24.docx

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

Christopher H. Hause, FSA, MAAA Principal at Hause Actuarial Solutions and Chair of the Society of Actuaries' Credit Insurance Experience Committee.

2. Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

Valuation Manual, section VM-26, Section 3.B. Contract Reserves for Credit Disability Insurance.

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

Please see attached redline and "clean" version of the proposed changes.

4. State the reason for the proposed amendment? (You may do this through an attachment.)

Credit Disability experience has gradually improved since the original (1997) credit disability study. The 2022 study indicates that the current valuation standard contains claim costs that are from 190% to 276% of actual claim cost experience, based on the SOA's "2023 Credit Disability Study Report." The variations in the range shown above occur by elimination period and occupation class distributions observed over the period studied (2014 through 2022). The proposed changes to VM-26 remove the 12% addition to the 1985 CIDA incidence rates for newly issued contracts, since the addition of the 12% constitutes a margin that is no longer needed or justified by experience.

* This form is not intended for minor corrections, such as formatting, grammar, cross–references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
Notes:			

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Drivers of 2025 Health Insurance Premium Changes

Presentation at the NAIC Summer National Meeting Health Actuarial Task Force (HATF) Session

August 12, 2024

Cori E. Uccello, MAAA, FSA, FCA, MPP
Senior Health Fellow
American Academy of Actuaries

Agenda

- Background on the rate development process
- Drivers of 2025 premium changes
- Overview of rate filing information

Premium Rate Development Process

- Analyze prior health spending
- Adjust data to reflect future trends
- Use data to project future costs

Insurers develop premium *rates*, not premium *increases*. The rate review process assesses whether premium *rates* are reasonable.

Premium Development Components

- Who is covered—the composition of the risk pool
- Projected medical costs
- Other premium components—administrative costs, taxes, profit/risk charge
- Laws and regulations

2025 Premium Rate Change Factors

- Medical trend factors
  - Major factors: inflation, increasing prescription drug spending
- Risk pool composition factors
  - Risk pools are likely to be relatively stable, with minimal effect on premiums
- Other factors
  - Local market dynamics and state-based policies

Medical Trend Factors

- Inflation
  - After years of significant increases, general inflation has returned to historical norms
  - Assumptions possibly higher for insurers with multiyear provider contracts recently or soon up for renewal

- Increased prescription drug spending
  - Higher price growth than for medical services
  - The high cost of GLP-1s and their long-term use, if covered

Medical Trend Factors (cont.)

- Gene therapy treatments
  - Treatment costs can be in the $millions
  - Not typically covered by individual and small group market plans
  - Small impact on premiums unless coverage expands

- Adult dental coverage
  - New rules that states can include adult dental coverage as an EHB starting in 2027
  - At that point, any related premium changes depend on state decisions and coverage specifics

Medical Trend Factors (cont.)

- COVID-19
  - Treatment and testing costs are better understood and are part of the underlying claims used to project 2025 claims
  - Unlikely to contribute to premium changes for 2025 and beyond

- No Surprises Act
  - Plan members can't be billed unexpectedly for certain out-of-network care, including at in-network facilities
  - Effects on provider network development and prices still unclear
  - Minimal effect on 2025 premiums

Risk Pool Composition Factors

- Medicaid eligibility redeterminations
  - Because of uncertainty, few adjustments made to 2024 premiums
  - Enrollment shifts from Medicaid = improved risk pool profile (but effects on premiums likely to be small)
  - Impact can vary widely by state

- Enhanced premium subsidies
  - Higher subsidies (especially when combined with CSR loads) = Low- and moderate-income individuals gained access to free or low premium plans
  - Risk pool improvements likely incorporated into 2024 premiums
  - Expiration of 2025 enhanced subsidies = likely 2026 premium increases

Risk Pool Composition Factors (cont.)

- Contraction of short-term limited duration (STLD) plans
  - STLDs more attractive to healthy individuals
  - Trump-era rules allowed individuals to remain in STLD plans for three years
  - New rules for 2025 will reduce maximum allowable duration to four months
  - If STLD enrollees enroll instead in individual market, could slightly lower premiums

- Extension of coverage to DACA recipients
  - 100,000 uninsured DACA recipients soon eligible for marketplace or basic health plans
  - Minimal premium effects, but impact could vary geographically

Risk Pool Composition Factors (cont.)

- ICHRAs and QSERHAs
  - Shift workers (and dependents) from group coverage to individual market coverage
  - If small employers with high-cost members take up this option, could improve small group risk pool and worsen individual market risk pool
  - Take-up likely to be higher where individual market premiums are less than group premiums
  - Effect on premiums small unless take-up among employers (especially large employers) increases

- Self-funding and level funding among small employers
  - Shifts among small employers from ACA-compliant coverage to alternative funding arrangements could worsen small group risk pool
  - Likely to have nominal effect on 2025 small group premiums

Other Factors

- State and local factors
  - Local market conditions
  - State-based policies, such as:
    - Medicaid expansion status
    - State reinsurance programs
    - State benefit requirements
    - Public option programs
    - Supplemental premium or cost-sharing subsidies

Other Factors (cont.)

- Change Healthcare cyberattack
  - Delays in claims information may have made it more difficult for issuers to incorporate info from early 2024 claims activity into initial 2025 rate filings
  - Federal regulators delayed certain rating and risk adjustment deadlines, which could reduce or eliminate effects of the cyberattack on pricing

- CSR load factor
  - Nationwide, the percentage of enrollees eligible for most generous silver plan CSR variant has increased
  - Insurers might increase load to reflect shift

Rate Filing Components and Where to Find Them

Rate filing components

- Part 1: Uniform Rate Review Template (URRT)
- Part 2: Written Explanation of the Rate Increase
- Part 3: Actuarial Memorandum

Where rate filing information is available

- State Department of Insurance (DOI) website
- CMS rate review website at http://ratereview.healthcare.gov
- NAIC Systems for Electronic Rates and Forms Filing (SERFF) database

Part 1: Uniform Rate Review Template (URRT)

- Summarizes data used to determine rate increases for entire single risk pool
  - States may release URRT via SERFF and/or DOI website
  - CMS releases data from the URRTs in a public use file

- A few states have state-specific templates that include more detailed information
  - States may release additional information via SERFF and/or DOI website
  - Proprietary information may be redacted

Part 2: Written Explanation of the Rate Increase

- Brief description of the data and assumptions used in the URRT and an explanation of the main factors causing the rate increase
- Federal government requires only if proposed increases exceed 15%
- Some states require for all proposed rate increases
- Available at the CMS rate review website and potentially SERFF

Part 3: Actuarial Memorandum

- More detailed and technical information documenting actuarial assumptions, justifications, and methods

- Possible federal and state versions
  - Federal—based on URRT instructions
  - State—any additional state requirements regarding required exhibits and rate development process information

- Available on SERFF, CMS rate review website, and possibly the state Department of Insurance website
  - Proprietary information may be redacted

Questions?

Thank You

For more information, please contact

Matthew J. Williams, JD, MA

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American Academy of Actuaries

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Attachment Three
Health Actuarial (B) Task Force
8/12/2024

SOCIETY OF ACTUARIES RESEARCH UPDATE TO HATF

August 12, 2024

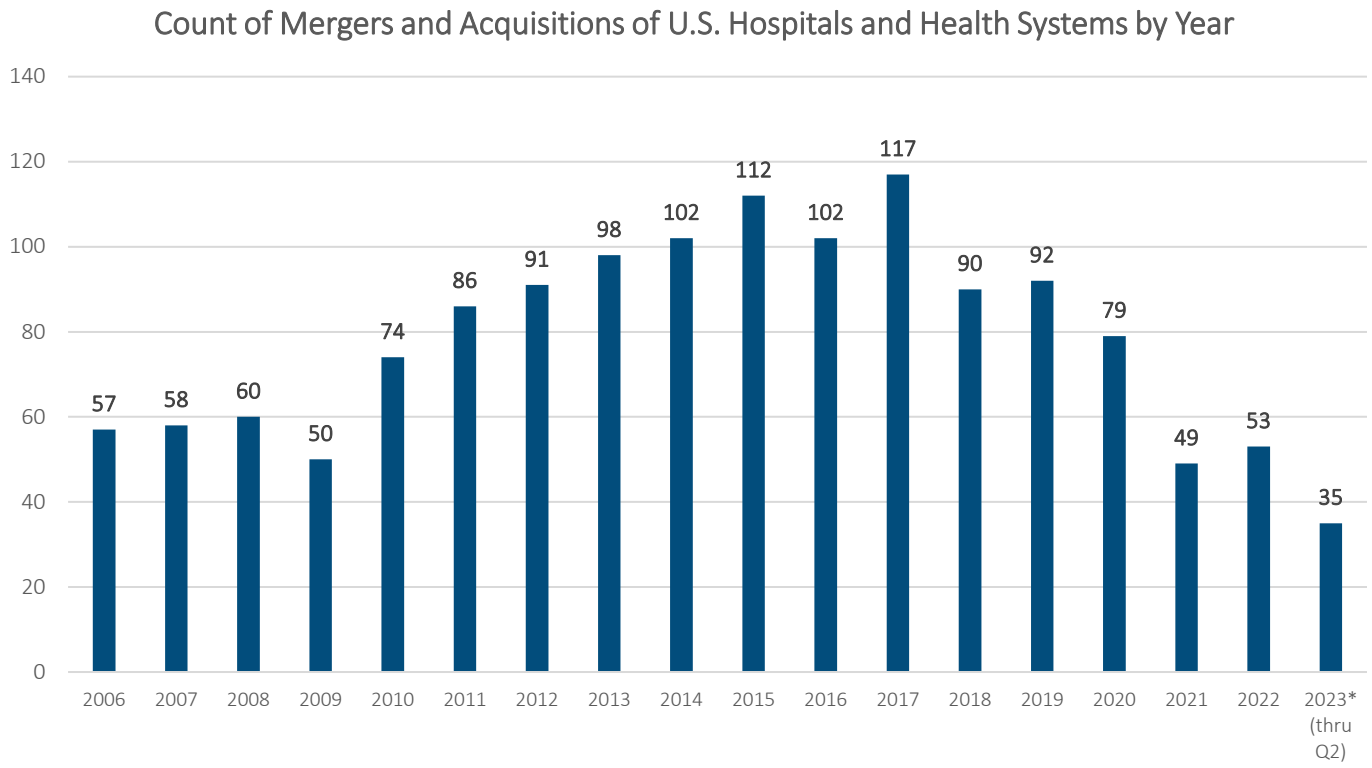
Achilles Natsis, FSA, MAAA
Health Research Actuary

Presentation Disclaimer

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.

SOA Research INSTITUTE

Healthcare Provider Consolidation and Shortage Impact to Morbidity



- 1,887 hospital mergers between 1998 and 2021
- 68% of community hospitals in 2023 are part of a larger system
- 61% of mergers are within the same state
- 77% of hospital markets are highly concentrated

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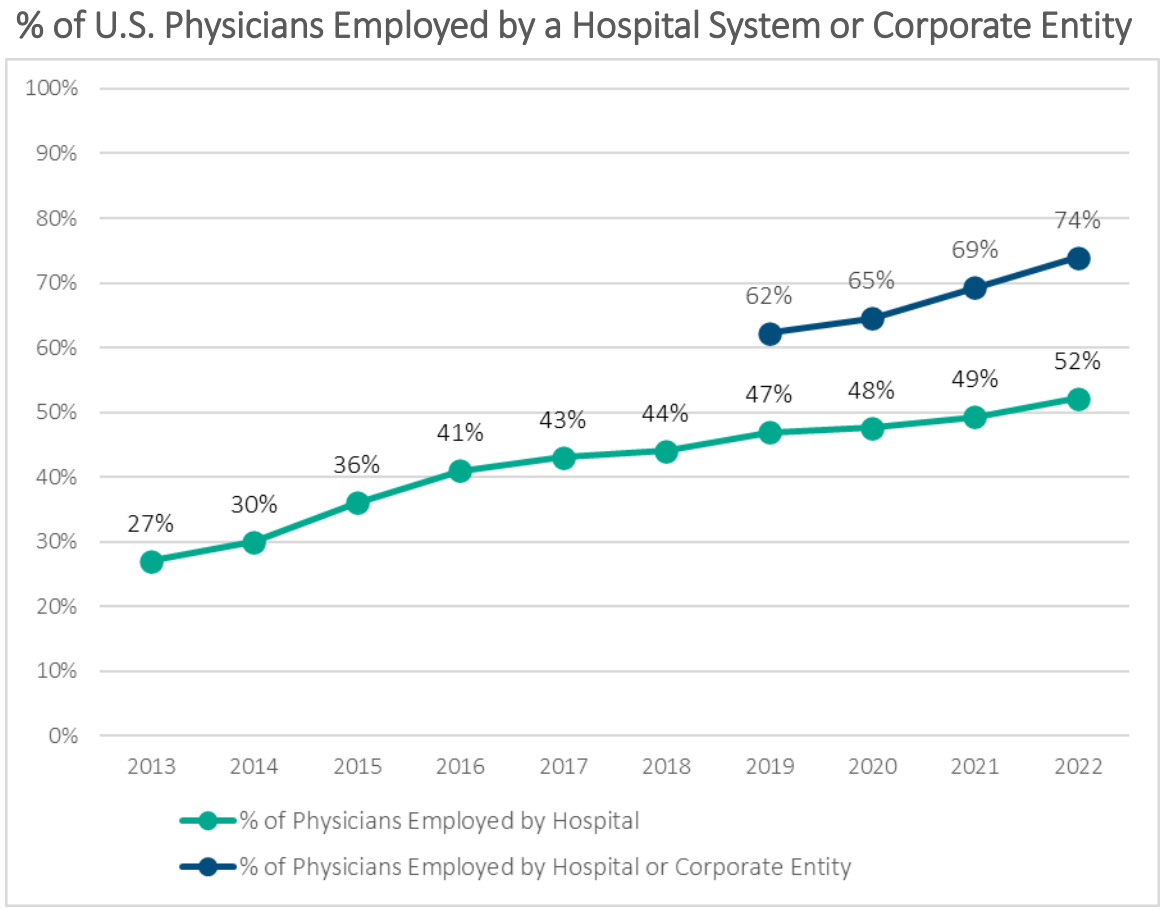
CONCENTRATION OF HOSPITAL MARKETS

Rank by Population	States	Metropolitan Area	Population (000s)	2021 Hospital HHI
1	NY-NJ-PA	New York-Newark-Jersey City	19,618	775
2	CA	Los Angeles-Long Beach-Anaheim	12,872	1,059
3	IL-IN-WI	Chicago-Naperville-Elgin	9,442	1,356
4	TX	Dallas-Fort Worth-Arlington	7,944	1,889
5	TX	Houston-The Woodlands-Sugar Land	7,340	2,550
6	DC-VA-MD-WV	Washington-Arlington-Alexandria	6,374	1,156
7	PA-NJ-DE-MD	Philadelphia-Camden-Wilmington	6,241	1,226
8	GA	Atlanta-Sandy Springs-Roswell	6,222	2,007
9	FL	Miami-Fort Lauderdale-West Palm Beach	6,139	1,359
10	AZ	Phoenix-Mesa-Scottsdale	5,016	3,161
11	MA-NH	Boston-Cambridge-Newton	4,901	2,123
12	CA	Riverside-San Bernardino-Ontario	4,668	657
13	CA	San Francisco-Oakland-Hayward	4,580	1,867
14	MI	Detroit-Warren-Dearborn	4,346	2,129
15	WA	Seattle-Tacoma-Bellevue	4,034	1,419
16	MN-WI	Minneapolis-St. Paul-Bloomington	3,694	2,281
17	FL	Tampa-St. Petersburg-Clearwater	3,291	1,966
18	CA	San Diego-Carlsbad	3,276	2,441
19	CO	Denver-Aurora-Lakewood	2,986	2,414
20	MD	Baltimore-Columbia-Towson	2,836	1,411
21	MO-IL	St. Louis	2,801	2,527
22	FL	Orlando-Kissimmee-Sanford	2,764	3,773
23	NC-SC	Charlotte-Concord-Gastonia	2,756	3,030
24	TX	San Antonio-New Braunfels	2,655	3,228
25	OR-WA	Portland-Vancouver-Hillsboro	2,509	2,580
1 to 25	**Weighted Average**		**139,304**	**1,716**
26 to 183	**Weighted Average**		**100,465**	**3,244**
64	FL	Cape Coral-Fort Myers	822	6,804
71	NC	Wilmington	746	7,719
117	IL	Peoria	396	5,648
129	SC	Spartanburg	346	5,910
130	NE	Lincoln	342	5,963
140	TN-VA	Kingsport-Bristol-Bristol	311	7,590
153	MI	Kalamazoo-Portage	261	5,626
158	WA	Bellingham	231	6,692
163	TN	Johnson City	210	8,246
180	MO-KS	St. Joseph	120	6,219
Total	**Weighted Average**		**239,769**	**2,356**

- Herfindahl-Hirschman Index (HHI) Concentration (Sum of squares of provider market share% 0 – 10K)
  - >2,500: **High**
  - 1,500 to 2,500: **Moderate**
  - 0 to 1,500: **Not Concentrated**
- 25 Largest metros are 47% less concentrated than all other metros
- Handful of large transactions in 2022-2023 among top 25 metros
  - Chicago, Charlotte, Denver, Minneapolis, Oakland, St Louis

SOA Research INSTITUTE

CONCENTRATION OF PHYSICIAN MARKETS



- 2008 – 66% of physicians worked in a solo or group practice
- 2016 – Concentration of Physicians:
  - PCPs – 39% of metro areas were highly concentrated
  - Specialists – 65% of metro areas were highly concentrated

SOA Research INSTITUTE

REASONS FOR CONSOLIDATIONS / ACQUISITIONS

- Legislative Changes – ACA; MACRA
  - Encouraged formation of ACOs allowing for increased risk taking
  - Most ACOs are vertically integrated organizations
- Financial Distress / Growing Operating Costs
  - 40% of transactions between 2015 and 2019 involved a hospital that was financially challenged or financially distressed
  - 50% of hospitals had a negative operating margin in 2021
- Potential for Economies of Scale / Increased Market Power
  - Ability to attain higher rates in negotiations with insurance companies
- Integration of Care / Capital Investments
  - Steerage of Referrals
  - IT and other capital upgrades (i.e., Electronic Health Records)
- Regulatory Constraints
  - Physician practices acquisitions below threshold for reporting to FTC
  - A small number of states require final merger approval from the state government

SOA Research INSTITUTE

CONSOLIDATIONS – COST & UTILIZATION IMPACTS

Cost Impacts

↑ Billed charges / negotiated prices with commercial payers - **8-17%** increases for Hospitals, up to **20%** for Physicians.

↑ Capital Expenses (e.g., IT, EMR Systems)

↑ Commercial insurance premiums – Increase in ownership of physician practices was associated with a **12% increase** in ACA marketplace premiums

↑ Site of service differentials (facility fees) – represent **25% of the price increase**

↓ Operating Costs due to efficiencies for duplication of administrative and clinical services – **Reductions of 3% to 7%** for an acquired hospital

Utilization Impacts

↑ Inpatient and outpatient referrals increase due to coordination of care – referrals to specialists employed by the acquiring system **increased by 52%** following an acquisition, while **referrals to other competing systems fell 7%** on average; overall market-wide **increase in specialist visits, 23%**

↑ Recently acquired Physician Practices saw increases in new patients and longer visits with existing patients **unique patients increased by 26%**, as **new patients increased by 38%** and **existing patients had a 9% increase in visits billed for longer visits**

↑ Inpatient and outpatient referrals increase due to coordination of care and steerage – **10% of cases** are shifted away from ASCs to hospitals;

↓ Closure of Services – **8.4% decrease in patient volume** following privatization of the hospital

↑↓ Varying Impacts across populations –following a merger there are drops in Medicare **(-5%)** and Medicaid **(-15%)** admissions. Also, lower physician acceptance rates in Medicaid **(60%)** and Medicare **(83%)**.

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PROVIDER SHORTAGES

% of U.S. Population in a County Designated as a Geographic Health Professional Shortage Area

Census Region	Primary Care	Dental Health	Mental Health
Northeast	10%	0%	5%
Midwest	25%	4%	40%
South	13%	5%	24%
West	58%	21%	68%
Nationwide	25%	8%	34%

- Physicians: Expected shortage by 2034 of 18k to 48k for PCPs and 21k to 77k non-PCPs
  - Offset by expected growth in NPs and PAs
- Nurses: Expected 100k shortage by 2026
- Nursing Aids and Medical Assistants: Expected 3.2m shortage by 2026

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PROVIDER SHORTAGES (continued)

% of U.S. Population in a County Designated as a Geographic Health Professional Shortage Area By State

REASONS FOR SHORTAGES

- Demographics – Aging of the Population – Increasing Demand
  - From 2019 to 2034, U.S. population expected to grow 11%, while 65+ expected to grow 42%
- Demographics – Aging of the Provider Base – Reducing Supply
  - 40% of currently active physicians will exceed the traditional retirement age of 65 within the next decade
- Burnout / Leaving the Profession Early – Reducing Supply
  - In 2022, 40% of physicians and 49% of nurses reported feeling burned out
- Educational and Training Slots Not Keeping Pace with Demand
  - From 2006 to 2016, Medical school openings increased 21% and residents and fellows increased 13%
  - In 2022, nursing schools turned away 90k+ applications due to insufficient staff and resources
- Closure of Services
  - Following a merger, studies show there are often decreases for inpatient pediatric services, maternity care, neonatal care, surgical care, intensive care, psychiatric care, and cardiac surgery
  - Rural areas are most impacted

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PROVIDER SHORTAGES – COST & UTILIZATION IMPACT

- Cost
  - Foregone care due to travel time and low access rates can exacerbate health conditions
  - Member costs due to longer distances to seek OB and specialty care
  - Use of more emergent services due to primary care shortages

- Utilization
  - Lower access rates for Medicaid population than Medicare and Commercial patients
  - Increasing wait times, which are larger in rural areas
  - Facility closures and reduction in service offerings (primarily in rural areas)
  - Telehealth and in-store clinics emerging to pick up the slack

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Available on SOA website

https://www.soa.org/resources/research-reports/2023/provider-consolidation-shortage/

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Reimagining Pharmacy Financing - Background

- Reimagining Pharmacy Workshop held on 3/25/23 in Chicago
  - Discussed how to attack the issue of pharmacy costs with different industry experts
  - Participant backgrounds included:
    - Health economics outcomes researchers
    - Clinical pharmacists
    - Medical doctors
    - Health actuaries
    - Benefits consultants
    - Brokers
  - Discussion focused on:
    - How to define and measure the value of prescription drugs
    - How the value of drugs should impact pharmacy financing
    - Developing new methodologies for pharmacy financing
  - Link to the conference report below:
  - https://www.soa.org/4904ae/globalassets/assets/files/resources/research-report/2023/reimagining-pharmacy-finance.pdf

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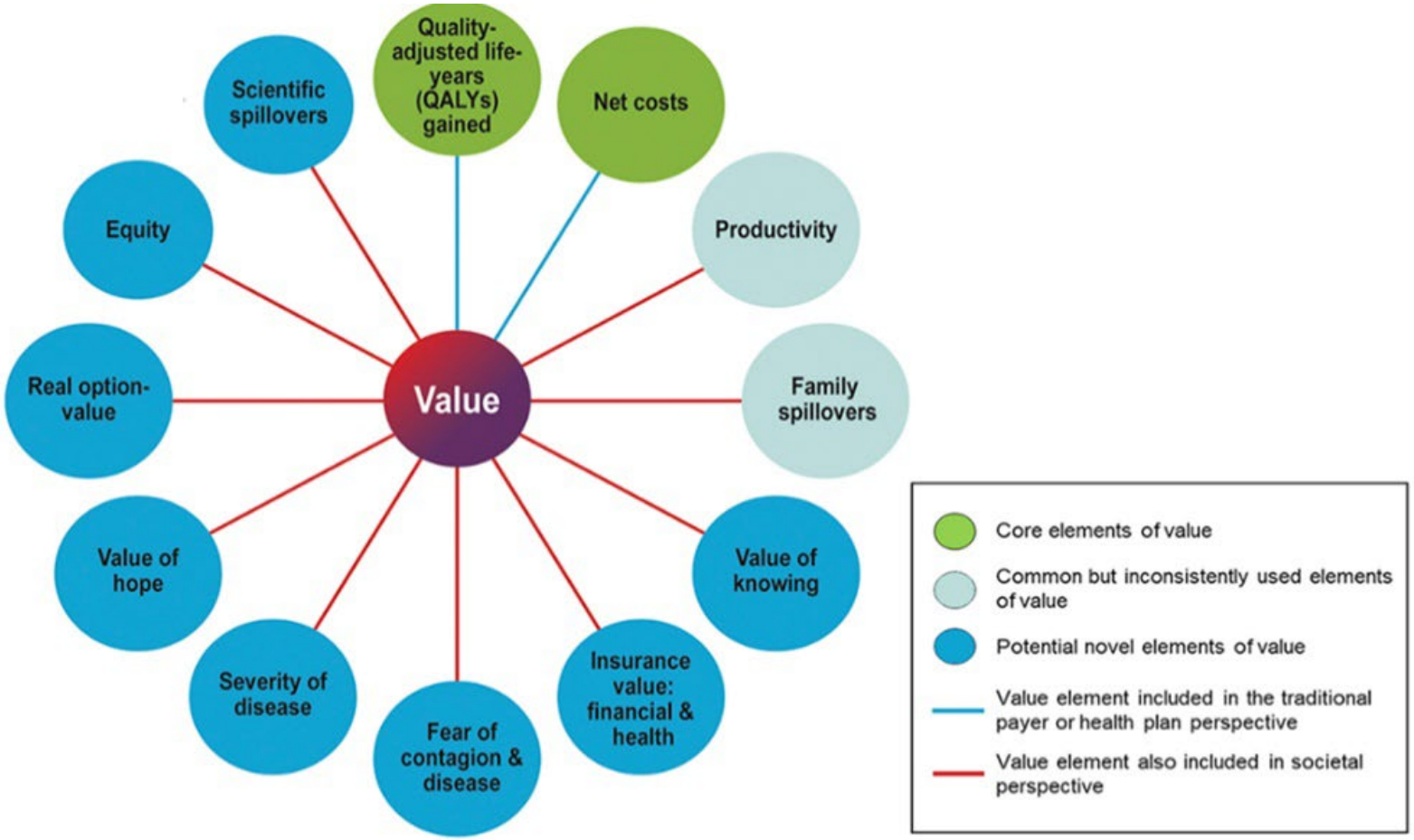
Reimagining Pharmacy Financing: Defining Value

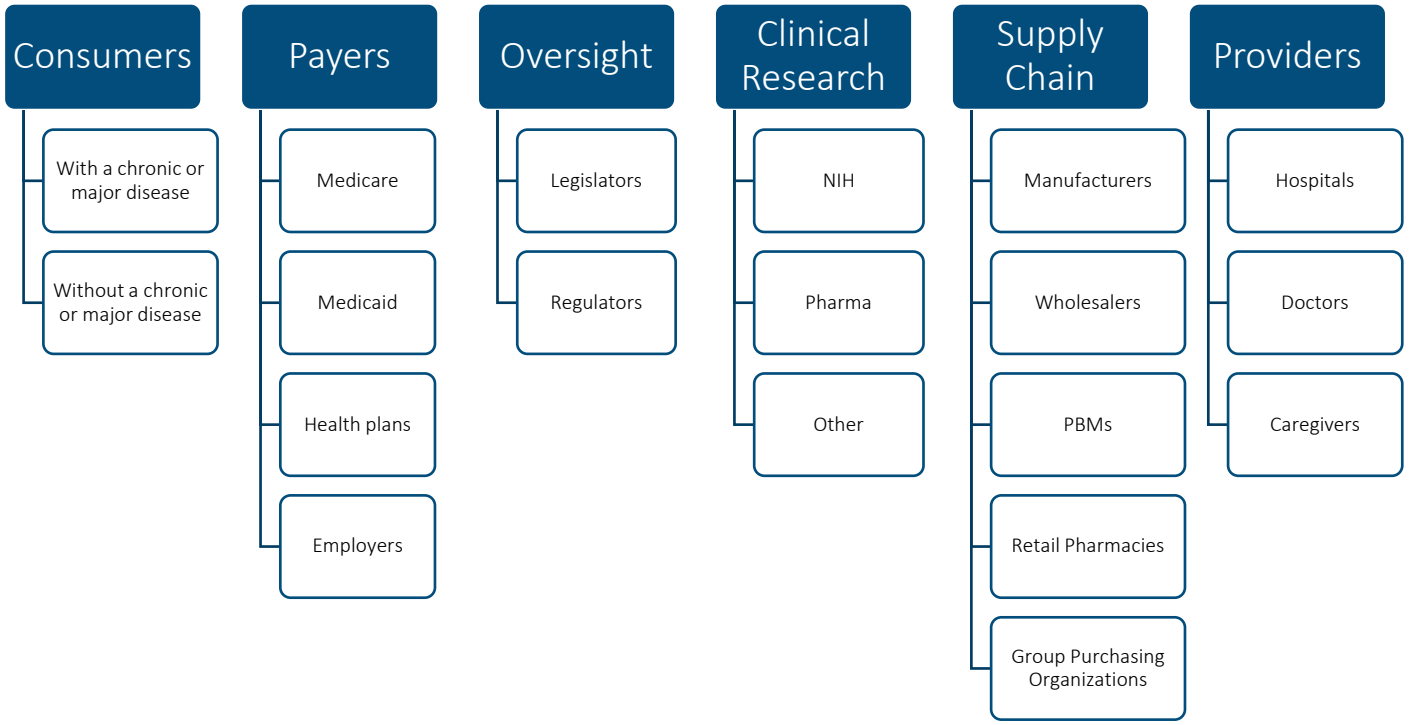
The ISPOR* Value Flower



* International Society for Pharmacoeconomics and Outcomes Research

Reimagining Pharmacy Financing: Defining Value

- Definition of Value varies by Stakeholders



- Help create or determine value
- Impact supply and demand of drugs
- Influence cost and utilization of drugs

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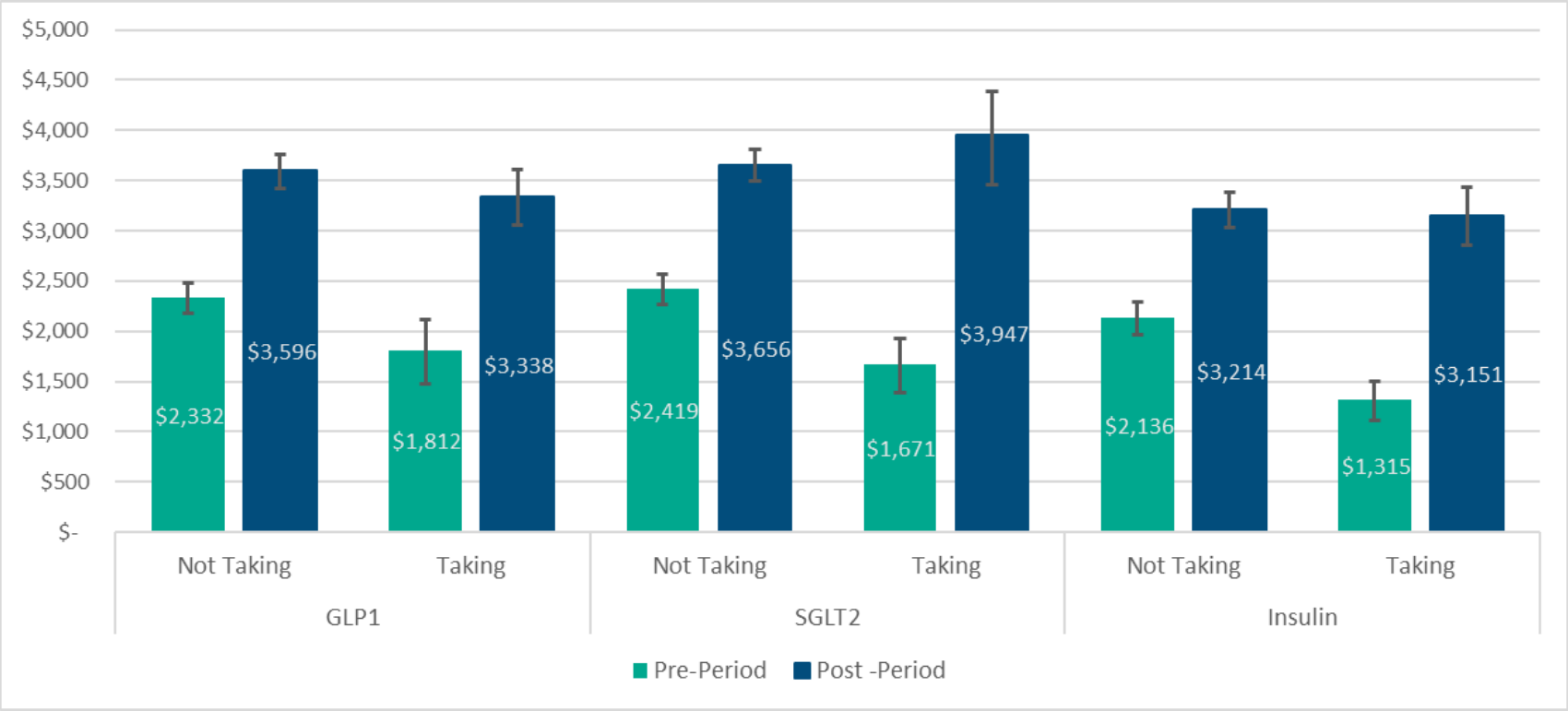
Measuring Value: Diabetes Drugs

2021 INDEX PERIOD ALLOWED COST PMPM COMPARISONS



- Compared PMPM Costs Pre- and Post Diagnosing Event
- Compared patients taking a drug to those not taking the drug with similar risk profiles post diagnosis
- GLP1's and Insulin most effective in reducing costs
- Taker Cost may be overstated due to absence of Drug Rebates

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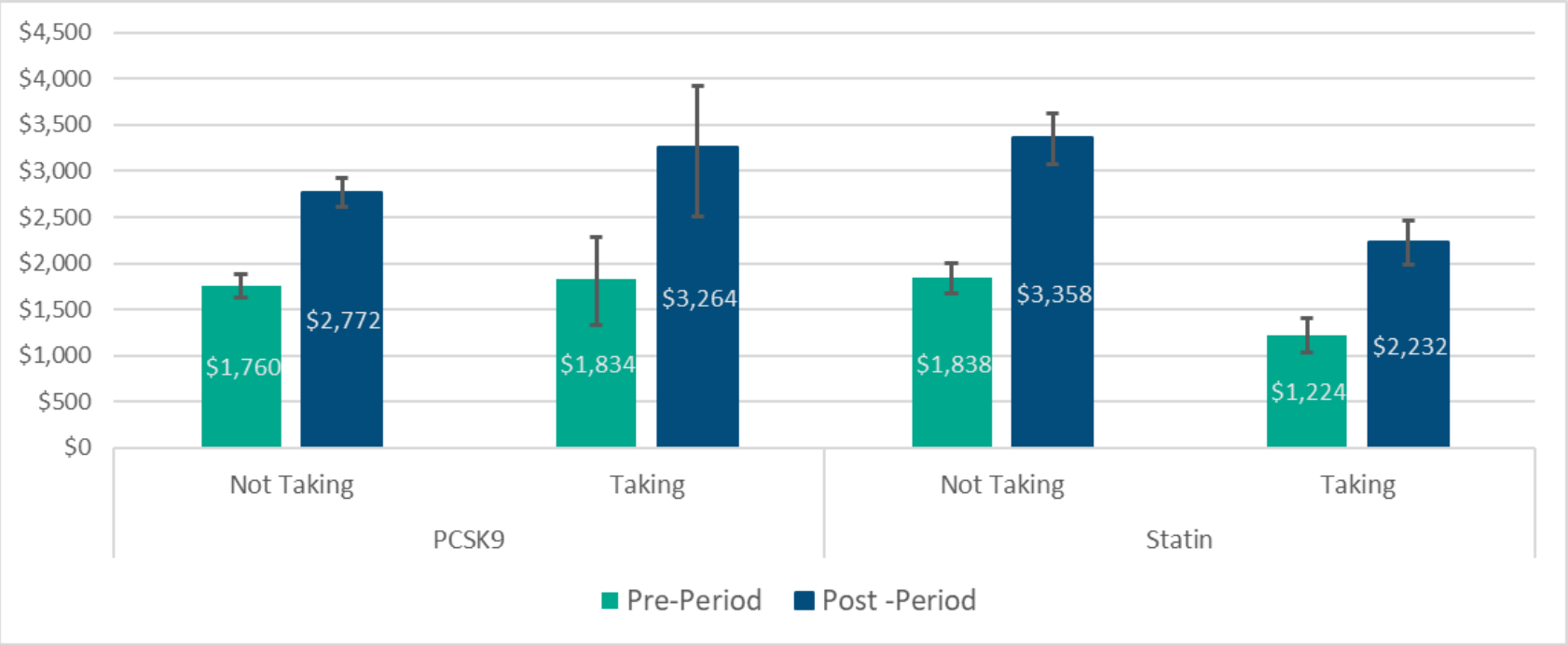
Measuring Value: Hypercholesterolemia Drugs

2021 INDEX PERIOD ALLOWED COST PMPM COMPARISONS



- Compared PMPM Costs Pre- and Post Diagnosing Event
- Compared patients taking a drug to those not taking the drug with similar risk profiles post diagnosis
- Statins most effective in reducing costs
- Taker Cost may be overstated due to absence of Drug Rebates

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Rewarding Value: Defining Success and Measuring Value

- Goal was to create Financing structures to reward values using current infrastructure
- Key components of a successful program include:
  - Increasing Transparency
  - Encouraging Competition
  - Mitigating total cost of care (TCOC) increases
  - Aligning stakeholder incentives
- Components of value to be measured:
  - Total Cost of Care
  - Incorporating QALYs and other ISPOR Value Flower Components
  - Components must be easily measurable
  - Proxy values can be developed to include additional value elements

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Rewarding Value: Considerations in Application

- Drug Prices are negotiated between payers and manufacturers
- Price Setting Considerations include:
  - Drug Portfolio vs. Single Drug
  - Fee for Service (FFS) vs. Shared Savings and Risk
  - Considerations of shared savings include:
    - How to split the savings
    - Bonuses vs. penalties
    - Use of Provider Incentives
- Risk Management needed for Payers to handle very expensive drugs
- Actuarial Health Technology Assessments
  - Needed to value drugs up front
- Technology Curve
  - Different stage of uptake can result in different utilization and pricing
- Value Stack
  - Compare incremental value vs. incremental cost of new drugs to determine ROI

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Available on SOA website

https://www.soa.org/resources/research-reports/2024/reimagining-pharmacy-financing/

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Additional Health Research

Experience Studies & Practice Research

Project Name	Objective	Expected Completion Date
Reimagining Pharmacy Financing	A follow-up to the Reimagining Pharmacy gathering in the Spring, this research will look to define and measure the value of different drugs for the same drug class and then also suggest methodologies for rewarding value.	https://www.soa.org/resources/research-reports/2024/reimagining-pharmacy-financing/
Statistical Approaches for Imputing Race and Ethnicity	Outline the various approaches for statistically imputing race and ethnicity in the U.S. along with their strengths and weaknesses to help familiarize actuaries with these techniques.	https://www.soa.org/resources/research-reports/2024/stat-methods-imputing-race-ethnicity/
Medicaid Underwriting Margin - COVID Update	Update the Medicaid Underwriting Margin Model with data through CY 2023 and incorporating data from the COVID PHE and the beginning of the PHE Unwinding.	https://www.soa.org/resources/research-reports/2024/medicaid-underwriting-margin-model/
Actuarial Weather Extremes - Drought Around the World in Early 2024	Highlight observations for extreme weather events across North America	https://www.soa.org/resources/research-reports/2019/weather-extremes/
Long Term Care Population Research Model	Assesses the impact of reform proposals for LTC system changes on stakeholders including consumers.	10/15/2024
HCCI Quick Hit - Specialty Pharmacy Trends	This research will examine some key specialty drugs to look at how increases in uptake in drugs worth between 10K and 200K are driving current pharmacy trend.	10/1/2024
HIV + Medicare	This research involves evaluating the impact of HIV positive individuals on Medicare Advantage.	9/15/2024
Assessing and Valuing the Impact of Technology in HealthCare	Examines the way actuaries value Technology within the Healthcare System	10/31/2024
The Impact of Social Determinants of Health on Risk Adjustment	Analyzes the potential impact of SDOH factors on Risk Adjustment	10/31/2024

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Attachment Three
Health Actuarial (B) Task Force
8/12/2024

American Academy of Actuaries Health Practice Council (HPC) Updates Summer 2024

August 12, 2024
Health Actuarial (B) Task Force (HATF) Meeting

Matthew Williams, JD, MA
Senior Health Policy Analyst, Health
American Academy of Actuaries

American Academy of Actuaries

About the American Academy of Actuaries

The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues.

The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

For more information, please visit: www.actuary.org

American Academy of Actuaries

Activity Since Spring National Meeting

Webinars:

- April: Continuous Medicaid Unwinding: What's Next for the Health Care Markets in 2024?
- May: Medicare's Financial Outlook and the Effects of Growing Enrollment in Medicare Advantage
- June: 2025 Final Rules for Exchanges
- July: Drivers of 2025 Health Insurance Premium Changes

Key Takeaways from Federal Hill Visits

Federal Hill and Agency Visits in April

- How to improve affordability of care and coverage
- How to improve health care access and outcomes
- Market trends
- How will emerging treatments be covered and what will their costs be?
- Intersection of Artificial Intelligence and health

NAIC Engagement

Health Risk-Based Capital (HRBC) (E) Working Group Meetings

- June 6 meeting: Continued discussion on comments received on draft factors on the H3—Health Care Receivables project
- July 25 meeting: Verbal updates shared on the H2—Underwriting Review project, with final report still intended by year-end

NAIC Engagement

Long-Term Care Actuarial (B) Working Group

- Comments provided on "Minnesota Approach as a Candidate for a Single LTCI Multistate Rate Review (MSA) Approach"

Envision Tomorrow - 2024 Academy Annual Meeting

Oct. 15-16 at the Grand Hyatt in Washington, D.C.

Health-specific breakout sessions:

- Broadening the Focus: Incorporating Indirect Costs/Savings and Non-Financial Outcomes
- Integration of Care for Dual-Eligible Beneficiaries across Medicare and Medicaid
- Regulating the Affordable Care Act: What's New for 2025?

Questions?

Matthew Williams, JD, MA
Senior Health Policy Analyst, Health
American Academy of Actuaries
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Policy Priorities for 2024

- Health equity
- Public health challenges
- Insurance coverage and benefit design
- Health care costs and quality
- Medicare sustainability
- Long-term services and supports
- Financial reporting and solvency
- Professionalism

Attachment Five
Health Actuarial (B) Task Force
8/12/2024

American Academy of Actuaries Response to Knowledge Statement Request

Lisa Slotznick
Darrell Knapp
Rhonda Ahrens

August 12, 2024

American Academy of Actuaries

About the Academy

AMERICAN ACADEMY of ACTUARIES

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For more information, please visit:

www.actuary.org

Agenda

- Background
- Process to date
- Review draft language
- Next steps

American Academy of Actuaries

Background

Request from LATF at 2023 Fall National Meeting

- LATF requested American Academy of Actuaries recommend knowledge statements for life actuaries signing certain Statements of Actuarial Opinion, including for actuaries serving as appointed actuaries, as illustration actuaries, and as qualified actuaries for principle-based reserves.
- HATF, although not making a formal request, raised a similar discussion in its meeting.

Process To Date

- Styled after the casualty knowledge statements that were developed by the NAIC's Casualty Actuarial Task Force
- Leveraged materials from the Academy's Life and Health Qualification Standards
- Focused on appointed actuaries first, both life and health
- Several regulator-only meetings to discuss preferences and strategy

Important Considerations

- The knowledge statements provided are recommendations in response to the LATF request and the HATF discussion.
- Knowledge statements are not a position of the Committee on Qualifications, and future use and modification of these recommendations are the responsibility of LATF and HATF.
- The knowledge statements focused on additional knowledge that an actuary should have to perform specifically identified tasks. This does not include basic knowledge of actuarial mathematics, accounting, economics, and risk theory that all actuaries should have (primarily knowledge demonstrated prior to the associateship level in either the Society of Actuaries or Casualty Actuarial Society).
- Fulfillment of the knowledge statements does not imply an actuary is qualified to provide a given opinion. There are additional qualification requirements, and there may be additional knowledge required dependent on the topics covered under the opinion.

Drafted Language for Appointed Actuary

- The knowledge statements are broken down into six groupings—Principles of Insurance and Underwriting; Principles of Ratemaking; Statutory Insurance Accounting and Expense Analysis; Premium, Loss, Expense, and Contingency Reserves (and Actuarial Assets); Social Insurance; and Professionalism and Business Skills.
- The first five groupings correspond to the specific topics mentioned in Section 3 of the U.S. Qualification Standards. Professionalism and Business Skills was added as an additional topic to highlight the importance of professionalism in the appointed actuary role.

Next Steps

Will continue to draft qualified actuary and illustration actuary knowledge statements (*drafts anticipated before Fall National Meeting)*. We anticipate the qualified actuary draft will be a subset of the appointed actuary statement.

In November, the completed drafts will be submitted to LATF.

Questions?

For more information, please contact

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American Academy of Actuaries