HEALTH ACTUARIAL (B) TASK FORCE

Health Actuarial (B) Task Force Nov. 16, 2024, Minutes
- Health Actuarial (B) Task Force Oct. 1, 2024, Minutes (Attachment One)
  - 2025 Proposed Charges (Attachment One-A)
  - American Academy of Actuaries (AAA) Health Knowledge Statements Draft (Attachment One-B)
- Society of Actuaries (SOA) Research Institute Activities Update (Attachment Two)
- Academy Health Practice Council (AHPC) Updates (Attachment Three)
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Draft Pending Adoption

Draft: 11/22/24

Health Actuarial (B) Task Force
Denver, Colorado
November 16, 2024

The Health Actuarial (B) Task Force met in Denver, CO, Nov. 16, 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); Michael Conway represented by Sydney Sloan (CO); Andrew N. Mais represented by Paul Lombardo (CT); Dean L. Cameron represented by Weston Trexler (ID); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant 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); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Dave Yanick (PA); Cassie Brown represented by R. Michael Markham (TX); Scott A. White represented by Tim Connell (VA); and Mike Kreidler represented by Lichiou Lee (WA).

1. Adopted its Oct. 1 and Summer National Meeting Minutes

Dyke said the Task Force met Oct. 1. During this meeting, the Task Force took the following action: 1) adopted its 2025 proposed charges; and 2) exposed an American Academy of Actuaries (Academy) draft of knowledge statements for appointed actuary roles for the health blank for a 30-day public comment period that ended Oct. 31.

Lombardo made a motion, seconded by Sloan, to adopt the Task Force's Oct. 1 (Attachment One) and Aug. 12 (*see NAIC Proceedings – Summer 2024, Health Actuarial (B) Task Force*) minutes. The motion passed unanimously.

2. Heard an Update from the SOA Research Institute on its Activities

Dale Hall (Society of Actuaries—SOA) gave a presentation on recent SOA Research Institute activities (Attachment Two). Hall said the SOA's Medicaid underwriting margin project has been updated to incorporate COVID-19 data from 2020 through 2022. He said it has been updated with NAIC statutory reporting information from 2020 through 2022, which supplements the existing data set in the last report from 2013 through 2019. Hall said the research presented in the report, along with an accompanying Excel workbook, helps define an empirically supported, methodologically sound, and actuarially grounded model that can be used to transparently develop an underwriting margin within the context of Medicaid managed care rate certification. He said the SOA plans to further update this to examine the impact of Medicaid unwinding changes.

Hall said the SOA typically publishes a long-term medical trend update every year and did so in September using projections from 2025 through 2035. He said it is a long-term medical cost trend protection model based on over 30 years of observation of different variables often correlated with health care trends. Hall said some actuaries use this as a starting point for some of their evaluations of retiree medical care benefits. He said some key observations from this year's projection include that long-run medical cost increases estimated around 5% per year, eventually declining to match any rate of increase that might be seen in per capita income, and the component assumptions of long-run medical cost increases are unchanged from last year.

Hall said the SOA Research Institute is working on the next version of its Long-Term Care Experience Study. He said this will be done in partnership with some funding from the NAIC. Hall said the study will focus on contingencies such as claim incidence, claim continuance, claim utilization, and mortality for policies on claims and for active lives.

3. Heard an Update from the Federal CCIIO

Jeff Wu (Center for Consumer Information and Insurer Oversight—CCIIO) said the federal Centers for Medicare & Medicaid Services (CMS) published the Proposed Notice of Benefit and Payment Parameters (NBPP) for 2026 on Oct. 4. Dyke said the deadline for commenting on the proposed NBPP has passed. Wu said it proposes policies that will allow expanded enforcement against the lead agents of insurance agencies for unauthorized enrollments and other violations. Wu said the proposed NBPP includes a discussion of ways that CMS can work with state insurance regulators and the NAIC to reduce the risk of insurer insolvencies, particularly across state lines. He said the NBPP includes a proposal and a solicitation for comments related to cost-sharing reduction (CSR) loading for Silver plans. He said CMS has attempted to capture this in proposed and final rules, which essentially state that CMS defers to the states on how they instruct or permit carriers to assess the load for CSRs, provided that the total load is reasonable and actuarially justified.

Wu said the proposed NBPP contains a proposal to phase out a particular adjustment in the risk adjustment model for hepatitis C drugs. He said it also contains a proposal to treat pre-exposure prophylaxis (PrEP) as a condition instead of a preventive service within the risk adjustment model. Wu said there is a proposal to increase the federal exchange user fee to 2.5%.

Wu said that after more than a year of hard work and deliberations, the U.S. Departments of Health and Human Services (HHS), Labor (DOL), and the Treasury (Treasury Department) have finalized the Mental Health Parity and Addiction Equity Act (MHPAEA). He said the rule focuses on strengthening and clarifying obligations relating to non-quantitative treatment limitations. Wu said the rule points out a focus on network adequacy as being subject to non-quantitative treatment limitation analysis, and it makes it incumbent upon plans and issuers to conduct quantitative analyses to determine the impact of their non-quantitative treatment limitations. He said if the analyses show material differences in access between mental health benefits and medical/surgical benefits, plans and issuers will be required to take actions to remedy the discrepancy.

Wu said that last week, CMS released a Notice of Funding Opportunity (NOFO) on Essential Health Benefit (EHB)-Benchmark Plan Modernization for states with a federally facilitated exchange (FFE). He said that since it is funded through user fees, it is only available in federal exchange states. Wu said the grants can be as much as $250,000, with an additional $125,000 if the state chooses to establish an advisory board. He said the application deadline is Jan. 15, 2025, with an optional interim deadline of Dec. 16 to file a letter of intent. Wu said CMS expects to make awards in March 2025.

4. Heard an Update from the Academy Health Practice Council

Matthew Williams (Academy) gave an update (Attachment Three), on recent and upcoming activities, publications, and webinars for the Academy Health Practice Council.

5. Heard an Academy Professionalism Update

Darrell Knapp (Academy) said that the Academy's Committee on Qualifications (COQ) is strongly interested in assuring that U.S. actuaries are qualified to do their work. He said that the COQ is committed to providing the appropriate qualification guidance for actuaries and contributing a basic and continued education necessary for U.S. actuaries to become qualified and maintain their qualifications over time. Knapp said that regarding the

current U.S. Qualification Standards, the COQ has received 28 questions in 2024, covering primarily continuing education (CE) and specific qualification requirements. He said 43 questions were received during 2023. Knapp said the COQ typically receives more than half of the questions in any given year toward the end of that year when actuaries complete CE requirements. He said that for each question received, the COQ considers whether the question merits addition to the frequently asked questions (FAQ) or if a direct response should be sufficient. Knapp said questions specific to the questioner's circumstances and experience may be referred to the Actuarial Board for Counseling and Discipline (ABCD) and become a request for guidance. He said one item in the U.S. Qualification Standards issued in 2021 that has impacted all actuaries is a CE requirement to have one hour of bias CE annually.

Dyke said he is the chair of the Actuarial Standards Board (ASB) for 2024 and is also the incoming chair for 2025. He 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). Dyke said ASOP No. 28, Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities, was exposed briefly for a scope change. The final version with those scope changes became effective Oct. 1. He said ASOP No. 49, Medicaid Managed Care Capitation Rate Development and Certification, and ASOP No. 45, The Use of Health Status Based Risk Adjustment Methodologies, are in development and under review by the respective task forces and are expected to come before the ASB in 2025.

Dyke said the ASB has been working on several cross- and multi-practice area ASOPs. He said the ASB has approved the second exposure draft of ASOP No. 41, Actuarial Communications. Dyke said the exposure draft considered the hundreds of comments received and that it will be released Nov. 26. He said the deadline for comments on the draft exposure is March 1, 2025. Dyke said the ASB is close to finalizing a new enterprise risk management (ERM) ASOP that will consolidate ASOP No. 46, Risk Evaluation in Enterprise Risk Management, and ASOP No. 47, Risk Treatment in Enterprise Risk Management. He said the second exposure draft was released this fall and three comments were received. Dyke said the ASB will review those comments at its December meeting. Dyke said comments received on the first exposures of ASOP No. 12, Risk Classification, and ASOP No. 7, Analysis of Life, Health, or Property/Casualty Insurer Cash Flows, are being reviewed and proposed revisions will come before the ASB in 2025.

Dyke said ASOP No. 1, Introductory Actuarial Standard of Practice, has been proposed for revisions. He said Dave Neve (Actuarial Resources Corporation of Georgia) and Laura Hansen (Pacific Life) will be continuing to serve as ASB vice chairs in 2025, and Mary Frances Miller (Select Actuarial Services) will replace Patrick Woods (Retired), whose term has expired, as a casualty representative.

Shawna Ackerman (California Earthquake Authority—CEA) said she is a member of the ABCD. She said John Schubert (Deloitte Consulting LLP) and April Choi (Retired) are the ABCD's health practitioners. Ackerman said the ABCD's two primary functions are to respond to requests for guidance and to consider complaints of possible violations of the Academy's Code of Professional Conduct. She said the ABCD presents educational activities and will host its annual Tales from the Dark Side webinar Dec. 6.

6. Discussed Comments Received on the Exposure of the Academy's Draft Knowledge Statements

Dyke said comments were received from the SOA (Attachment Four), the Washington State Office of the Insurance Commissioner (OIC) (Attachment Five), and Regence BlueCross BlueShield (Attachment Six) in response to the Task Force's exposure of the Academy's draft of knowledge statements for an appointed actuary for the health blank. He said one purpose of the knowledge statements would be to use them as a measure of consistency between what is believed to be the expected understanding of health actuaries when issuing a statement of actual opinion on a health blank and the SOA's new fellowship education redesign. Dyke said the next steps are for the Academy to respond to any of the comments and for the Task Force to review the final version of the knowledge statements.

7. Heard a Presentation on Nebraska Medicare Supplement Market Issues

Garrison and Michael Muldoon (Muldoon Actuarial and Biostatistical Analysis) gave a presentation on Nebraska's Medicare supplement insurance (Medigap) market new business rate setting and underwriting issues (Attachment Seven).

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

SharePoint/NAIC Support Staff Hub/Member Meetings/B CMTE/HATF/2024_Fall/11-16-24 HATF/HATF Minutes 11-16-24.docx

Draft: 10/4/24

Health Actuarial (B) Task Force
Virtual Meeting
October 1, 2024

The Health Actuarial (B) Task Force met Oct. 1, 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 Sydney Sloan (CO); Michael Yaworsky represented by Kyle Collins (FL); Gordon I. Ito represented by Max Tang (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 Nicole Boyd (KS); Marie Grant 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 Craig Kalman (OH); Michael Humphreys represented by Dave Yanick (PA); Cassie Brown represented by Aaron Hodges (TX); Scott A. White represented by David Shea (VA); and Mike Kreidler represented by Lichiou Lee (WA).

1. Adopted its 2025 Proposed Charges

Lombardo made a motion, seconded by Shea, to adopt the Task Force's 2025 proposed charges (Attachment One-A). The motion passed unanimously.

2. Exposed Draft Knowledge Statements for Comment

Dyke said the Task Force will expose an American Academy of Actuaries (Academy) draft of knowledge statements for appointed actuary roles for the health blank (Attachment One-B) for a 30-day public comment period ending Oct. 31.

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

SharePoint/NAIC Support Staff Hub/Committees/B CMTE/HATF/2024_Fall/HATF/10-1-24 HATF/HATF Minutes 10-01-24.docx

Draft: 9/30/24
Adopted by the Executive (EX) Committee and Plenary, Dec.dd, 2024
Adopted by the Health Insurance and Managed Care (B) Committee, Nov. dd, 2024
Adopted by the Health Actuarial (B) Task Force, Oct. 1, 2024

2025 Proposed Charges

HEALTH ACTUARIAL (B) TASK FORCE

The mission of the Health Actuarial (B) Task Force is to identify, investigate, and develop solutions to actuarial problems in the health insurance industry.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Health Actuarial (B) Task Force** will:
   A. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate long-term care insurance (LTCI) rates, rating practices, and rate changes.
   B. Provide support for issues related to implementation of, and/or changes to, the federal Affordable Care Act (ACA).
   C. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.
   D. Develop LTCI experience reporting requirements in VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the *Valuation Manual*.
   E. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary to other NAIC groups relative to their work on health actuarial matters.
   F. Monitor and evaluate the actuarial approach used in the multistate actuarial (MSA) rate review process as outlined in the MSA Framework document, and make modifications, as appropriate. Additionally, monitor and evaluate the progress of the MSA rate review process and the state insurance department rate review actions related to the MSA Framework.

2. The **Long-Term Care Actuarial (B) Working Group**:
   A. Assist the Health Actuarial (B) Task Force in completing the following charges:
   i. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate LTCI rates, rating practices, and rate changes.
   ii. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a PBR framework.
   iii. Develop LTCI experience reporting requirements in VM-50 and VM-51, Experience Reporting Formats, of the *Valuation Manual*.
   iv. Monitor and evaluate the actuarial approach used in the multistate actuarial (MSA) rate review process as outlined in the MSA Framework document, and make modifications, as appropriate. Additionally, monitor and evaluate the progress of the MSA rate review process and the state insurance department rate review actions related to the MSA Framework.

Staff Support: Eric King

August 1, 2024

Kevin Dyke, Chair
Ryan Jubber, Vice Chair
Health Actuarial (B) Task Force
National Association of Insurance Commissioners (NAIC)
1100 Walnut Street, Ste 1000
Kansas City, MO 64106

Re: Draft Knowledge Statements for Life and Health Actuaries

Dear Chair Dyke and Vice Chair Jubber,

On behalf of the American Academy of Actuaries (Academy),[1] I appreciate the opportunity to share an update regarding the Life Actuarial (A) Task Force's (LATF) request following the Fall National Meeting in Orlando.

In a November 30, 2023, letter, LATF requested that the Academy develop knowledge statements that outline the knowledge necessary for life actuaries signing certain statements of actuarial opinion, including the roles of appointed actuary, illustration actuary, and qualified actuary for principles-based reserves. After meeting with LATF leadership, along with several members of the Health (B) Actuarial Task Force (HATF) to better understand expectations, the Academy has drafted the attached materials. The draft reflects our initial effort to develop such knowledge statements for appointed actuary roles for orange blank filings (health).

The drafted knowledge statements are intended to reflect a baseline level of knowledge that the actuary should have for a designated role. Meeting this baseline level of knowledge does not imply that an actuary is qualified to issue the specified actuarial opinion. The *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (USQS) has many components of qualification beyond the baseline level of knowledge. In addition, there may be certain situations where the specified actuarial opinion is so limited in scope that some components of the baseline level of knowledge are not necessary.

The knowledge statements were developed by a group of Academy volunteers and have not been subject to a formal exposure process. As such, they should not be interpreted to be prescriptive or to be an interpretation of the USQS.

[1] 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.

The Academy is pleased to be able to assist both actuarial task forces in this analysis. We appreciate your ongoing collaboration and feedback on this effort. Per the original request, we do expect that the final drafts will be submitted to HATF before the end of 2024. If you have any further questions, please feel free to contact Geralyn Trujillo, senior director of public policy (trujillo@actuary.org, 202-785-7875).

Sincerely,

Lisa Slotznick, President
American Academy of Actuaries

cc: Eric King, NAIC

Knowledge Statements for Appointed Actuary for Health Blank

These knowledge statements would apply to Appointed Actuary for Health and apply to the Health Annual Statement, also known as the Health Blank or Orange Blank.

As stated within the Health Blank instructions, the requirements for an actuary to qualify as the Appointed Actuary and be permitted to sign the Actuarial Opinion are that the actuary must be "a member in good standing of the American Academy of Actuaries, or a person recognized by the American Academy of Actuaries as qualified for such actuarial valuation." Being a member in good standing implies, among other things, that an actuary adheres to the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" (USQS), effective January 1, 2022.

The USQS was revised from prior editions of the qualification standards and therefore specifically apply to actuaries issuing Statements of Actuarial Opinion (SAOs) starting on January 1, 2023. Furthermore, such actuaries need to meet the continuing education (CE) requirements before issuing any SAOs.

Section 2.1 of the USQS specifies the Basic Education and Experience Requirements, stating that an actuary should have achieved the following:

- Through education or mutual recognition, received a Fellow or Associate designation from either the Society of Actuaries (SOA) or the Casualty Actuarial Society (CAS). It is important to note that this would most likely be the SOA for an actuary issuing an opinion related to the Health/Orange Blank.
- Membership in the Academy.
- Three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems.
- Be knowledgeable, through education or documented professional development, of
    1. U.S. Law, including statues, regulations, judicial decisions, and other statements having legally binding authority, applicable to the SAO, and
    2. U.S. actuarial practices and principles.
- Have either
    1. Obtained Fellowship in the CAS or SOA. In addition to obtaining this fellowship, the actuary must:
        i. Have completed education relevant to the subject of the SAO. Such education may have been obtained in attaining the fellowship designation or highest possible designation of a non-U.S. actuarial organization, or by completing additional education relevant to the subject of the SAO; or
        ii. Have a minimum of one year of responsible actuarial experience in the particular subject relevant to the SAO, under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at the time.

OR

2. Have a minimum of three years of responsible actuarial experience in the particular subject relevant to the SAO, under the review of an actuary who was qualified to issue the SAO at the time the review took place under the USQS in effect at that time.

Section 3. of the USQS specifies the Specific Qualification Standards beyond those required to satisfy the General or Basic Education and Experience requirements. For issuing Health SAO, this includes examinations administered by either the Academy, CAS or SOA covering

a) Principles of insurance and underwriting;
b) Principles of ratemaking;
c) Statutory insurance accounting and expense analysis;
d) Premium, loss, expense and contingency reserves; and
e) Social insurance.

Alternatively, this education may be acquired through responsible work or self-study, if another qualified actuary familiar with the work is willing to attest to the knowledge of the opining actuary. To meet the experience requirement, an actuary is required to have at least three years of responsible experience relevant to the Opinion, under the review of another actuary who was qualified to issue the Opinion at the time the review took place.

DRAFTING NOTES: The regulators may allow caveats in the stem since not all statements filed on the Health Blank will include every item listed in the Knowledge Statement.

To address the regulatory concern of "not knowing what you don't know," a comprehensive listing is a good direction. These knowledge statements should also be seen as a flexible document that keeps old products relevant while being updated to allow for new product concepts along the way

It may be beneficial to include guidance in a cover page or introduction to the knowledge statements that suggests a "best practice" for the actuary, encouraging record keeping of the key items and an explanation of how the actuary met the requirement, such as when they achieved a credential or what their 1 or 3 years of experience looked like, which is kept updated. This record is particularly valuable when there are changes within their organization, to help an Appointed Actuary think about and know about when working with a new product.

Principles of Insurance and Underwriting

1. **Insurable Risk Concepts**: Understanding the dynamic between moral hazard and insurable risks; recognizing the increased risks associated with moral hazards as insurable risks diminish.

2. **Health Insurance Products**: In-depth knowledge of various health insurance products and their unique features, including:
    - **Medical Insurance**: Differentiating between individual, small group, large group, self-funded, Medicare Advantage, Medicare Part D, Medicare Supplement, Managed Medicaid, and short-term medical plans.
    - **Dental and Vision Insurance**: Characteristics and coverage details.
    - **Group Term Life and AD&D**: Key aspects and insurance parameters.
    - **Disability Insurance**: Nuances of short-term, individual, and long-term disability insurance.
    - **Long-Term Care**: Coverage scope and policy features.
    - **Specialized Health Insurance**: Understanding cancer/critical illness and hospital indemnity insurance.
3. **Distribution Methods**: Comprehensive knowledge of distribution channels for each type of coverage.
4. **Underwriting Processes**: Mastery of underwriting procedures for each coverage type and strategies to address selection risks.
5. **Behavioral Underwriting Factors**:
    - Effects of network and coverage limitations.
    - Impact of healthy lifestyle incentives on consumer choices.
    - The correlation between individual choices and funding sources.
6. **Seasonal Claim Patterns**: Recognizing and analyzing seasonal trends in claim incidences for different products.

Principles of Ratemaking

1. **Premium Rate Components**: Understanding the constituents of premium rates, including benefit costs, expenses, and risk charges.
2. **Medical Insurance Contract Elements**: Comprehensive knowledge of risk assumption, provider network access, care management/wellness programs, and claims management/adjudication.
3. **Risk Levels of Different Products**: Expertise in evaluating risk for diverse products, including self-funded plans, dental/vision, retrospective experience rated, fully insured plans, specific and aggregate stop loss, disability, and long-term care (LTC).
4. **Renewal Rate Change Rules**: Familiarity with renewal rate change regulations for each product.
5. **Rating Restrictions**: Understanding the rating limitations for products such as those under the 2010 federal statute, the Patient Protection and Affordable Care Act (ACA).
6. **Risk Adjustment in ACA and Medicare Advantage**: Proficiency in the impact of risk adjustment on premium amounts and payment timings, including risk adjustment data validation (RADV) issues.

Statutory Insurance Accounting and Expense Analysis

1. **Statutory Accounting Principles**: Deep understanding of statutory accounting principles and guidance sources.
2. **Statutory Accounting Blanks and SSAPs**: Familiarity with statutory accounting blanks and associated Statements of Statutory Accounting Principles (SSAPs).
3. **Conservatism in Financial Statements**: Knowledge of the treatment of conservatism in statutory financial statements.
4. **Reserves vs. Liabilities**: Distinguishing between reserves and liabilities.
5. **Covered and Uncovered Expenses/Liabilities**: Understanding the differences and implications.
6. **Reinsurance Treatment**: Mastery of reinsurance treatment in statutory accounting, including issues related to risk transfer.
7. **Expense Segmentation**: Skills in segmenting expenses between claim adjustment expenses and distinguishing between variable and overhead costs.
8. **Appointed Actuary Requirements**: Familiarity with the roles and responsibilities.
9. **Actuarial Opinion and Memorandum Components**: Understanding of the different types of opinions, prescribed language, and scope.
10. **Timing of Actuarial Opinions and Memorandums**: Knowledge of appropriate timing for these documents.
11. **Risk-Based Capital (RBC) Formula Elements**: Expertise in the components of the risk-based capital formula and its regulatory impacts.
12. **Testing of Prior Period Liabilities and Assets**: Skills in evaluating the accuracy and adequacy of prior period liabilities and actuarial assets.

Premium, Loss, Expense, and Contingency Reserves (and Actuarial Assets)

1. **Premium Reserves**: Understanding of assets and liabilities typically found in health products, calculation methods, and their documentation. Premium reserves include items such as:
    1. Due and uncollected premium
    2. Premium paid in advance
    3. Unearned premium
    4. Retrospective premium receivable or payable
    5. Risk adjustment receivable or payable
    6. Minimum loss ratio (MLR) refund liability
    7. Risk corridor assets and liabilities

2. **Loss Reserves**: Proficiency in calculating loss reserves, including segmentation and consideration for various factors. Loss reserves include items such as:
    1. Unpaid claim reserves and liabilities, including segmentation into not reported, in course of settlement, due and unpaid and present value of amounts not yet due.
    2. Contract reserves and gross premium reserves, including prescribed minimum assumptions.
    3. Provider assets and liabilities, including the types of contractual provisions that give rise to such assets/liabilities.

3. **Claim Adjustment Expense Liability**: Expertise in determining claim adjustment expense liabilities.

4. **Premium Deficiency Reserves**: Mastery in calculating premium deficiency reserves (PDR), including considerations for grouping, projection time periods, expense reallocation, treatment of investment income, and tax implications.

5. **Asset Adequacy Analysis**: Skills in conducting asset adequacy analysis and determining additional reserve requirements.

6. **Capitations and Provider Insolvency Risks**: Knowledge of capitations and the associated risks of provider insolvency.

7. **Other Actuarial Assets**: Expertise in estimating and documenting other actuarial assets specific to health insurance products. Other actuarial assets include items such as:
    1. Provider risk sharing receivables
    2. Loans and advances to providers
    3. Capitation arrangement receivables
    4. Pharmacy rebate receivables
    5. Claim overpayment receivables

Social Insurance

1. **Medicare Program**: Comprehensive understanding of the components, coverages, and funding mechanisms of the Medicare program.
2. **Medicaid and CHIP**: In-depth knowledge of Medicaid and the Children's Health Insurance Program (CHIP), including their components, coverages, and funding.
3. **Disability Insurance and Social Security**: Understanding the components and coverages of the Disability Insurance (DI) portion of Social Security and its interactions with other disability income coverages.

Professionalism and Business Skills

The Appointed Actuary must have professional and business skills to enable the Appointed Actuary to perform the required actuarial services in an ethical manner that upholds the reputation of the actuarial profession. The Appointed Actuary must know and adhere to the Code of Professional Conduct, as well as relevant ASOPs and must meet the USQS. The Appointed Actuary must have the professional and business skills to manage the tasks, make informed decisions, communicate effectively with users of the actuary's work products, resolve disagreements, and seek guidance as necessary.

1. **Code of Conduct**: Familiarity with the Code of Conduct and its application in professional scenarios.
2. **US Qualification Standards**: Profound understanding of the USQS.
3. **Actuarial Standards of Practice (ASOPs) and Applicability**: Mastery of applicable ASOPs and guidelines for their application. The actuary should refer to the Academy's Applicability Guidelines to determine applicable ASOPs.
4. **Documentation:** Understanding the importance of documentation of work as discussed in many ASOPs and as required by the Laws and Regulations applicable to the SAO.

In addition to these knowledge statements, Section 2.1.c of the USQS requires the actuary to be knowledgeable of the U.S. law applicable to the SAO. For a health blank actuarial opinion signed by the Appointed Actuary, this would include knowledge of:

- Health Insurance Reserves Model Regulation.
- NAIC Health Reserve Guidance Manual.
- NAIC Annual Statement Instructions, specifically as it relates to Health and the SAO.
- Applicable provisions of Health Insurance Portability and Accountability Act (HIPAA)
- Applicable SSAPs including:
    - SSAP 54
    - SSAP 55
    - SSAP 84
- Individual state laws and regulations applicable to the actuarial opinion and assets and liabilities within the scope of the opinion.
- Other applicable laws and regulations related to specific products referenced in the specific SAO.

Familiarity with the relevant Practice Notes from the Academy is also a valuable component of professionalism.

Attachment Two
Health Actuarial (B) Task Force
11/16/24

SOCIETY OF ACTUARIES RESEARCH UPDATE TO HATF

November 16, 2024

Dale Hall, FSA, MAAA, CERA
Managing Director of Research

SOA Health Research Updates

Medicaid Underwriting Margin - COVID Update

Update to previous studies, adding data from 2020-2022 NAIC reporting statements and current financial and risk-based capital information

Long-term Medical Trend Update: 2025-2035+

Update on Long Term Care Experience Study

SOA Research INSTITUTE

Additional Health Research

Experience Studies & Practice Research

Attachment Two
Health Actuarial (B) Task Force
11/16/24

Project Name	Objective	Expected Completion Date
Actuarial Weather Extremes - Hurricane Helene September 2024	Highlight observations for extreme weather events across North America	https://www.soa.org/resources/research-reports/2019/weather-extremes/
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/
Getzen Model 2025	This research examines is a model that does long term medical trend projects. In addition, there is a write-up which describes how each of the assumptions were chosen.	https://www.soa.org/resources/research-reports/2024/2025-getzen-model-update/
Medicaid Underwriting Margin - Post COVID Update	Update the Medicaid Underwriting Margin Model with data through CY 2025 and incorporating data from the PHE Unwinding.	6/1/2026
ACA@15	This report will examine the success of the ACA to different stakeholders in the Individual, Small Group and Medicaid Marketplaces	3/24/2025
Behavior Health Article Series	This project will consist of a series of BH articles addressing various aspects of behavioral health from an actuarial health perspective	5/31/2025
Long Term Care Population Research Model	Assesses the impact of reform proposals for LTC system changes on stakeholders including consumers.	10/30/2024
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.	12/16/2024
HIV + Medicare	This research involves evaluating the impact of HIV positive individuals on Medicare Advantage.	11/15/2024
Assessing and Valuing the Impact of Technology in HealthCare	Examines the way actuaries value Technology within the Healthcare System	11/11/2024
The Impact of Social Determinants of Health on Risk Adjustment	Analyzes the potential impact of SDOH factors on Risk Adjustment	12/3/2024

SOA Research INSTITUTE

Attachment Two
Health Actuarial (B) Task Force
11/16/24

Attachment Three
Health Actuarial (B) Task Force
11/16/24

Health Practice Council Update

Health Actuarial (B) Task Force (HATF) Meeting

November 16, 2024

American Academy of Actuaries

About the Academy

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:
actuary.org

Recent Engagement

Long-Term Care (B) Actuarial Working Group (LTCAWG)

Comments submitted on LTCI MSA Proposals

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

H2—Underwriting Review project: final report still intended by year-end

Recent Health Practice Council Activity

Webinars:

- Overview of CMS' Final Rules for Ensuring Access to Medicaid Services, and Managed Care Access, Finance, and Quality

Publications:

- Issue Brief (and Executive Summary) on Examining ERISA in the Context of Health Benefits

Academy Annual Meeting:

- Plenary Session with Commissioner Mais and NAIC CEO Gary Anderson; breakout health sessions on behavioral health and the costs of enhanced or new benefits, integration of care for the dually-eligible, and a session with CCIIO

Recent and Upcoming Academy Activity

Webinars:

- Ethical Dilemmas Facing Health Actuaries: Insights and Case Studies
- Other topics in December include capital markets (retirement focused), the annual professionalism session: Tales from the Dark Side, and surplus considerations for public pension plans

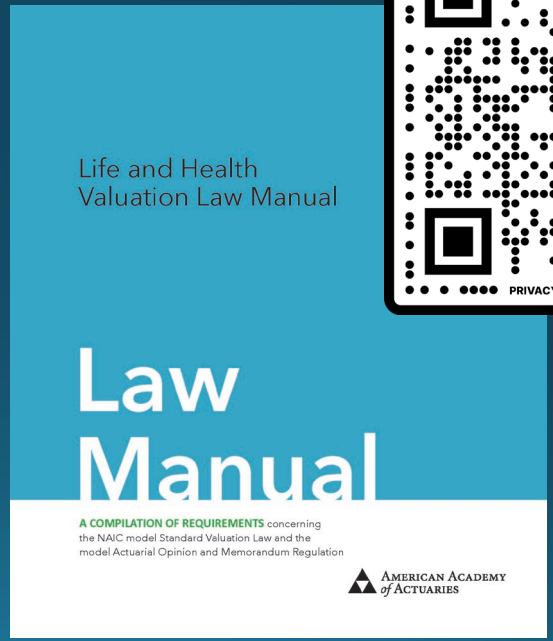
Publications

- Health: The State of Long-Term Care
- Casualty: Insurance Fraud: Impacts on Premiums, Claim Costs, and the Public
- Retirement: Collective Defined Contribution Plans, Immigration and Social Security, Public Pension Plans: Evaluating Buyout Programs
- Risk Management: Big Data Terminology

Coming Soon
Life and Health Valuation Law Manual

What's Inside?

- Current topics section outlining key valuation developments and specific state guidance;
- Current NAIC model laws and regulations that effect reserve calculations;
- A discussion of generally distributed interpretations; and
- Current actuarial guidelines from the NAIC *Financial Examiners Handbook*.



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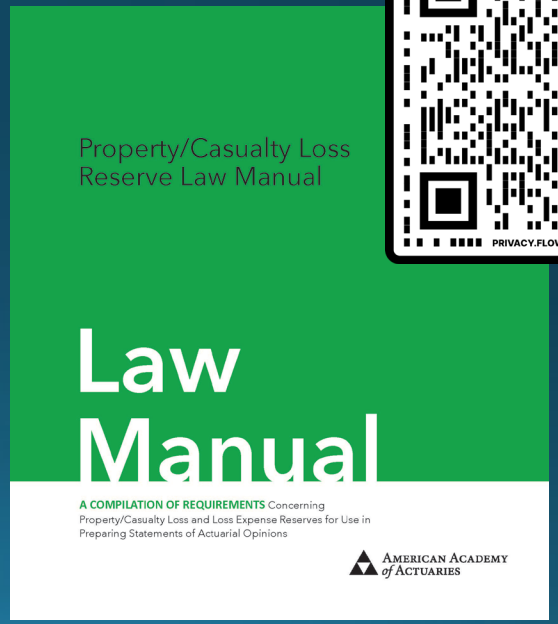
Coming Soon
Property/Casualty Loss Reserve Law Manual

What's Inside?

- SAO requirements and the laws and regulations establishing those requirements;
- Annual statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- Other pertinent annual statement instructions.



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American Academy of Actuaries

Plan ahead for these 2025 events

Investment Symposium
Spring 2025
New York, NY
Registration opening soon.

Life and Health Qualifications Seminar
Fall 2025
Arlington, Va.

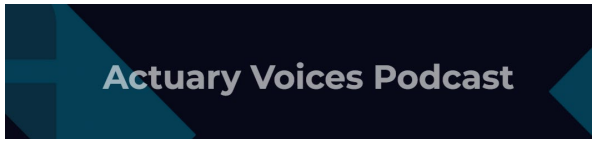
American Academy of Actuaries

www.actuary.org/calendar

Other Resources

Follow the Academy on LinkedIn

Check out the Academy's Policy Issues Clearinghouse, Actuarially Sound blog, and Academy Voices podcast



American Academy of Actuaries

Thank you

Questions?

For more information, contact:

Matthew Williams, williams@actuary.org

American Academy of Actuaries

To: Kevin Dyke, NAIC HATF Chair
Ryan Jubber, NAIC HATF Vice-Chair
Paul Lombardo, NAIC HATF Member
Eric King, NAIC Health Actuary, Research and Actuarial
From: Stuart Klugman, SOA Senior Staff Fellow, Education
Subject: Draft Health Knowledge Statements, SOA Mapping and Comments
Date: November 4, 2024

The Society of Actuaries (SOA) is pleased to have the opportunity to review the health knowledge statements prepared by the American Academy of Actuaries.

In general, we urge the NAIC to leave knowledge of particular niche coverages and knowledge of single-state program features off the knowledge statements required for all appointed actuaries.

Below please find comments on specific sections of the draft knowledge statements.

Principles of Insurance and Underwriting

2 **Health Insurance Products**: In-depth knowledge of various health insurance products and their unique features, including:

- **Disability Insurance**: Nuances of short-term, individual, and long-term disability insurance.

  We believe disability insurance should fall outside the required knowledge for health FSAs desiring to sign health annual statements. However, we acknowledge that if this coverage is relevant to a particular health annual statement the appointed actuary should have knowledge in this area, which can appropriately be gained through experience and continuing education.

- **Long-Term Care**: Coverage scope and policy features.

  We believe long-term care coverage should fall outside the required knowledge for health FSAs desiring to sign health annual statements. However, we acknowledge that if this coverage is relevant to a particular health annual statement the appointed actuary should have knowledge in this area, which can appropriately be gained through experience and continuing education.

- **Specialized Health Insurance**: Understanding cancer/critical illness and hospital indemnity insurance.

  We believe specialized health insurances should fall outside the required knowledge for health FSAs desiring to sign health annual statements. However, we acknowledge that if this coverage is relevant to a particular health annual statement the appointed actuary should have knowledge in this area, which can appropriately be gained through experience and continuing education.

6 **Seasonal Claim Patterns**: Recognizing and analyzing seasonal trends in claim incidences for different products.

3 **Risk Levels of Different Products**: Expertise in evaluating risk for diverse products, including self-funded plans, dental/vision, retrospective experience rated, fully insured plans, specific and aggregate stop loss, disability, and long-term care (LTC).

We believe these subjects fall outside the broad required knowledge for health FSAs desiring to sign health annual statements. However, we acknowledge If any of these subjects is relevant to a particular health annual statement the appointed actuary should have the knowledge in this area, which can appropriately be gained through experience and continuing education.

Social Insurance

3 **Disability Insurance and Social Security**: Understanding the components and coverages of the Disability Insurance (DI) portion of Social Security and its interactions with other disability income coverages.

We believe disability insurance and social security fall outside the recommended courses for health FSAs desiring to sign health annual statements. However, we acknowledge that if this coverage is relevant to a particular health annual statement the appointed actuary should have knowledge in this area, which can appropriately be gained through experience and continuing education.

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON
OFFICE OF
INSURANCE COMMISSIONER

Phone: 360-725-7000
www.insurance.wa.gov

October 30, 2024

Eric King, Senior Health Actuary
NAIC
eking@naic.org

RE: AAA draft Knowledge Statements for Appointed Actuary for Health Blanks

Dear Eric King,

Please consider the attached feedback about the American Academy of Actuaries' (AAA's; Academy's) August 1, 2024, draft "Knowledge Statements for Appointed Actuary for Health Blank." I am writing on behalf of the actuaries from the Office of the Insurance Commissioner (OIC) in the State of Washington. Please let me know if you have any questions or want more information. You may reach out to me directly at Amy.Peach@oic.wa.gov.

1. The statements describe different levels of knowledge required by the appointed actuary.
    a. Observed examples include, but are not limited to, the following:
        i. Understanding, recognizing, familiarity, skills, knowledge, knowledgeable, mastery, expertise, proficiency
        ii. In-depth knowledge, comprehensive knowledge, comprehensive understanding, deep understanding, profound understanding
    b. If several terms mean the same thing, we recommend only using one term throughout the knowledge statements.
    c. If terms have different meanings, we recommend clarifying how they differ.
2. Statutory Insurance Accounting and Expense Analysis:
   #4, Reserves vs. Liabilities: Please consider rewriting this item because certain reserves may be a subset of liabilities, but not all liabilities are reserves.
3. Premium, Loss, Expense, and Contingency Reserves (and Actuarial Assets):
    a. #1.4, Premium reserves, retrospective premium receivable or payable: We recommend also mentioning "contracts subject to redetermination." For example, see the full description of financial statement page 2, line 15.3.
    b. The AAA's drafting notes say the Knowledge Statements should start with a comprehensive listing. As such, we recommend covering the broader scope of items addressed by Health Statements of Actuarial Opinion (SAOs) and Actuarial Standards of Practice (ASOPs) No. 5 and No. 42.

       Below are examples that appear missing or incomplete in the draft statements.

i. Reserve for insufficient administrative fees for self-insured contracts
ii. Reserve for future contingent benefits
iii. Reserves for rate credits or experience rating refunds
iv. Amounts receivable relating to uninsured plans and liabilities for amounts held under uninsured plans including those related to the Medicare Part D program
v. Amounts receivable under government insured plans
vi. Liabilities and/or offsets for reinsurance

4. Below the Knowledge Statements, several SSAPs are listed. It may be worthwhile to expand the list to include one or more of the following SSAPs.
   a. Other often relevant SSAPs include the following:
      i. SSAP No. 47
      ii. SSAP No. 66
      iii. SSAP No. 107
   b. If an even more extensive list of SSAPs is preferred, you may also wish to consider including other SSAPs, such as the following:
      i. SSAP No. 5R
      ii. SSAP No. 6
      iii. SSAP No. 50
      iv. SSAP No. 61R
5. The document ends by mentioning "relevant Practice Notes from the Academy." You may wish to consider listing key Practice Notes.

Sincerely,

Amy Peach

Amy Peach, FSA, MAAA,
Actuary

[cc:
Lichiou Lee, ASA, MAAA, Chief Actuary;
Ned Gaines, Deputy Commissioner, Rates, Forms, and Provider Networks Division]

From: Brown, Megan
To: King, Eric
Cc: Walter Wright, Kristen; Ramsey, Shannon; Eng, Eugene
Subject: Health Knowledge Statements Comments
Date: Thursday, October 31, 2024 2:55:35 PM

Eric,

Below please find our comments regarding the Health Knowledge Statements Draft document available on the HATF website. We appreciate your time and consideration.

While the Appointed Actuary is expected to possess the necessary knowledge and expertise to attest to these knowledge statements, as demonstrated by their fulfillment of continuing education requirements under the U.S. General and U.S. Specific Qualification Standards, the explicit listing of these statements may be perceived as overly prescriptive. The USQS already provides a comprehensive framework outlining the requisite knowledge areas for an Appointed Actuary signing a Statement of Actuarial Opinion. Therefore, the inclusion of these knowledge statements may be seen as an unnecessary additional requirement, potentially creating an undue burden on the Appointed Actuary.

We believe further clarification on the following items is also needed:

- The intended audience and intended issuer of the knowledge statement are not entirely clear and could benefit from further clarification.
- Will the knowledge statements be included in the Statement of Actuarial Opinion? Or would the Appointed Actuary attest to these statements separately with the Academy as part of their continuing education requirements?
- Will the Appointed Actuary have the authority to exclude attestations that are not relevant for the SAO they are signing, and will they be required to provide further documentation regarding any attestations that are excluded?
- The knowledge content as described by the draft Life knowledge statement is much more concise than the draft Health knowledge statement. The draft Health knowledge statement is much more specific and at times redundant to the current USQS. Rather than duplicating or distilling the content of the USQS and the Continuing Education requirements, it would be helpful to specifically reference the USQS ("as stated in the USQS" or "reference the USQS for more information") and other published standards/requirements for qualification.

Megan Brown, FSA, MAAA
Kristen Walter Wright, FSA, MAAA
Shannon Ramsey, FSA, MAAA
Eugene Eng, ASA, MAAA

Attachment Seven
Health Actuarial (B) Task Force
11/16/24

Nebraska Medicare Supplement Market

New Business Rate Setting & UW Issues

November 16th, 2024

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Presenters

Margaret Garrison – Life & Health Actuary (near ASA)

- 12 years in the Health Insurance Industry, actuarial experience with several Blue Cross Blue Shield Plans.
- Cost of Care analysis, Provider negotiations, Rate Filings, Reserving.
- Two and a half years as Life and Health actuarial examiner at the NE DOI.

Michael Muldoon, ASA, MAAA, FCA – Muldoon Actuarial & Biostatistical

- ASA in 1994, has worked for 30 years as a designated actuary.
- Former Chief Actuary for the CO DOI (2016-2018) and NE DOI (2022-2024).
- 3 years as Actuarial Director, McKesson Health Disease Management.
- Masters Degree in Statistics, Ball State University, Indiana (1995).

NE DOI Actuarial Role

Review of Medicare Supplement Rate Filings

New Business

- Initial New Business rate filings after 5/1/2022.
- Detailed review of initial pricing development and assumptions.
- Obtain all rating model data, rate development spreadsheets.
- Request our Template + additional support and documentation.

Renewal Business

- Initial rate filings on or after 1/1/2020.
- Review NE and Nationwide experience, initial and current assumptions, and LT LR projection models.
- DOI requests trend rate increases for young blocks without credible experience, or credible experience rate adjustments.
- Original pricing models are not re-opened and challenged if block entered before 5/1/2022.

Insurers in the Market

NE Medicare Supplement Rate Filings

Medium to Large Domestic Insurers

- Have large size blocks of stable NE Med Supp experience.
- Can be used for pricing new blocks of business.

Large Non-Domestic Insurers

- Several with moderate size blocks of stable Nationwide Med Supp experience.
- May have some NE Med Supp experience.

Other Insurers

- Mostly Non-Domestic insurers with small size blocks.
- Often do not have credible Nationwide or NE Med Supp experience to use for pricing new business.

Setting Sustainable Rates

What are Sustainable Rates?

Rates that will be sufficient to cover all future benefits and expenses, with only future annual medical trend and aging increases needed.

Nebraska's large domestic companies have sufficient experience available, and generally set rates to be sustainable.

NAIC Medicare Supplement rating guidelines do not allow actuaries to price new blocks with the intent to "Ride the Selection Curve" and underprice blocks in early years.

Such underpricing will lead to rates that are not sustainable, requiring large rate increases greater than trend and aging in later years.

The Fundamental Problem in the Nebraska Market

Medicare Supplement 2010 Plan Business

- **Between 2017 and 2022 several dozen insurers submitted new business rates that were grossly underpriced.**
- **Plans were priced 15-45% below our Large Domestic Insurers. These were priced considerably lower than what would have been needed to create a "sustainable" block.**

After UW selection wore off:

- **Lifetime Loss Ratios rapidly deteriorated, then annual rate increases of 12% to 25% were needed every year.**
- **Unhealthy policyholders are unable to leave these blocks and move to another carrier's plan, due to medical conditions preventing them from passing UW. They are trapped in blocks with escalating rate increases.**

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Review of New Business Pricing Models

- Smaller Non-Domestic carriers often do not have credible experience of their own to appropriately set initial rates.
- A few large actuarial consulting firms submitted most of these underpriced new business rate filings. They often utilized a Public Medicare Data based rating model to set initial rates.
- Prior to May 2022, NE DOI did not have rate review resources in place to review these new business rate filings in SERFF.
- Beginning in May 2022, NE DOI Actuarial was assigned to perform review of these models and found numerous issues regarding how the Medicare data was improperly and inconsistently used to set base costs, rating factors, and final rates for new Med Supp rate filings.

Use of Public Medicare Data

New Business Rate Filings often submitted Actuarial Memorandums with insufficient support for starting claim cost levels.

We found numerous problems with the rating models and support in filings:

- **Used very old data, did not disclose date ranges of data used.**
- **Assumed % of members to be UW were unrealistically high, such as 60-70%, versus historical 15% to 30% UW levels.**
- **Used incorrect claims and membership categories.**
- **Incorrectly summarized benefit data.**
- **Used incorrect geographic factors, population adjustments, and claim run-out completion factors.**

Typical Rating Pattern of Underpriced Blocks

New Medicare Supplement 2010 Plan G:

Effective Date	Policyholders	Rate Increase
2020	0	NEW
2021	100	0%
2022	500	3%
2023	900	15%
2024	950	19%

Company requested to close this block to new sales for 2024.

Group will submit a new block for 2024 sales under a different entity.

New blocks today often deteriorate considerably within 4 years from issue.

New Business Rate Review

Rate Filing actuaries are required to provide sufficient support in NE SERFF for initial and renewal rates for new blocks of Medicare Supplement business.

A New Business Template and a sample spreadsheet for Durational Lifetime Loss Ratio development are provided on the NE DOI website:

https://doi.nebraska.gov/insurers/life-and-health

Under the "Accident and Sickness Insurance" section, click "Medicare Supplement" for links to:

- **NE Medicare Supplement New Business Template.pdf**
- **Durational Loss Ratio Exhibit for Medicare Supplement, Jan 2nd, 2024.xls**

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NE DOI Rating Regulation Approach

- Control rates on New Business rate filings to prevent large underpricing from occurring on initial rates.
- Require rating trends be applied in early renewal years for blocks that do not yet have credible experience to use to revise rates.
- For blocks with sufficient experience at renewal, review the LT LR projections and utilize experience rated adjustments.
- Keep the LT LR on target each year to prevent large rate increases from being needed in later renewal years.
- Only cap future rate increases when carriers have directly refused to take trend or rate increases in early years as directed by the NE DOI.
  In these cases, caps will allow no more than rating trend (plus aging) in later renewal years.

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Capping Large Rate Increases

Nebraska DOI has opted in general not to place caps on large rate increases, other than for the specific cases noted on the prior slide.

Potential issues with applying Rate Caps:

- **Large rate increases at renewal may be justified and needed based on an insurer's poor experience, and high Lifetime Loss Ratios.**
- **Applying artificial Rate Caps may trade a rating problem for a potential solvency problem with an Insurer.**
- **The DOI approved the rates filed in the early years of the Block, even if they did not have the resources to perform rigorous rate review. The DOI has some responsibility to correct rates for blocks that are losing money in later years.**

Birthday or Anniversary Rule Issues I

Nebraska DOI and Industry have opted not to pursue a Birthday or Anniversary rule. Here were observations provided on these methods:

- **Undermines the integrity of UW in the Market.**
- **Overall Medicare Supplement Market average rates could increase.**
- **Market anti-selection could occur if new rules would apply to any new applicant, as healthy seniors may delay enrollment.**
- **Carriers with blocks of business currently in large loss positions could take very large increases to expedite the migration of high-cost members to other carriers.**
- **Carriers that priced responsibly could then be hit with high-cost members migrating from companies that did not price responsibly.**

Birthday or Anniversary Rule Issues II

- **Incentive for increased churn of policies for agent commissions. Increase in consumers being "pestered" by agents on a more regular basis - something the NAIC says they are trying to alleviate.**

- **Medicare Supplement is different from MA and ACA.**
  MA and ACA have no UW, but they also have risk funding and ACA RA transfers, so insurers receiving a large share of sick members can be protected. This protection does not exist in Medicare Supplement with the elimination of UW.

- **In the first year, sick members trapped in high rates on spiraling blocks would use the Birthday Rule as a chance to move down to the lowest priced insurer's plan in the market. Those plans would not have priced for that enrollment and would immediately need large rate hikes. The rate increase cycle accelerates.**

Contact Information

Margaret Garrison – Life & Health Actuary
Margaret.Garrison@nebraska.gov

Maggie Reinert – L&H Rates & Forms Administrator
Maggie.Reinert@nebraska.gov

Michael Muldoon, ASA, MAAA, FCA – Muldoon Actuarial & Biostatistical
Michael@muldoonact.com

Resource Links

- **Department of Insurance General** - https://doi.nebraska.gov/
- **Department of Insurance Medicare Supplement NB Rate Template** - https://doi.nebraska.gov/insurers/life-and-health
- **NAIC link** - https://content.naic.org/index_committees.htm
- **Public SERFF Filing Access** - https://www.serff.com/serff_filing_access.htm
- **Medicare** - https://www.medicare.gov/
- **CMS (Centers for Medicare & Medicaid Services)** - https://www.cms.gov/

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