

Draft date: 11/1/24

2024 Fall National Meeting
Denver, Colorado

HEALTH ACTUARIAL (B) TASK FORCE

Saturday, November 16, 2024

3:30 – 5:00 p.m.

Gaylord Rockies Hotel—Aurora Ballroom B—Level 2

ROLL CALL

Anita G. Fox, Chair	Michigan	Marie Grant	Maryland
Jon Pike, Vice Chair	Utah	Grace Arnold	Minnesota
Mark Fowler	Alabama	Chlora Lindley-Myers	Missouri
Ricardo Lara	California	Eric Dunning	Nebraska
Michael Conway	Colorado	D.J. Bettencourt	New Hampshire
Andrew N. Mais	Connecticut	Justin Zimmerman	New Jersey
Michael Yaworsky	Florida	Judith L. French	Ohio
Gordon I. Ito	Hawaii	Glen Mulready	Oklahoma
Dean L. Cameron	Idaho	Michael Humphreys	Pennsylvania
Holly Williams	Indiana	Alexander S. Adams Vega	Puerto Rico
Doug Ommen	Iowa	Cassie Brown	Texas
Vicki Schmidt	Kansas	Scott A. White	Virginia
Robert L. Carey	Maine	Mike Kreidler	Washington

NAIC Support Staff: Eric King

AGENDA

1. Consider Adoption of its Oct. 1 and Summer National Meeting Minutes
—*Kevin Dyke (MI)* Attachment One
Attachment Two
2. Hear an Update on Society of Actuaries (SOA) Research Institute
Activities—*Dale Hall (SOA)* Attachment Three
3. Hear an Update from the Federal Center for Consumer Information and
Insurance Oversight (CCIIO)— *(CCIIO)*
4. Hear an Update from the American Academy of Actuaries (Academy)
Health Practice Council—*Matthew Williams (Academy)* Attachment Four
5. Hear an Academy Professionalism Update—*(Academy)*



6. Discuss Comments Received on the Exposure of the Academy’s Draft Knowledge Statements for Appointed Actuary for the Health Blank—*Kevin Dyke (MI)*
7. Hear a Presentation on Nebraska Medicare Supplement Market New Business Rate Setting and Underwriting Issues—*Margaret Garrison (NE) and Michael Muldoon (Muldoon Actuarial & Biostatistical Analysis)*
8. Discuss Any Other Matters Brought Before the Task Force—*Kevin Dyke (MI)*
9. Adjournment

Attachment Five
Attachment Six
Attachment Seven

Attachment Eight

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 XX). 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 XX) 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

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

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

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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

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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 preferable 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

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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.

Member Meetings/B CMTE/HATF/2024_Summer/8-12-24 HATF/HATF Minutes 08-12-24.docx



SOCIETY OF ACTUARIES RESEARCH UPDATE TO HATF

November 16, 2024

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

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 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

Additional Health Research

Experience Studies & Practice Research

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



Health Practice Council Update

Health Actuarial (B) Task Force (HATF) Meeting

November 16, 2024

About the Academy



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](https://www.actuary.org)

Recent Engagement

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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

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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

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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](#)

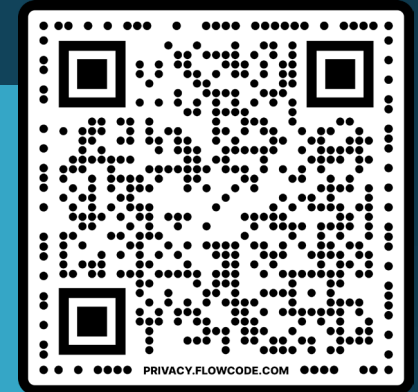
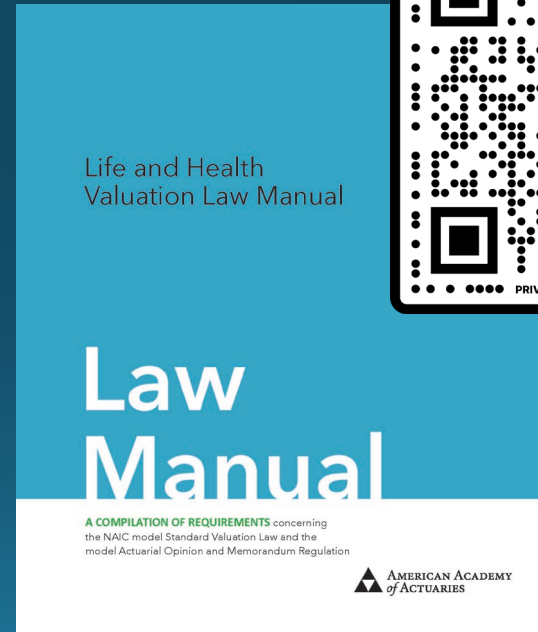
Coming Soon

Life and Health Valuation Law Manual

Attachment Four

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*.

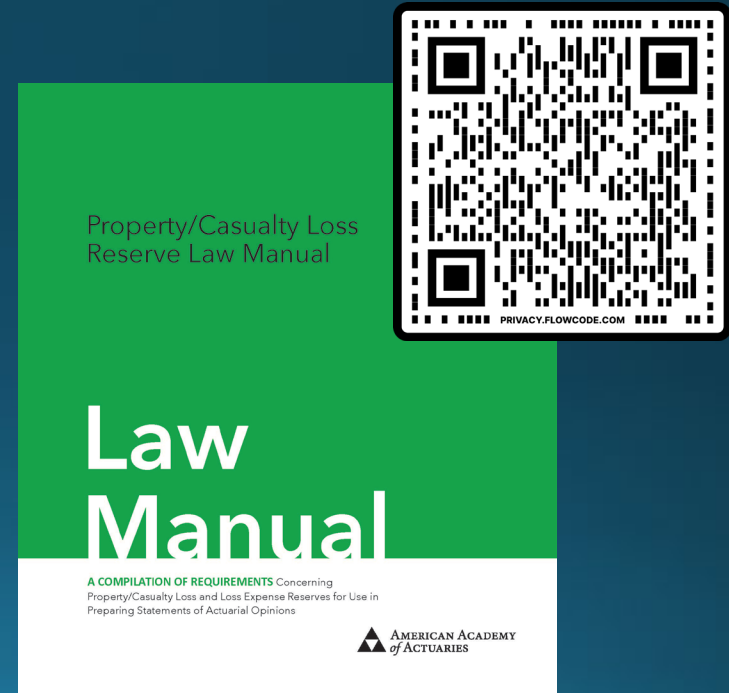


Coming Soon

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.



Plan ahead for these 2025 events Attachment Four



Investment Symposium

Spring 2025

New York, NY

Registration opening soon.



Life and Health Qualifications Seminar

Fall 2025

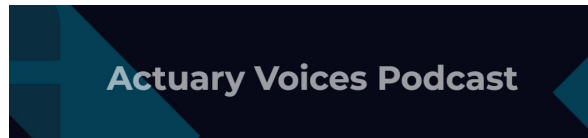
Arlington, Va.

Other Resources

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Follow the Academy on [LinkedIn](#)

Check out the Academy's [Policy Issues Clearinghouse](#), [Actuarially Sound](#) blog, and [Academy Voices](#) podcast



Thank you

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Questions?

For more information, contact:

Matthew Williams, williams@actuary.org



OFFICE OF
INSURANCE COMMISSIONER

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.

Eric King

NAIC

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

October 30, 2024

Page 2

- 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, 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

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

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

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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.

Nebraska

Medicare Supplement Market

New Business Rate Setting & UW Issues

November 16th, 2024

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).**

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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.

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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

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.**

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

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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/>