HEALTH ACTUARIAL (B) TASK FORCE
Friday, March 15, 2024
2:30 – 4:00 p.m.
Sheraton—Valley of the Sun Ballroom C–E—Level 2

ROLL CALL

Anita G. Fox, Chair
Jon Pike, Vice Chair
Mark Fowler
Ricardo Lara
Michael Conway
Andrew M. Mais
Michael Yaworsky
Gordon I. Ito
Dean L. Cameron
Amy L. Beard
Doug Ommen
Vicki Schmidt
Robert Carey
Michigan
Utah
Alabama
California
Colorado
Connecticut
Florida
Hawaii
Idaho
Indiana
Iowa
Kansas
Maine

Kathleen A. Birrane
Grace Arnold
Chlora Lindley-Meyers
Eric Dunning
D.J. Bettencourt
Justin Zimmerman
Judith L. French
Glen Mulready
Michael Humphreys
Alexander S. Adams Vega
Cassie Brown
Scott A. White
Mike Kreidler
Maryland
Minnesota
Missouri
Nebraska
New Hampshire
New Jersey
Ohio
Oklahoma
Pennsylvania
Puerto Rico
Texas
Virginia
Washington

NAIC Support Staff: Eric King

AGENDA

1. Consider Adoption of its Feb. 20 Minutes—Kevin Dyke (MI)
   Attachment One

2. Consider Adoption of Revised 2024 Task Force Charges to Recognize the Change in the Long-Term Care Actuarial (B) Working Group Reporting Structure—Kevin Dyke (MI)
   Attachment Two

3. Hear an Update on Society of Actuaries (SOA) Research Institute Activities—Kate Eubank and Achilles Natsis (SOA)

4. Hear a Presentation on SOA Education Redesign—Ann Weber (SOA)

5. Hear an Update from the Federal Center for Consumer Information and Insurance Oversight (CCIIO)—(CCIIO)
6. Hear an Update from the American Academy of Actuaries (Academy)
   Health Practice Council — *Matthew Williams (Academy)*

7. Hear an Academy Professionism Update—*Lisa Slotznick, Kevin Dyke, and Shawna Ackerman (Academy)*

8. Discuss Medicare Supplement Underwriting and Rating Issues
   —*Michael Muldoon (NE)*

9. Discuss Any Other Matters Brought Before the Task Force
   —*Kevin Dyke (MI)*

10. Adjournment
The Health Actuarial (B) Task Force met Feb. 20, 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); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Paul Lombardo (CT); Michael Yaworsky represented by Kyle Collins (FL); Gordon I. Ito represented by Max Tang (HI); Doug Ommen represented by Klete Geren (IA); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Kathleen A. Birrane represented by Brad Boban (MD); Timothy N. Schott represented by Marti Hooper (ME); Grace Arnold represented by Julia Lyng (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (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); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Dave Yanick (PA); Alexander S. Adams Vega represented by Carlos Valles (PR); Cassie Brown represented by Aaron Hodges (TX); and Mike Kreidler represented by Lichiou Lee (WA).

1. **Adopted its 2023 Fall National Meeting Minutes**

   Muldoon made a motion, seconded by Lombardo, to adopt the Task Force’s Nov. 30, 2023, minutes (see NAIC Proceedings – Fall 2023, Health Actuarial (B) Task Force). The motion passed unanimously.

2. **Adopted an AG 51 Proposal**

   Dyke introduced a proposal received from the Long-Term Care Actuarial (B) Working Group (Attachment XX) to add language to Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves (AG 51) that clarifies that regardless of which annual statement blank an insurer files, it must make an AG 51 filing if the AG 51 filing requirement criteria are met.

   Leung made a motion, seconded by Schallhorn, to adopt the proposal. The motion passed unanimously.

   Dyke said the proposal will be forwarded to the Long-Term Care Actuarial (B) Task Force for its consideration.

3. **Discussed an Academy/SOA 2013 IDIVT Update Proposal**

   Jay Barriss (Lincoln Financial) said the Society of Actuaries (SOA) Individual Disability Insurance Experience Committee (IDIEC) plans to put together an experience study that would involve both claim termination rates and claim incidence rates in order to update its current experience study that reflects experience only through 2007. He said the proposed study would be used to update the 2013 Individual Disability Income Valuation Tables (IDIVT) used as a reserving standard. He said recent experience indicates lower mortality rates and claim termination rates that are 40%–50% lower than those in the experience the 2013 IDIVT was based on. Barriss said lower claim termination rates imply that disabled life reserves calculated using the 2013 IDIVT may not be sufficient. He said the IDIEC hopes to implement a study in 2024 using experience data through 2023. He said active life reserves are also impacted by newer experiences, and incidence rates have improved in the industry over the last 15–20 years. Barriss said there is an expectation that the active life reserves are excessive compared to the 2013 IDIVT, and the current incidence experience is probably 30%–40% better than in those tables. He said most of the liability is on
the disabled life reserve side and thinks that, in the aggregate, once the study is completed, we will see an increase in the disabled life reserves and a decrease in the active life reserves, with an increase in the total reserves needed.

Barriss said the SOA is still in the funding stage of the project and has reached out to solicit carriers to participate in the study. He said that given the new SOA funding requirements, there would need to be enough carriers willing to buy the final report for approximately $25,000 each to begin the work on the report. He said the SOA has been unable to obtain sufficient companies interested in buying the report to fund the study. Dyke said if Barriss can provide a list of companies that have been identified as likely participants, the Task Force could perhaps reach out to them to discuss the opportunity. He said the Task Force can also discuss the issue with the SOA in the future.

4. **Discussed an SOA VM-26 Credit Disability Update Proposal**

Dyke presented an amendment proposal form (APF) (Attachment XX) to revise VM-26, Credit Life and Disability Reserve Requirements, Section 3.B. Contract Reserves for Credit Disability Insurance, and supporting documents according to the changes (Attachment XX, Attachment XX). Christopher Hause (Hause Actuarial Solutions) gave an overview of the APF and supporting documents. He said the 2023 study shows a significant redundancy relative to the current valuation standards.

Dyke said the APF and supporting documents will be exposed for public comment until March 22.

Having no further business, the Health Actuarial (B) Task Force adjourned.
2024 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. Coordinate with the Long-Term Care Insurance (B) Task Force on LTCI recommendations of the Long-Term Care Actuarial (B) Working Group.

Staff Support: Eric King
American Academy of Actuaries
Health Practice Council Updates
Spring 2024

March 15, 2024
Health Actuarial (B) Task Force (HATF) Meeting

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

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

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

For more information, please visit: www.actuary.org
Policy Priorities for 2024

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

- HHS/CMS’ proposed [2025 Notice of Benefit and Payment Parameters](https://www.cms.gov) rule
- CMS/CCIIO’s [Draft 2025 Actuarial Value Calculator Methodology](https://www.cms.gov)
- DOL/EBSA’s proposed rescinding of [Definition of Employer—Association Health Plans](https://www.dol.gov)
- Senate [HELP Committee access to gene therapies](https://www.help.senate.gov) for patients with an ultra-rare disease RFI
NAIC Engagement

HRBC (E) Working Group Meeting (February 22)

- Verbal updates shared on the H2-Underwriting Review project
- Discussed comments received on the Nov. 8, 2023, H3—Health Care Receivables Presentation
Questions?

Matthew Williams, JD, MA
Senior Health Policy Analyst, Health
American Academy of Actuaries
williams@actuary.org
Presentation Disclaimer

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.
Calculated Risk: Driving Decisions Using the 5/50 Research

Can you answer these questions?

• What is the probability you will lose more than $1 million?

• If you missed a projection by over $1 million, was it because the projection was wrong or because of random variation?

Total Risk Analysis (TRA) provides a framework for consistently answering questions like these.
The Total Risk Analysis (TRA) Process

Step 1
Choose a cost distribution

Step 2
Develop the projection risk table

Step 3
Calculate risk measures

Step 4
Develop the TRA table
What Is a Cost Distribution?

A cost distribution is a type of probability distribution function, like a binomial distribution.

A claims probability table is a specific probability distribution function where the defining parameter is the expected mean, in this case a candidate key value.
How Can You Lose $1 Million?
- Your projection could be wrong or

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Population Distribution</th>
<th>Expected PMPY</th>
<th>Actual PMPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>200</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>$1 - $5,000</td>
<td>700</td>
<td>3,000</td>
<td>3,600</td>
</tr>
<tr>
<td>$5,001 - $10,000</td>
<td>50</td>
<td>7,000</td>
<td>8,400</td>
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<td>$10,001 - $100,000</td>
<td>40</td>
<td>32,875</td>
<td>39,450</td>
</tr>
<tr>
<td>$100,001 - $1,000,000</td>
<td>9</td>
<td>15,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Over $1,000,000</td>
<td>1</td>
<td>1,100,000</td>
<td>1,320,000</td>
</tr>
<tr>
<td>Combined</td>
<td>1,000</td>
<td>$5,000</td>
<td>$6,000</td>
</tr>
</tbody>
</table>

Both the actual and expected numbers assume the same distribution of members.
Or...It Could Be Due to Random Variation!

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Population Distribution</th>
<th>Expected PMPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Col. 1.</td>
<td></td>
<td>Col. 2.</td>
</tr>
<tr>
<td>$0</td>
<td></td>
<td>$199</td>
</tr>
<tr>
<td>$1 - $5,000</td>
<td></td>
<td>700</td>
</tr>
<tr>
<td>$5,001 - $10,000</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>$10,001 - $100,000</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>$100,001 - $1,000,000</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Over $1,000,000</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Combined</td>
<td></td>
<td>1,000</td>
</tr>
</tbody>
</table>

Bottom line: Risk is 2-dimensional and total risk must consider both dimensions
Cost Per Member Trend Highest for Top Spenders

- **Top Spender Trend**
  - Specialty drugs
  - Long-haul COVID

- **Adjustments**
  - Some adjustment may be necessary, even for stable, credible populations
Transition Probabilities Measure Movement by Spending Category

- About 25% of top 5% of spenders in one year are also in the top 5% the next year
- Consistent with the theoretical basis
- Persistent top spenders
  - Multiple sclerosis
  - HIV
  - Cystic fibrosis
  - Cancer
Source Distributions Track Where Top Spenders Come From

Source distributions for Top 5%, Commercial

- About 26% of top 5% in any year were also top spenders in the prior year
- Many top spenders were not in the plan the previous year
Step 1: Choose a Cost Distribution

Coefficient of Variation

\[ \text{Coefficient of Variation} = \frac{\text{Standard Deviation}}{\text{The Mean}} \]

Our choice: 2017 Commercial trended to 5.0 coefficient of variation
## Step 4. Develop the TRA Table

<table>
<thead>
<tr>
<th>Row</th>
<th>Scenario Description</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
<th>Scenario 4</th>
<th>Scenario 5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Scenario Description</td>
<td>2+ Std Devs Below Mean</td>
<td>1 to 2 Std Devs Below Mean</td>
<td>+/- 1 Std Dev From Mean</td>
<td>1 to 2 Std Devs Above Mean</td>
<td>2+ Std Devs Above Mean</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Scenario Probability</td>
<td>2.3%</td>
<td>13.6%</td>
<td>68.3%</td>
<td>13.6%</td>
<td>2.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>c.</td>
<td>Candidate Value</td>
<td>$460</td>
<td>$479</td>
<td>$500</td>
<td>$521</td>
<td>$537</td>
<td>$500</td>
</tr>
<tr>
<td>d.</td>
<td>Expected Gain/Loss</td>
<td>$52.74</td>
<td>$33.96</td>
<td>$12.81</td>
<td>$(8.34)</td>
<td>$(24.13)</td>
<td>$12.87</td>
</tr>
<tr>
<td>e.</td>
<td>Probability of Exceeding the Budget</td>
<td>0.0%</td>
<td>0.2%</td>
<td>15.3%</td>
<td>73.9%</td>
<td>96.4%</td>
<td>22.7%</td>
</tr>
<tr>
<td>f.</td>
<td>Probability of Losing &gt; $6 Million</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.1%</td>
<td>37.5%</td>
<td>80.7%</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

**Steps:**

1. Choose a cost distribution
2. Develop the projection risk table
3. Calculate risk measures
4. Develop the TRA table
Available on SOA website

https://www.soa.org/resources/research-reports/2023/calculatedrisk-using-550research/
Focus on Long-Term Care Experience Studies

• Discussions continue on ways to partner with industry and regulators on the next LTC Experience Study
  • Looking to do an updated comprehensive LTCI experience study on claim incidence, claim continuance, and claim utilization
  • Education program provided by SOA to NAIC and state regulatory staff on LTCI experience trends and impact of the COVID era on LTCI claims
• Access to SOA staff and LTC Experience Committee on key LTCI experience trends
Additional Health Research
## Experience Studies & Practice Research

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Objective</th>
<th>Expected Completion Date</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Weather Extremes - California Precipitation February 3 - 7, 2024</td>
<td>Highlight observations for extreme weather events across North America</td>
<td></td>
<td><a href="https://www.soa.org/resources/research-reports/2019/weather-extremes/">https://www.soa.org/resources/research-reports/2019/weather-extremes/</a></td>
</tr>
<tr>
<td>Calculated Risk: Driving Decisions Using the 5/50 Research</td>
<td>Validate the 5/50 Premise through % of total costs and average allowed annual costs by percentile grouping. Analyze ability to predict the 5% based on prior claims and risk factors. Calculate Transition probabilities between different groups.</td>
<td></td>
<td><a href="https://www.soa.org/resources/research-reports/2023/calculatedrisk-using-550research/">https://www.soa.org/resources/research-reports/2023/calculatedrisk-using-550research/</a></td>
</tr>
<tr>
<td>HCCT152 - Healthcare Provider Shortage Impact to Morbidity</td>
<td>This research will study the impacts on growing provider shortages on the cost and utilization of healthcare</td>
<td></td>
<td><a href="https://www.soa.org/resources/research-reports/2023/provider-consolidation-shortage/">https://www.soa.org/resources/research-reports/2023/provider-consolidation-shortage/</a></td>
</tr>
<tr>
<td>Reimagining Pharmacy Financing</td>
<td>A follow-up to the Reimagining Pharmacy gathering in the Spring, this research will look to define and measure the value of different drugs for the same drug class and then also suggest methodologies for rewarding value.</td>
<td>3/8/2024</td>
<td></td>
</tr>
<tr>
<td>Modeling of Reform Proposals for LTC System Improvements</td>
<td>Assesses the impact of reform proposals for LTC system changes on stakeholders including consumers.</td>
<td></td>
<td>5/15/2024</td>
</tr>
</tbody>
</table>
Nebraska Medicare Supplement Market
New Business Rate Setting & UW Issues

February 28th, 2024
Presenters

Michael Muldoon, FCA, MAAA, ASA – Chief Actuary
• ASA in 1994, have worked 30 years as a designated actuary.
• Masters Degree in Statistics, Ball State University, Indiana (1995).
• 3-years as Actuarial Director, McKesson Health Disease Management.
• Chief Actuary for the CO DOI (2016-2018).
• Chief Actuary at the NE DOI since January 2022.

Margaret Garrison – Life & Health Actuary (near ASA)
• 10 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 years as Life and Health actuarial examiner at the NE DOI.
NE DOI Actuarial Role
Review of Medicare Supplement Rate Filings

New Business
• Review 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
• For Blocks with 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.
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

Actuaries submitting New Business Rate Filing often submitted Actuarial Memorandums with insufficient support for their starting claim cost levels.

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

- Often using very old data, did not disclose date ranges of data used;
- Assumed % of members to be UW were unrealistically high, such as Assumed 60 to 70%, versus historical 15% to 30% UW levels;
- Used incorrect claims categories, membership categories;
- Incorrectly summarized data by benefits.
- Used incorrect geographic factors, population adjustments, and claim run-out completion factors.
New Medicare Supplement 2010 Plan G:

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.
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:

- Durational Loss Ratio Exhibit for Medicare Supplement, Jan 2nd, 2024.xls
NE DOI Rating Regulation Approach

• Control rates on New Business rate filings, 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 actually 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. So the DOI has some responsibility to correct rates for blocks that are losing money in later years.
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 will 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 can 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 if you just eliminate 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 did not price for that enrollment, would immediately need large rate hikes. The rate increase cycle accelerates.
NE DOI Actuarial & Policy Contacts

Michael Muldoon, FCA, MAAA, ASA – Chief Actuary
Michael.Muldoon@nebraska.gov

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

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