

HEALTH ACTUARIAL (B) TASK FORCE

Health Actuarial (B) Task Force Nov. 30, 2023, Minutes

Health Actuarial (B) Task Force Sept. 26, 2023, Minutes (Attachment One)

2024 Charges (Attachment One-A)

Referral from the Health Insurance and Managed Care (B) Committee (Attachment One-B)

Presentation from Blue Cross Blue Shield Association (BCBSA) (Attachment One-C)

Update on Society of Actuaries (SOA) Research Institute Activities (Attachment Two)

Update from American Academy of Actuaries Health Practice Council (Attachment Three)

Draft Pending Adoption

Draft: 12/13/23

Health Actuarial (B) Task Force
Orlando, Florida
November 30, 2023

The Health Actuarial (B) Task Force met in Orlando, FL, Nov. 30, 2023. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Anita G. Fox, Vice Chair, represented by Kevin Dyke (MI); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil (CA); Michael Conway represented by Eric Unger (CO); Dean L. Cameron represented by Weston Trexler (ID); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Timothy N. Schott represented by Marti Hooper (ME); Kathleen A. Birrane represented by Brad Boban (MD); 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 Laura Miller (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Jodi Frantz (PA); Michael Wise represented by Anamaria Burg (SC); Cassie Brown represented by R. Michael Markham (TX); Jon Pike represented by Ryan Jubber (UT); Scott A. White represented by David Shea (VA); and Mike Kreidler represented by Lichiou Lee (WA).

1. Adopted its Summer National Meeting Minutes

Muldoon made a motion, seconded by Trexler, to adopt the Task Force's Aug. 12 minutes (*see NAIC Proceedings – Summer 2023, Health Actuarial (B) Task Force*). The motion passed unanimously.

2. Adopted its Sept. 26 Minutes

Lombardo said the Task Force met Sept. 26 and took the following action: 1) adopted its 2024 proposed charges; 2) discussed a federal Affordable Care Act (ACA) referral from the Health Insurance and Managed Care (B) Committee; and 3) heard a presentation from the Blue Cross Blue Shield Association (BCBSA) on risk adjustment in the individual federal ACA market.

Muldoon made a motion, seconded by Trexler, to adopt the Task Force's Sept. 26 minutes (Attachment One). The motion passed unanimously.

3. Adopted the Report of the Long-Term Care Actuarial (B) Working Group

Andersen said the Long-Term Care Actuarial (B) Working Group met Nov. 30 and took the following action: 1) adopted its Oct. 2 minutes; 2) adopted a proposal 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; and 3) heard an update on the development of a single Long-Term Care Insurance (LTCI) Multistate Rate Review Approach.

Trexler made a motion, seconded by Eom, to adopt the report of the Long-Term Care Actuarial (B) Working Group, including its Oct. 2 minutes. The motion passed unanimously.

4. Heard an Update on SOA Research Institute Activities

Dale Hall (Society of Actuaries—SOA) and Kate Eubank (SOA) gave an update (Attachment Two) on SOA Research Institute activities. Muldoon said he received a list of Nebraska LTCI companies from the SOA that either did not

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reply to the SOA's Long-Term Care (LTC) survey or replied they would not participate. He said the Nebraska Department of Insurance (DOI) will meet with these companies soon to determine why they are not willing to participate.

Lombardo asked if the SOA can provide a list of companies that participated in the prior LTCI study that will not participate in the current one and suggested that perhaps the Task Force can contact them to determine if there is anything that can be done to help them be able to participate.

5. Heard an Update from the Federal CCIIO

Jeff Wu (federal Center for Consumer Information and Insurer Oversight—CCIIO) and Kelly Drury (CCIIO) gave an update on CCIIO activities. Drury said the CCIIO is proposing maintenance items for the federal ACA risk adjustment (RA) program in the 2025 Notice of Benefit and Payment Parameters (NBPP). She said the CCIIO is proposing updating the RA formula coefficients with 2019, 2020, and 2021 External Data Gathering Environment (EDGE) data. She said the CCIIO thinks using the three-year average of the data creates stability in the RA model. Drury said it is proposed the model will also continue to use a Hepatitis C pricing adjustment to account for the future pricing of Hepatitis C treatments compared to the lag in Hepatitis C data seen in the EDGE data. She said the newest proposal is an update to the American Indian/Alaska Native plan variant factors to better reflect cost-sharing reduction (CSR) in these types of plans. Drury said no other changes to CSR factors are being proposed. She said the CCIIO plans to maintain its high-cost risk pool parameters of \$1 million and 60% coinsurance. Drury said the CCIIO has received comments on the incorporation of gene therapies into the high-cost risk pool parameters, and these are being considered. She said no updates to the risk adjustment data validation (RADV) process were proposed. She said the CCIIO is in the middle of 2023 EDGE data submissions and expects to issue the interim RA report in March 2024. Drury said the CCIIO anticipates being able to issue the 2022 RADV adjustments in advance of the July 2024 medical loss ratio (MLR) reporting deadline.

6. Heard an Update from the Academy Health Practice Council

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

7. Heard an Update on Academy Professionalism

Lisa Slotznick (Academy) said the Academy has read the Task Force's concerns regarding the SOA's changes to the educational pathway to attaining the Fellow, SOA designation and its updated educational plan. She said the Academy also has an interest in ensuring that U.S. actuaries are qualified to do their work and are following the process with interest. She said the Academy Committee on Qualifications issued an updated final amended U.S. Qualification Standards (USQS) late in 2021 and updated the frequently asked questions (FAQ) on the USQS in 2022. Slotznick said the USQS specifies the qualifications for issuing a statement of actuarial opinion (SAO) expressed in the course of performing actuarial services, and the opinion is expected to be relied upon. Note that this is not limited to regulatory-required opinions. She said that in 2023, the Actuarial Board for Counseling and Discipline (ABCD) received 43 questions covering primarily continuing education (CE), specific qualifications requirements, and miscellaneous other questions. Slotznick said for each question the ABCD receives, it considers whether the question merits addition to the FAQ or if a direct response is sufficient. For the questions received this year, direct responses were sufficient. She said the amendments to the USQS included language that stated if an actuary was qualified under a prior USQS, the qualification remains, but for new actuaries, qualification is based on the completion of an actuarial credential rather than on current memberships and organizations. She said the amended USQS added an annual CE requirement of one hour on bias topics.

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Cande Olson (ABCD) said the ABCD performs two primary functions. First, it responds to actuaries for guidance on professionalism issues. Second, the ABCD considers complaints about possible violations of the Academy's Code of Professional Conduct (CPC). She said the ABCD spends quite a bit of its time responding to requests for guidance. She said that in 2022, the ABCD responded to 96 requests, and as of Nov. 15, 2023, it has already responded to 107 requests. She said 28% of those requests came from the health area, which is consistent with prior years. Olson said that most of these requests for guidance are not related to asking for guidance on submitting complaints about other actuaries, but are mostly related to actuaries wanting to be sure that they themselves are doing the right thing. She said the ABCD encourages all actuaries to use this request for guidance process. She said it is confidential, and the ABCD has a broad range of backgrounds by practice area. She said the ABCD publishes a column called "Up to Code" in the Academy's bimonthly magazine, *Contingencies*, which covers different ABCD issues in every issue.

Rob Damler (Actuarial Standards Board—ASB) said the ASB is responsible for oversight and promulgation of the Actuarial Standards of Practice (ASOPs). He said for the health-specific area, the ASB is currently reviewing 15 to 20 different ASOPs. He said for the health-specific ones, the ASB is only focused on one, ASOP No. 49, Medicaid Managed Care Capitation Rate Development and Certification. He said ASOP No. 28, Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities, which was revised 12–18 months ago, is waiting for one minor adjustment. Damler said it conflicts with ASOP No. 36, Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves. He said once ASOP No. 36 is updated, ASOP No. 28 will have a minor adjustment in language to correct for the slight conflict.

Damler said he would like to point out to all health actuaries that there are several ASOPs currently under review that are multi-disciplinary but do apply to health actuaries as well. He said ASOP No. 7, Analysis of Life, Health, or Property/Casualty Insurer Cash Flows, is currently under review and exposure. He said ASOP No. 12, Risk Classification (for All Practice Areas), will be released as an exposure draft, and this is the first update to it in approximately 10 years. He said ASOP No. 46, Risk Evaluation in Enterprise Risk Management, and ASOP No. 47, Risk Treatment in Enterprise Risk Management, are being reviewed for a combination to create a single ASOP. He said ASOP No. 41, Actuarial Communications, which applies to all actuaries practicing in the U.S., had an exposure draft last year and is currently going through a second exposure draft process. He said there is a new proposed ASOP on reinsurance pricing. He said it was originally drafted and presented to the ASB to cover both life and health and property and casualty (P/C)_insurance reinsurance pricing. He said it is being reconsidered whether a single ASOP should apply to all those reinsurance pricing areas. He said it is still under review and has not been approved yet for exposure to the actuarial community.

Damler said a topic the ASB is addressing outside the area of ASOPs but is trying to understand further and how it may impact current ASOPs is artificial intelligence (AI). He said the ASB does not anticipate a new AI ASOP being developed.

8. Discussed a Referral from the Health Insurance and Managed Care (B) Committee

Lombardo said the Task Force is working on a referral from the Health Insurance and Managed Care (B) Committee. He said the first part of the referral relates to the federal ACA RA mechanism and the potential impact that it is having on smaller companies and new carriers in marketplaces. Lombardo said there have been regulator-to-regulator discussions related to the issue. He said the second part of the referral relates to federal ACA CSR loads and how each state treats this issue.

9. Discussed Creating a Set of Knowledge Statements

Dyke said the Life Actuarial (A) Task Force has tasked the Academy with developing a set of knowledge statements for life insurance actuarial work, largely in response to the SOA's changes to the educational pathway to attaining

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the Fellow, SOA designation and its updated educational plan. He said the Casualty Actuarial and Statistical (C) Task Force has a set of (P/C) knowledge statements that were used to develop a qualified actuary definition to determine what meets the requirements for issuing SAOs. He said the Task Force must consider whether it needs to develop a similar set of knowledge statements for health actuarial work. Lombardo said this topic will be added to the agenda for a future Task Force meeting.

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

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Draft: 10/6/23

Health Actuarial (B) Task Force
Virtual Meeting
September 26, 2023

The Health Actuarial (B) Task Force met Sept. 26, 2023. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Anita G. Fox, Vice Chair, and Kevin Dyke (MI); Mark Fowler represented by Sanjeev Chaudhuri (AL); Doug Ommen represented by Klete Geren (IA); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Timothy N. Schott represented by Marti Hooper (ME); Grace Arnold represented by Julia Lyng (MN); Eric Dunning represented by Michael Muldoon (NE); D.J. Bettencourt represented by Jennifer Li (NH); Judith L. French represented by Craig Kalman (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Dave Yanick (PA); Cassie Brown represented by Aaron Hodges (TX); Jon Pike represented by Ryan Jubber (UT); Scott A. White represented by David Shea (VA); and Mike Kreidler represented by Amy Peach (WA).

1. Adopted its 2024 Proposed Charges

Lombardo said there is a proposal to move the Long-Term Care Insurance (EX) Task Force under the Health Insurance and Managed Care (B) Committee in 2024. He said a major change to the Health Actuarial (B) Task Force's 2024 proposed charges will be moving the Long-Term Care Actuarial (B) Working Group from reporting to the Health Actuarial (B) Task Force to reporting to the proposed Long-Term Care Insurance (B) Task Force. He said the Working Group will continue with the charges it has for 2023, and there will be an additional charge to develop a single actuarial approach to multistate long-term care insurance (LTCI) rate increase reviews for use in the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework). He said there is an additional charge for the Health Actuarial (B) Task Force's 2024 proposed charges, which is to coordinate with the proposed Long-Term Care Insurance (B) Task Force on LTCI recommendations of the Long-Term Care Actuarial (B) Working Group.

Schallhorn made a motion, seconded by Dyke, to adopt the Health Actuarial (B) Task Force's 2024 proposed charges (Attachment One-A). The motion passed unanimously.

2. Discussed a Referral from the Health Insurance and Managed Care (B) Committee

Lombardo said during the Health Insurance and Managed Care (B) Committee's Aug. 14 meeting at the Summer National Meeting, the Committee adopted a motion to refer two issues to the Health Actuarial (B) Task Force for review and discussion (Attachment One-B). He said the Task Force will work toward completing the requests in the referral in a timely and appropriate fashion. He said the Task Force will further discuss the two issues in the referral letter during later Task Force meetings.

3. Heard a Presentation from the BCBSA

Randi Chapman (Blue Cross Blue Shield Association—BCBSA) and Kurt Giesa (Oliver Wyman) gave a presentation (Attachment One-C) on risk adjustment in the individual federal Affordable Care Act (ACA) market.

Lombardo asked Giesa if the analysis shown in the presentation would be valid if there were significant changes in a market year-to-year, such as a large insurer leaving the market in a year that was unknown to other insurers when rates were set for the given year. Giesa said the analysis has been done using other years' data, and the results look similar for the other years where there have been market entrances and exits. Lombardo said early in

the implementation of the ACA, Connecticut had a new entrant to the individual market, with approximately 1,000 members out of a market total of 125,000–130,000 members. He said this new entrant had the highest claim amount per member per month in the counties it did business in, but it still had to pay a significant amount of money into the risk adjustment program. He said this was extremely counterintuitive to what the risk adjustment program was intended to accomplish. He said the insurer increased its membership to 32,000 in a subsequent year and had to make a substantial risk adjustment payment for this year. He said the insurer stopped offering policies in Connecticut within three years. He said even though Giesa’s analysis shows at a broader level that the risk adjustment program is working as it should, there are isolated instances where the risk adjustment does not operate well for smaller or new market participants.

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

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Draft: 9/27/23

Adopted by the Executive (EX) Committee and Plenary, Dec. 4, 2023

Adopted by the Health Insurance and Managed Care (B) Committee, Nov. 30, 2023

Adopted by the Health Actuarial (B) Task Force, Sept. 26, 2023

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

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TO: Commissioner Andrew N. Mais, Chair of the Health Actuarial (B) Task Force

FROM: Director Anita G. Fox, Chair of the Health Insurance and Managed Care (B) Committee

DATE: September 15, 2023

RE: Referrals to the Health Actuarial (B) Task Force Made at the 2023 Summer National Meeting

During the Health Insurance and Managed Care (B) Committee's Aug. 14 meeting at the recently concluded NAIC 2023 Summer National Meeting, the Committee adopted a motion to refer two issues to the Health Actuarial (B) Task Force for your review and discussion.

The first is a referral from the Financial Analysis (E) Working Group (attached) asking the Committee to engage in a discussion with the federal Centers for Medicare & Medicaid Services (CMS) about state insurance regulators' concerns with how the risk adjustment formula impacts the current or prospective financial solvency position of new health insurers entering the health insurance marketplaces. For this referral, the Committee is asking the Task Force to: 1) reach out to the CMS to discuss the issue, as well as any other issues related to the risk adjustment formula the Task Force members may identify; and 2) provide a report to the Committee on those discussions and a list of the changes in the formula, if any, the NAIC may recommend to CMS. If possible, the Committee would like this report and recommendations in time to provide comments on the 2025 Notice of Benefit and Payment Parameters.

The second referral to the Health Actuarial (B) Task Force concerns how possible changes to the cost-sharing reduction subsidy, like changes to silver loading, could impact plan options and costs to consumers. It is the Committee's understanding that the Task Force has already heard from the American Academy of Actuaries (Academy) and other actuarial groups that silver loading has created odd incentives in the market. Because of this, the Committee believes it would be beneficial for it to know more about how changes in state silver loading policies or other changes, like the elimination of the enhanced subsidies in 2026, could impact consumer choices and the affordability of coverage. With this referral, the Committee is asking the Task Force to review this issue and report its findings to the Committee by the 2024 Spring National Meeting.

If there are any questions regarding this response, please feel free to contact me or NAIC staff (Brian Webb bwebb@naic.org or Jolie Matthews at jmatthews@naic.org) for clarification. Thank you.

RISK ADJUSTMENT IN THE INDIVIDUAL ACA MARKET

September 26, 2023

Kurt Giesa, FSA, MAAA | Peter Kaczmarek, FSA, MAAA | James Bao, FSA, MAAA | Ryan Schultz, FSA, MAAA

1

INITIAL COMMENTS AND FINDINGS

INITIAL COMMENTS AND FINDINGS

In this work, we show the following:

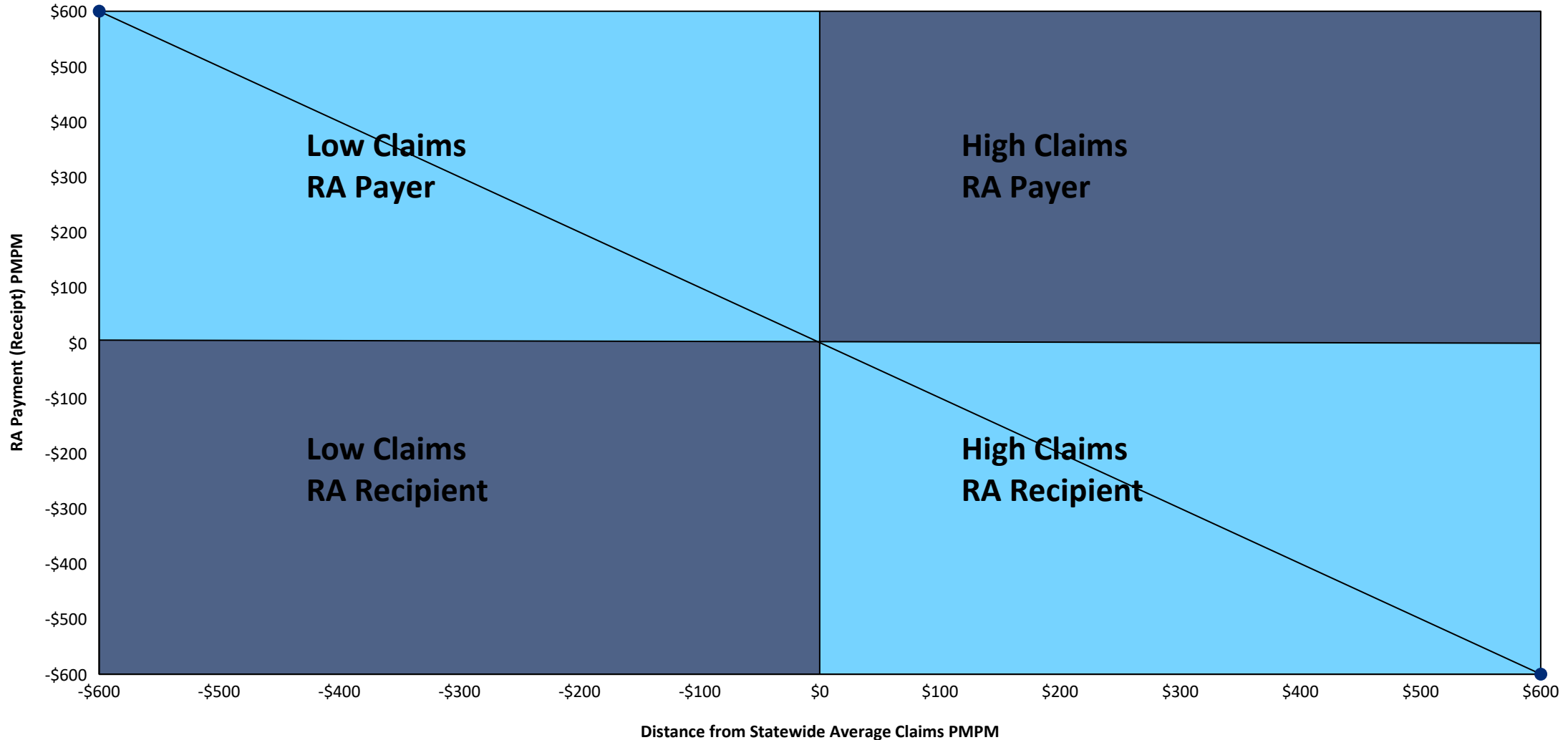
- At the highest level, the risk adjustment (RA) system is achieving its aim of moving money from issuers with lower cost claimants to those with higher cost claimants
- Small issuers are not disadvantaged under the risk adjustment system
- RA undercompensates plans with high-cost members
- Issuers new to a state are not disadvantaged by the RA system
- Some issuers' difficulties in the individual market are likely due to a failure to sufficiently recognize the morbidity in the single risk pool, resulting in underpricing
- Reducing new issuers' or small issuers' RA transfers would be unworkable, and would lead to significant changes in many companies' stance towards this market

2

QUESTIONS AND ANSWERS RELATED TO THE OPERATION OF RA IN THE INDIVIDUAL, ACA MARKET

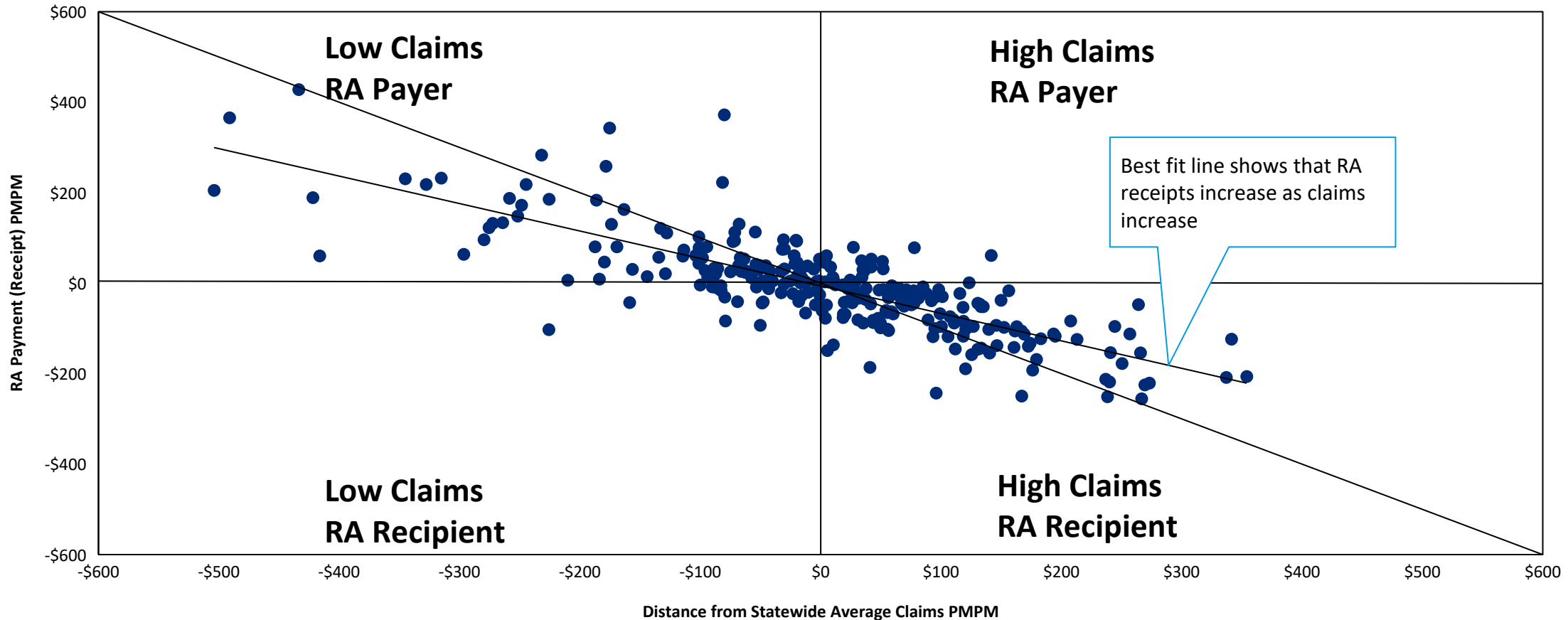
AN EFFECTIVE RA SYSTEM MOVES FUNDS FROM ISSUERS WITH A LOW-RISK POPULATION TO ISSUERS WITH A HIGH-RISK POPULATION

RA adjustment payments (receipts) vs distance from statewide average claims PMPM



QUESTION: IS THE RA SYSTEM MOVING FUNDS AS INTENDED AMONG ISSUERS?

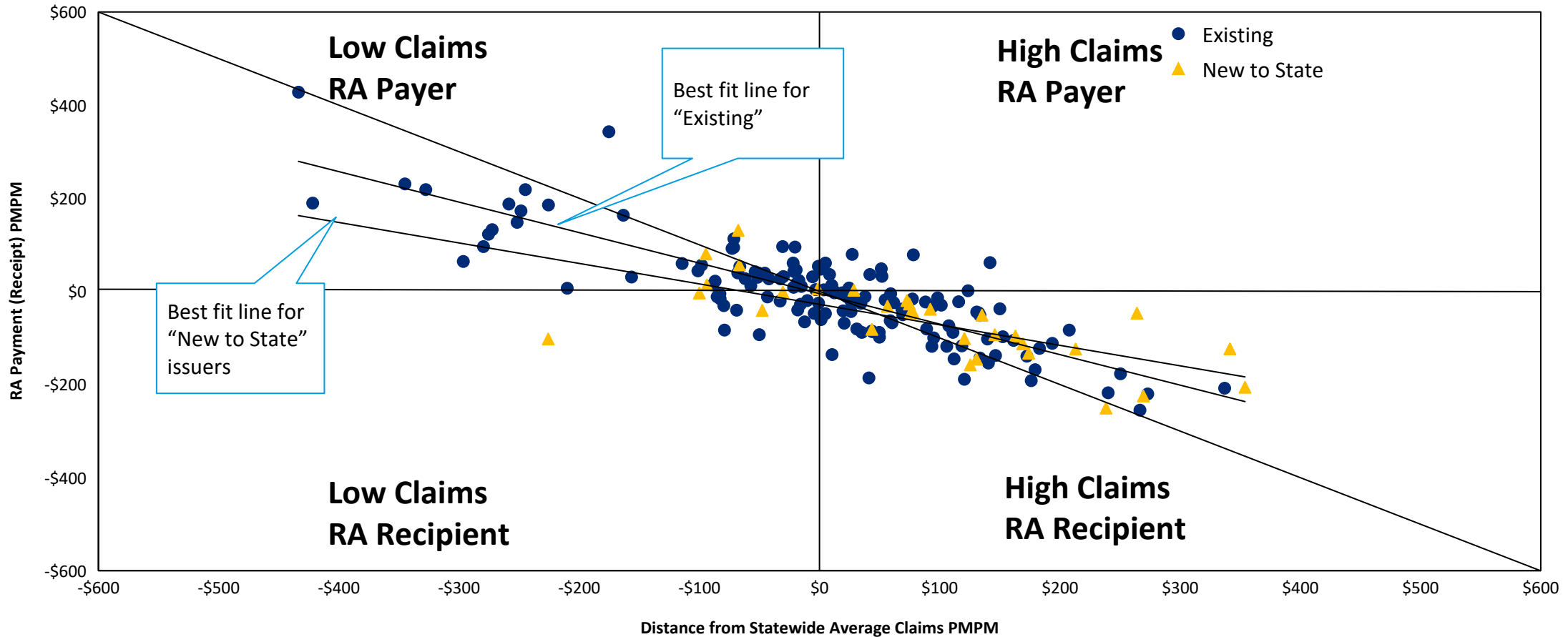
RA payments vs distance from statewide average claims PMPM – 2021 MLR rebate reports



Answer: Generally, yes. Issuers generally fall along the diagonal where an additional dollar of claims is offset by an additional dollar of RA receipts. However, the best fit line is shallower than the diagonal line indicating issuers with high claims receive less through RA than they spend in additional claims

QUESTION: ARE NEW ISSUERS DISADVANTAGED BY THE RA SYSTEM?

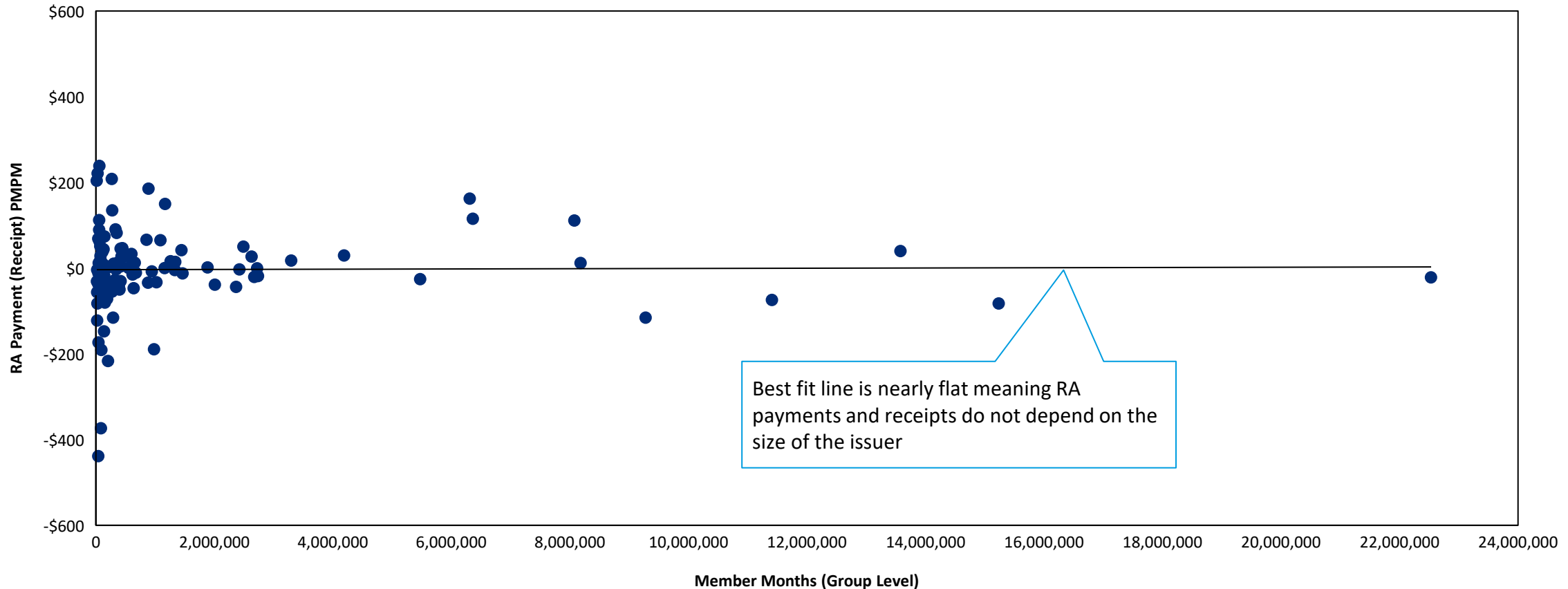
Nationwide RA vs distance from statewide average claims PMPM – 2021 MLR rebate reports – FFM states only



Answer: Generally, no. Of the 31 issuers entering an FFM state in 2021, 25 (81%) were RA recipients. The slope of the best fit line for new issuers shows that the RA system is providing funds to offset higher than statewide average claims

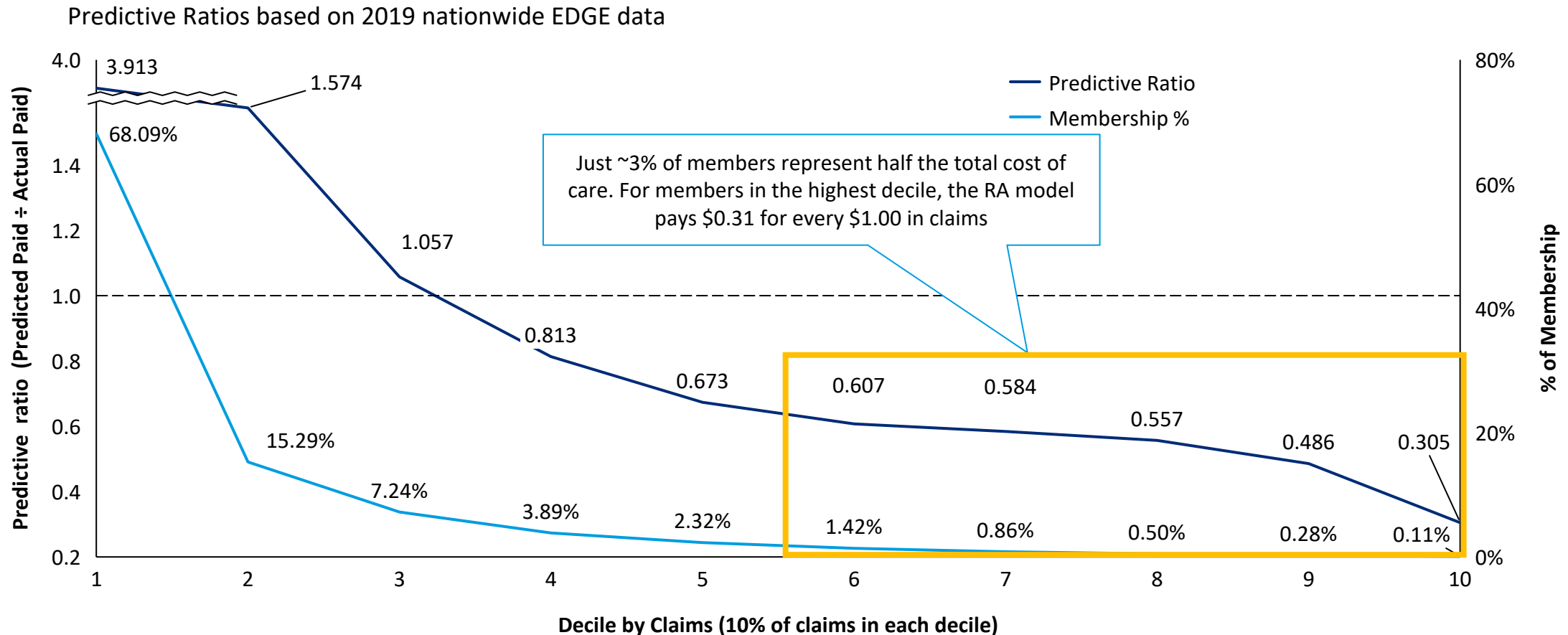
QUESTION: ARE SMALL ISSUERS DISADVANTAGED BY THE RA SYSTEM?

Nationwide RA vs member months – 2021 MLR Rebate Reports



Answer: No. The flat best fit line in this chart comparing RA payments to an issuer's size shows that the amount an issuer pays or receives under the RA system does not depend on the issuer's size

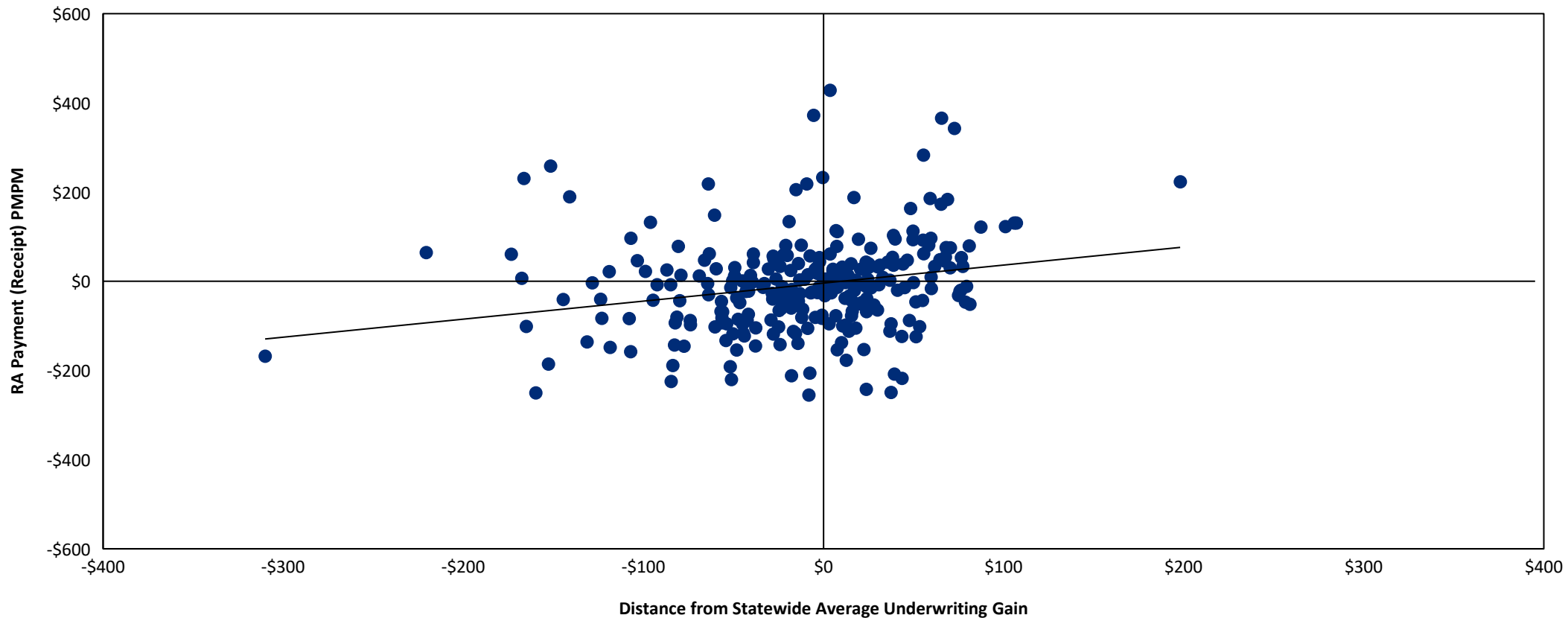
QUESTION: IS THE RA SYSTEM PAYING ISSUERS TOO MUCH FOR HIGH-COST MEMBERS? (PART 1)



Answer: No. Just 3% of members account for roughly 50% of claims, and for those most expensive members, the RA system underpays

QUESTION: IS THE RA SYSTEM PAYING ISSUERS TOO MUCH FOR HIGH-COST MEMBERS? (PART 2)

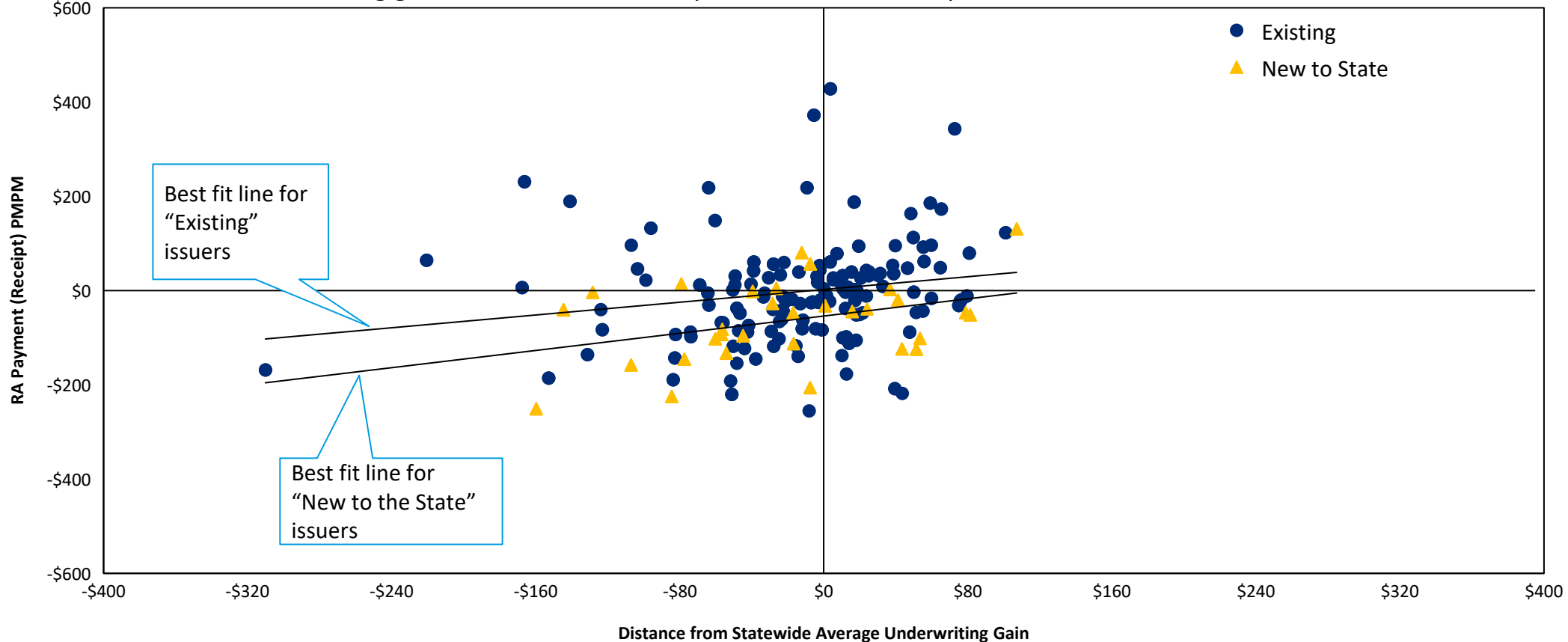
Nationwide RA vs underwriting gain – 2021 MLR rebate reports



Answer: Probably not. The best fit line shows that payers into the RA system in 2021 tended to have higher underwriting gains than RA receivers

QUESTION: IS THE RA SYSTEM PAYING ISSUERS TOO MUCH FOR HIGH-COST MEMBERS? (PART 3) – ARE NEW ISSUERS DISADVANTAGED?

Nationwide RA vs underwriting gain – 2021 MLR rebate reports – FFM states only



Answer: No, for new issuers as well as existing issuers, the slope of the best fit line shows that being a payer into the RA system is associated with realizing higher underwriting gains

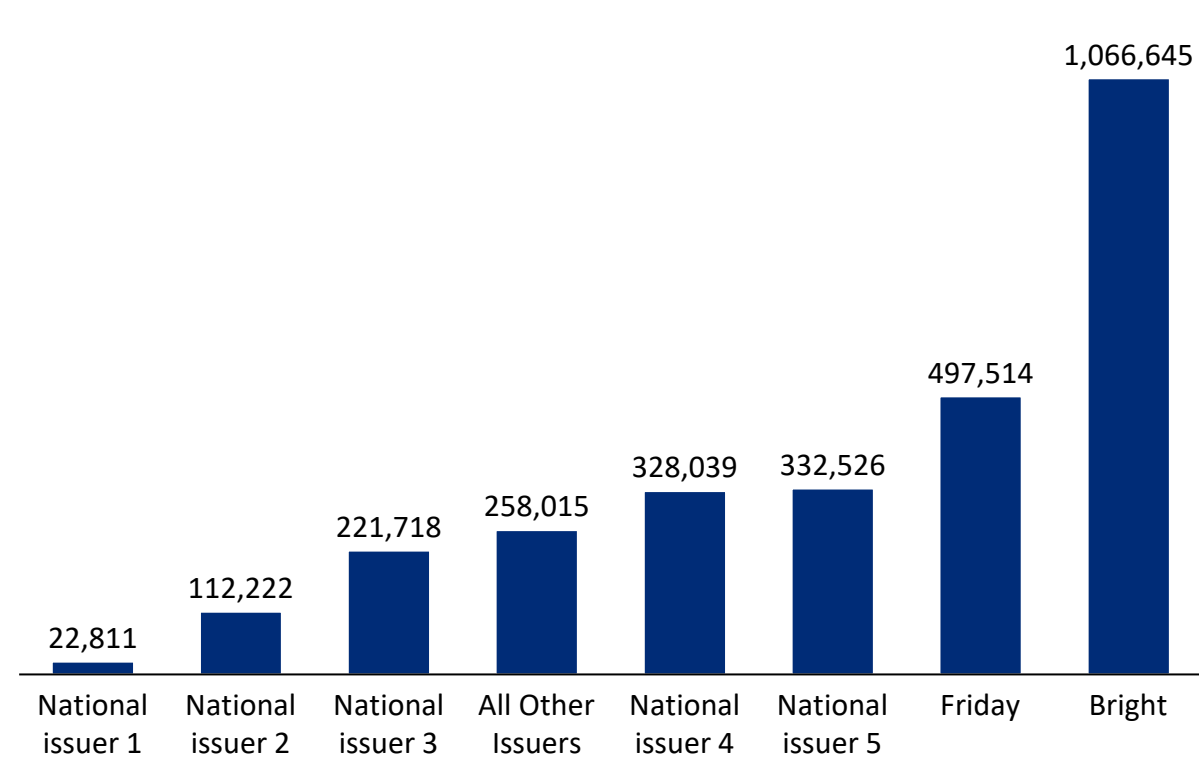
3

PRICING AS A NEW ENTRANT IN THE INDIVIDUAL ACA MARKET IN 2022

QUESTION: IS THE RA SYSTEM LEADING TO ISSUERS' INSOLVENCIES?

Issuers pricing for the single risk pool must include a sufficient allowance for RA results

Number of consumers in the individual ACA market in FFM counties¹ where the issuer was new in 2022 and had the lowest cost silver plan



- In 2022, Bright entered 134 FFM counties representing 1.9 million plan selections and was lowest cost issuer in counties with 1.1 million plan selections
- Friday entered 81 FFM counties representing 1.3 million plan selections and was the lowest cost issuer in counties with 0.5 million plan selections
- National issuer 5 entered 187 FFM counties representing 4.8 million plan selections and was the lowest cost issue in counties with 0.3 million plan selections
- In 2022, Bright and Friday, gained access to more plan selections as the lowest cost issuer than all other issuers combined (FFM states)
- Underpricing impacts consumers by reducing premium subsidies, and increasing the cost of coverage offered by other market participants

Answer: An issuer's failure to include an adequate provision in its premiums for its RA payable/receivable will result in an issuer's premiums being understated/overstated. Based on Bright and Friday's relative pricing position, they may have understated their RA payable

1. Excludes states with state-based exchanges

4

CONSIDERATIONS IN PROVIDING RA PAYMENT ALLOWANCES FOR NEW ENTRANTS

POTENTIAL IMPACT OF REDUCING A NEW ISSUER'S OR A SMALL ISSUER'S PAYMENTS OR RECEIPTS UNDER THE RA MODEL

- Reduced payments for new issuers or small issuers would introduce a significant source of risk to a market that is already perceived as high risk
 - RA is zero sum
 - Issuers would no longer be able to price to the morbidity of the single risk pool
 - Instead, issuers would need to try to anticipate the impact of reduced RA responsibilities for new market entrants. This would add a significant source of risk to the market and would likely cause existing issuers to reconsider the participation in this market
- Most new market entrants are RA receivers. Reducing RA receipts for new market entrants would present a barrier to entry, not an enticement
- Reduced payments for new issuers or small issuers would provide strong financial incentives to new or small market entrants to preferentially seek out the healthiest enrollees
 - This behavior would negatively impact high-risk consumers' access to affordable coverage
 - Existing market participants with high-cost claimants would be disadvantaged

APPENDIX

DATA AND METHODS

RA IMPACT – DATA AND METHODS

RA methods and data

- We used 2021 MLR rebate data available here: <https://www.cms.gov/ccio/resources/data-resources/mlr>
- We limited the sample to plans with more than 12,000 member months in the Individual market
- We calculated the distance between an issuer's incurred claims PMPM and the statewide average incurred claims
- We compared the difference between the issuer's incurred claims and the statewide average incurred claims to their RA payments (receipts)
- We also compared an issuer's underwriting gain PMPM relative to the statewide average underwriting gain PMPM
- Our starting point for the decile view is a 15%-member sample of data from the 2019 benefit year EDGE files
 - Our 15%-member sample, stratified by modeling cohort (adult, child, infant) and gender, includes information on 4.3 million individuals in the individual market, which is a fully credible population

New Entrant pricing methods and data

- We considered an issuer to be lowest cost if their lowest cost silver premium was the lowest cost silver plan offered in the market
- For 2022 plan selection in FFM counties we used data available here: <https://www.cms.gov/research-statistics-data-systems/marketplace-products/2022-marketplace-open-enrollment-period-public-use-files>. Plan selection-refers to “Cnsmr,” a “count of unique consumers who selected a 2022 Marketplace medical plan (i.e., a QHP), were automatically re-enrolled into a 2022 QHP, or were placed into a suggested alternate 2022 QHP (regardless of whether the consumer paid the premium) as of January 15, 2022. Count includes only consumers with non-canceled QHP policies that have an end date of January 31, 2022, or later.”
- For 2022 premiums, we used data available here: <https://www.cms.gov/ccio/resources/data-resources/marketplace-puf>

Caveats

- We cannot account for differences among issuers in things like the metal distribution, unit costs, expenses, or operational capabilities.
- In some instances, there are material differences between what issuers reported in the MLR reports used here, and what CMS reports in their annual RA summary
- The 2021 RA MLR rebate reports include 2017 RADV results. We did not adjust 2021 MLR rebate data to reflect that

QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

The authors of this report are members of the American Academy of Actuaries and meet that body's qualification standards for performing this work.

This work was paid for by the Blue Cross Blue Shield Association.

There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

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SOCIETY OF ACTUARIES RESEARCH UPDATE TO HATF

November 30, 2023

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

Kate Eubank, FSA, MAAA
Senior Experience Studies Actuary

Presentation Disclaimer

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



Catastrophe and
Climate

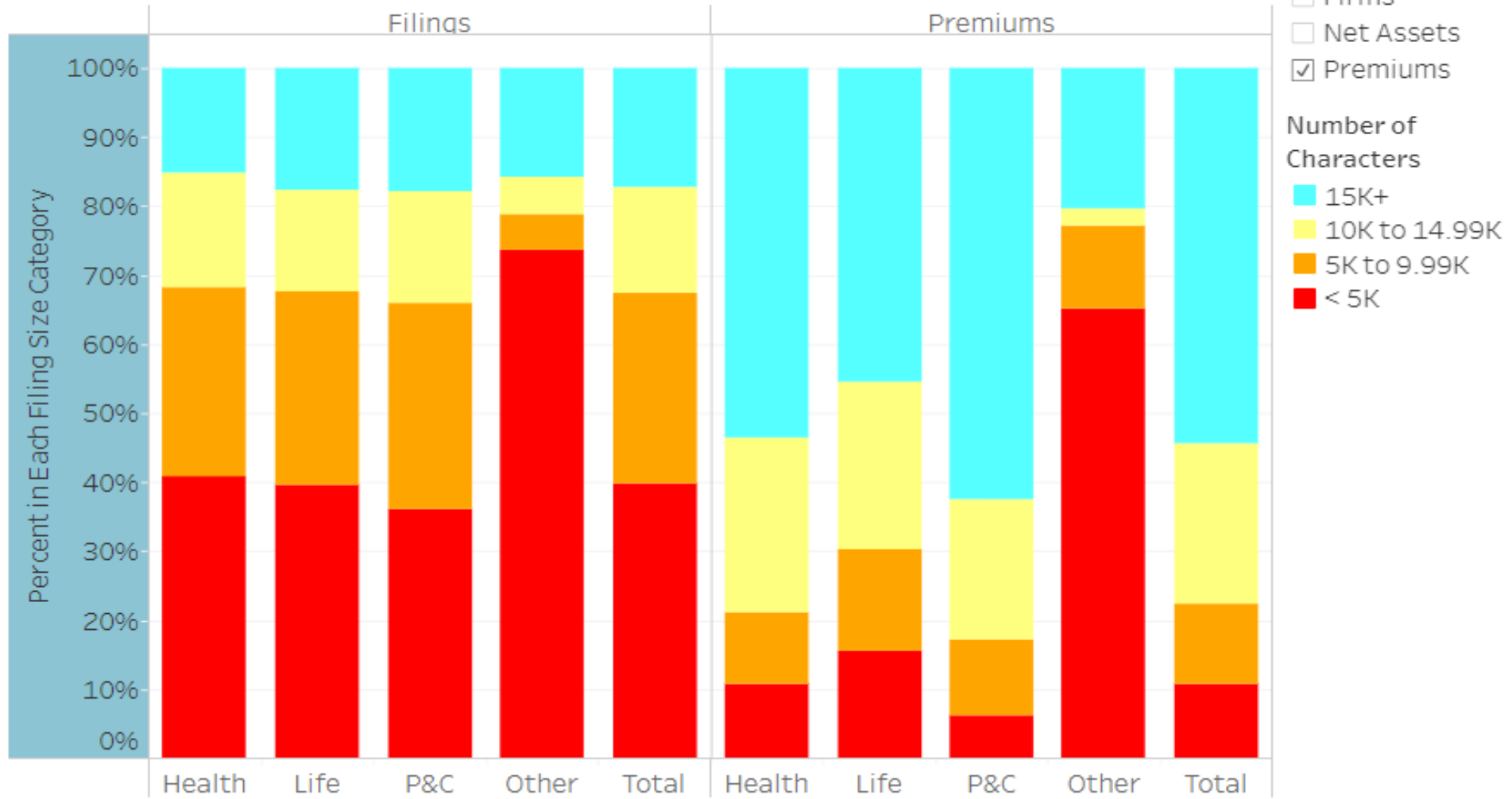
U.S. Insurance Industry Climate Risk Financial Disclosures

- Partnership Project with NAIC's Center For Insurance Policy Research
- Analysis of climate risk disclosures for the 2021 reporting year
 - TCFD format: Narrative responses
 - Governance
 - Strategy
 - Risk management
 - Metrics and targets

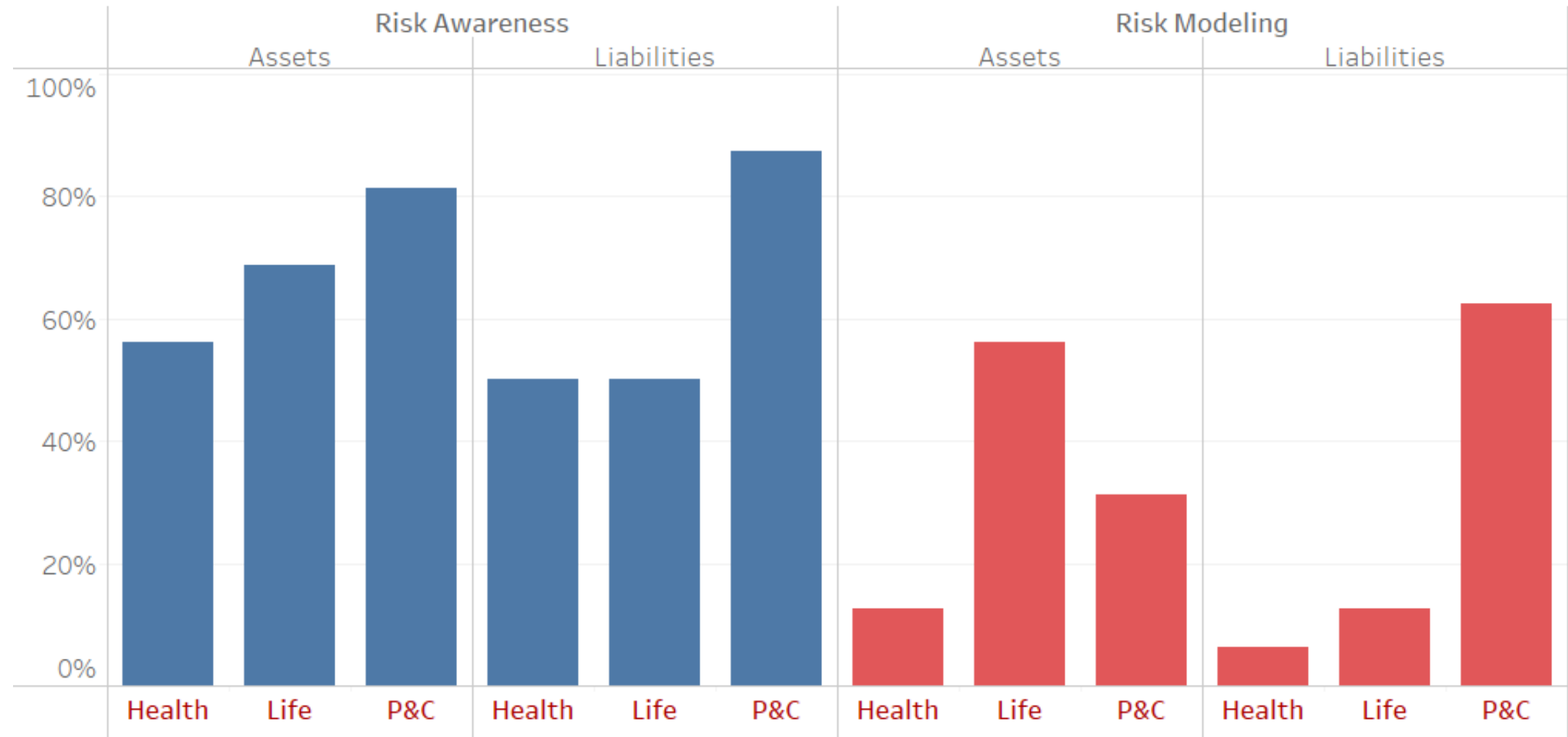
U.S. Insurance Industry Climate Risk Financial Disclosures

- High-level observations
- Short: About 40% of the universe of 2021 disclosures contain less than 5000 characters of text – too brief to offer a meaningful discussion of climate risk.
- Length and comprehensiveness of disclosures is positively correlated with the size of insurers. Consequently, while about 40% of the disclosures are less than 5000 characters, this group collectively represents only 11% of total direct premiums.
- Broad range of approaches to disclosing climate risk especially by line-of-business

Distributions of Filings, Firms, Premiums, and Net Assets
 by Number of Characters in Filing



Percent of Sample Demonstrating Awareness of Climate Risks or Modeling Climate Risks



U.S. Insurance Industry Climate Risk Financial Disclosures

- Health:
 - 50% of health insurers in the sample discuss climate-related risks to underwriting and liabilities, but only 6% report attempts to qualitatively or quantitatively assess or model these risks.
- Life: Investment oriented
 - 70% of the sampled disclosures of life insurers specifically identify climate-related investment risks, and 56% report attempts to assess or model (either qualitatively or quantitatively) the potential impact of climate-related risks on their investment portfolios.

U.S. Insurance Industry Climate Risk Financial Disclosures

- P&C:
 - Relative to other types of insurers, P&C insurers were more likely to have established a governance framework to address climate-related risks, as well as a strategy and risk management process to assess and manage the risk.
 - More likely to have identified metrics and targets related to climate risks and opportunities

Long-Term Care Feasibility Survey



LTC Survey Results and Prior Study Participation

- Survey to gauge participation and funding interest went out in late September
- Results summary:
 - # of participating companies = 9
 - Prior study had 18 companies
 - Market share for participating companies = 46%
 - Prior study covered 80% of market measured by industry premium
 - # of companies willing to purchase (i.e. fund the study) = 7
 - % of funding target covered = 35-42%
 - depends on whether purchase price for companies is \$25,000 or \$30,000

IDI Survey

- Per the SOA's IDI (individual disability insurance) experience committee:
 - Regulators may want to consider developing new IDI incidence and termination valuation tables
 - Recent disability incidence rates are ~40% lower than IDIVT standard → statutory ALRs are greater than warranted by experience
 - Recent disability termination rates are ~50% lower than IDIVT standard → statutory DLRs are lower than warranted by experience
 - Updated experience data would be needed
 - Similar to LTC, we do not believe that industry will adequately support via participation and funding
 - Survey went out end of October

Discussion



Additional Health Research

Experience Studies & Practice Research

Project Name	Objective	Expected Completion Date
Modeling the Impact of the COVID-19 Public Health Emergency (PHE) on State Medicaid Programs	Develop a model to help estimate the impact of the anticipated unwinding of the PHE on State Medicaid Programs. This includes an excel model, a users guide to the model, and a paper that illustrates how the model works and what it is trying to measure.	11/20/2023
2024 Getzen Model	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/2023/2024-getzen-model-update/
Calculated Risk: Driving Decisions Using the 5/50 Research	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. Develop a me	11/15/2023
HCCT152 - Healthcare Provider Shortage Impact to Morbidity	This research will study the impacts on growing provider shortages on the cost and utilization of healthcare	11/20/2023
Ethics and AI 2023 Update	This report will highlight the ethical risks arising from the application of Artificial Intelligence (AI) in actuarial practice and to have tools to use to identify and manage it, with a new additional focus on the fast-growing use of generative AI tools . This paper provides a technical overview of the tools and disciplines currently in AI as well as the forces at work that financial institutions such as insurance companies are using to modernize their analytical processes.	12/5/2023
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.	12/15/2023
HIV + Medicare	This research involves evaluating the impact of HIV positive individuals on Medicare Advantage.	12/15/2023
Reimagining Pharmacy Financing	A follow-up to the Reimagining Pharmacy gathering in the Spring, this research will look to define and measure the value of different drugs for the same drug class and then also suggest methodologies for rewarding value.	12/31/2023
Modeling of Reform Proposals for LTC System Improvements	Assesses the impact of reform proposals for LTC system changes on stakeholders including consumers.	1/15/2024
Statistical Approaches for Imputing Race and Ethnicity	Outline the various approaches for statistically imputing race and ethnicity in the U.S. along with their strengths and weaknesses to help familiarize actuaries with these techniques.	2/29/2024



American Academy of Actuaries Health Practice Council Updates Fall 2023

November 30, 2023
Health Actuarial (B) Task Force (HATF) Meeting

About the American Academy of Actuaries



The American Academy of Actuaries is a 19,500-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

Public Policy and the Academy

The Academy, through its public policy work, seeks to address pressing issues that require or would benefit from the application of sound actuarial principles. The Academy provides unbiased actuarial expertise and advice to public policy decision-makers and stakeholders at the state, federal, and international levels in all areas of actuarial practice.

Issue Focus: Health Equity

Events:

- Summer/Fall: Series of workshops focused on the intersection of benefit design and health equity
- Nov 15: [Health Benefit Design Innovations for Advancing Health Equity](#) symposium

Four-part issue brief series, *Health Benefit Design Innovations for Advancing Health Equity: Removing the Barriers to Successful Implementation*

- [Issue Brief 1—Overview](#)
- [Issue Brief 2—Evaluating Benefit Changes](#)
- [Issue Brief 3—How to Better Understand the Needs of the People We’re Trying to Serve](#)
- [Issue Brief 4—Overcoming Constraints to Implementation](#)

Issue Focus: LTSS

Comments on [LTC Financing for WA Cares Fund Program](#) to the Office of the State Actuary for the state of Washington on key issues related to LTC financing and risk management (Oct. 2023).

- The letter provides information on considerations necessary to achieve and maintain LTSS trust solvency for the WA Cares Fund Program.

HRBC (E) Working Group

Oct. 31: [Letter](#) sent to Chairman Drutz on the Academy work group's progress on the tiered RBC Factor development

- Verbal updates were shared at the Nov. 8 virtual meeting
- Draft analyses and findings are still intended by year-end

Key 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

Questions?

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