



AMERICAN ACADEMY *of* ACTUARIES

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Jane Sung
Senior Health Policy Analyst and Counsel
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Dear Ms. Sung:

On behalf of the American Academy of Actuaries'¹ Health Practice Council, I am submitting the following suggestions to the NAIC's Consumer Information Subgroup in response to its request to provide information for inclusion in a "frequently asked questions" document. The following information relates to actuarial value under the Affordable Care Act (ACA).²

Actuarial Value for Health Insurance Consumers

What is "actuarial value"?

"Actuarial value" measures the relative generosity of benefits covered by a health insurance plan. Under the ACA, a health insurance plan's actuarial value indicates the average share of medical spending that is paid by the plan, as opposed to being paid out of pocket by the consumer. The calculation takes into account a plan's various cost-sharing features, such as deductibles, coinsurance, copayments, and out-of-pocket limits. Aside from cost-sharing features, however, the calculation does not reflect other plan features that may be important for consumers who are choosing plans.

How do "metal" tiers relate to actuarial value?

Actuarial values are used to categorize plans into different benefit tiers:

- plans in the bronze tier have actuarial values of 60 percent,
- plans in the silver tier have actuarial values of 70 percent,
- plans in the gold tier have actuarial values of 80 percent, and
- plans in the platinum tier have actuarial values of 90 percent.

Plans within a metal tier have the same actuarial value, meaning they have approximately the same level of benefit generosity. Plans from different tiers have different actuarial values, with different levels of benefit generosity. For instance, a plan in a gold tier is more generous on average than a plan in a bronze tier.

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualifications, practice, and professionalism standards for actuaries in the United States.

² For more information on actuarial value see the Academy's issue brief, *Actuarial Value under the Affordable Care Act* (http://actuary.org/files/publications/Actuarial_Value_Issue_Brief_072211.pdf)

What is the actuarial value for catastrophic plans?

Catastrophic plans are not required to meet actuarial value targets, except that they must have actuarial values below those of the bronze tier (60 percent).

Does actuarial value mean, for instance, that people who choose a plan in the silver tier will have 70 percent of their medical costs paid for by the plan?

No. Actuarial values are calculated on an average basis and do not predict the out-of-pocket costs for any individual. Some individuals with coverage in the silver tier will have more than 70 percent of their medical spending paid by the plan and others will have less than 70 percent paid by the plan.

Are all plans in a given tier the same?

No. Although plans within a given metal tier will have the same actuarial value, they may have different cost-sharing requirements. Therefore, individuals could pay more out of pocket under certain plans in a given metal tier compared to others.

What information is not reflected in actuarial values that may be important to consumers?

Actuarial values only reflect differences in cost-sharing provisions (i.e., deductibles, coinsurance, copayments, and out-of-pocket limits). They do not reflect information on how broad or narrow a plan's provider network is, the quality of the provider network, the plan's customer service and support, or premium levels, all of which are important for consumers to consider when choosing a plan.

If you have any questions regarding our suggestions, please contact Heather Jerbi, the Academy's assistant director of public policy, at 202.785.7869 or Jerbi@actuary.org.

Sincerely,

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