



NEWS RELEASE

Immediate Release

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Actuaries: Health Insurance Pools Require Same Rules

WASHINGTON – 19 Sept. 2006 – The American Academy of Actuaries said in a recent issue brief, *Wading Through Medical Insurance Pools: A Primer*, that allowing different rules for health insurance pools in the same market can endanger existing pools and lead to market disruption.

“In every medical insurance pool there are healthier people, who are at relatively lower risk, who subsidize those with higher health risks,” said **Karen Bender**, chairperson of the Academy’s Small Group Market Task Force. “The pool must reflect a balanced cross-section of risks to remain sustainable.”

The actuaries explained that introducing a new pool with more flexible rules, such as less restrictive rating or varying benefit requirements, will provide economic incentives for healthy people to select the new pool. The resulting imbalance will cause a “rate spiral” as the healthy no longer will be present to subsidize unhealthy risks.

“Policymakers often have to balance competing goals of increasing the availability of health insurance while decreasing the premiums,” Bender said. “They should be made aware of the favorable and unfavorable consequences as they consider new approaches such as small business health plans.”

The report by the actuaries, which was released as Senate leaders continue to discuss a potential floor vote on association health plans later this month, describes the types of medical insurance pools, highlights issues that are fundamental to pooling, and demonstrates how changes within a multiple small-employer pool would affect medical costs. It is available at www.actuary.org. For more information or to schedule an interview with Karen Bender, contact Andrew Simonelli, media relations manager for the American Academy of Actuaries, at 202.785.7872.

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The American Academy of Actuaries is the public information organization for the U.S. actuarial profession. Academy committees, task forces, and work groups regularly prepare testimony and provide information to Congress and senior federal policymakers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions, and other forms of risk financing.