



AMERICAN ACADEMY *of* ACTUARIES

Health Practice Council Cycle Report
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HEALTH PRACTICE COUNCIL HIGHLIGHTS
(Activity since last Board/Executive Committee meeting)

On June 29, members of the Premium Review Work Group met with representatives of the U.S. Department of Health and Human Services to discuss the new rate review process established by the Patient Protection and Affordable Care Act (PPACA). Specifically, the group responded to questions about the type of information available in current actuarial memoranda that could be used to inform consumers about the factors behind premium increases. As a follow-up to the call with HHS, members of the Premium Review Work Group provided examples of publicly-available rate filings/actuarial memoranda from different states and markets. On July 9, members of the Medical Loss Ratio (MLR) Work Group also met with HHS to discuss credibility issues associated with the new medical loss ratio rebate requirements.

Medical Loss Ratios

On June 7, the MLR Work Group submitted a [letter](#) to the NAIC's Accident and Health Working Group, offering input on the potential inclusion of a change in contract reserves in the numerator of the MLR rebate calculation.

On May 17, the work group provided [comments](#) to the NAIC Health Care Reform Solvency Impact Subgroup on the exposure draft of a new proposed financial reporting exhibit—the Supplemental Health Care Exhibit. One of the purposes in exposing the exhibit is to delineate the NAIC's stance on appropriate definitions to be used in calculating MLR for federal rebate purposes, under the new requirements added by PPACA.

On May 14, the work group also [responded](#) to a request for comments from the departments of HHS, Labor and the Treasury on Sec. 2718 of the Public Health Service Act. The section places new requirements on health insurers regarding the reporting of MLR and potential issuance of rebates by insurers in situations in which an insurer's actual MLR is below statutory thresholds.

On May 12, the work group provided [comments](#) to the NAIC in response to its request for input on defining an appropriate way to maintain statistical validity within the rebate process. The work group outlined three potential approaches for maintaining greater validity that could be used independently or in combination: aggregation of multiple blocks of business to enhance credibility, application of adjustments for statistical tolerance, and application of large claim pooling mechanisms. The work group submitted a subsequent [letter](#) on May 20 in response to a request for more information.

On April 28, the work group sent a [letter](#) to the NAIC that addressed statutory minimum MLR considerations and the potential disruptive impact that certain approaches to implementation could have on the individual health insurance market.

Premium Review

On July 14, the Premium Review Work Group sent a [comment letter](#) to the NAIC regarding its exposure draft of a rate filing disclosure form, which is intended to facilitate the reporting of unreasonable rate increases to HHS. The letter outlines a number of general comments, as well as specific comments on each section of the draft form.

On May 14, the work group sent a [comment letter](#) to HHS in response to a request for comments on Section 2794 of the Public Health Service Act, which was created by the enactment of PPACA. The section requires the HHS secretary to work with states to establish an annual review of unreasonable rate increases, to monitor premium

increases, and to award grants to states to carry out their rate review processes. On May 8, the work group sent a [letter](#) with preliminary thoughts and questions related to Sec. 2794 to the NAIC.

Other Health Reform

On July 12, the Benefits and Eligibility Work Group submitted a [comment letter](#) to HHS on the interim final rule (IFR) related to the extension of dependent coverage to age 26. The work group offered comments on premium surcharges due to age, limitations on coverage to dependents not eligible for employer-sponsored insurance, and the definition of dependent. In addition, the work group noted some concerns related to the economic impact section of the IFR, specifically whether the financial impact of the issues addressed in the letter are actually reflected in the economic impact section.

On June 3, the Joint Committee on Retiree Health provided [comments](#) to HHS on the interim final rule on the early retiree reinsurance program created by PPACA. The committee offered comments on the definition of “early retiree,” data requirements, the two-year reinsurance estimate, pharmacy rebated, cost-sharing payment documentation, and the allocation of funding.

In May, the Health Practice Council released a new issue brief, [Risk Assessment and Risk Adjustment](#). The issue brief provides an overview of risk adjustment, outlines how it is currently used in the health care industry, and discusses general issues to consider when determining how to implement risk adjustment under PPACA.

Other NAIC

On June 15, the Academy’s Deferred Tax Assets (DTA) Bridge Group submitted a requested [interim report](#) to the NAIC Capital Adequacy Task Force showing the appropriate treatment of the DTA in the risk-based capital formulas for life, property/casualty, and health.

On June 11, the Health Solvency Work Group sent a [comment letter](#) to the chair of the NAIC’s Capital Adequacy Task Force regarding the evaluation of the current health risk-based capital covariance formula calculation for potential changes to the calculation or methodology.

On May 21, the Health Practice Financial Reporting Committee sent a [comment letter](#) to the chair of the NAIC’s Blanks Working Group on the proposed changes to the Health Annual Statement Instructions.

OPERATIONAL PLAN HIGHLIGHTS

2.1.1 Initiative to better focus Practice Councils in Public Policy.

Priority: 1

Response to Congressional requests: The Academy continues to respond to formal and informal congressional inquiries on aspects of health reform implementation. Recent requests for information have been on topics such as minimum loss ratios, the premium review process, and alternatives to the individual mandate.

See items in the highlights section for information on our responses to agency requests for information related to implementation and development of regulations.

2.2.2 Identify key bodies with which the Academy should establish meaningful relationships and establish priorities. (Review and evaluation of the policy-making bodies we should target for an awareness campaign.)

Priority: 1

In June, Cori Uccello spoke at a briefing held by the American Enterprise Institute (AEI) on MLR, premium review, grandfathering provisions and the individual mandate. In July, she also presented on MLR at a congressional briefing co-sponsored by the Third Way and the Blue Dog Coalition.

2.3.1 Promote awareness of and participation in public policy issues by our members.

Priority: 2

Educate members about policy issues and HPC public policy statements: Academy staff and volunteers continue to present at actuarial club meetings and other conferences.

The Academy is developing a new webpage dedicated to providing information about the HPC's activities related to health reform implementation. In January, the Academy also implemented a new weekly newsletter (Health Check) to keep members apprised of Academy activity, as well as legislative updates and media placements, related to health care reform.

SENIOR HEALTH FELLOW HIGHLIGHTS

Appointed as a Commissioner to the Medicare Payment Advisory Commission (MedPAC) for a three-year term.

Reviewed and commented on a number of publications that various work groups have developed relating to health reform implementation, including comment letters to HHS and NAIC on medical loss ratios, premium review, extension of dependent coverage to age 26, and the early retiree reinsurance program.

Spoke and met with staff members of congressional committees and external health policy experts on medical loss ratios, premium review, the CLASS Act (long-term care), and the individual mandate. Provided input to HHS (Office of Health Policy, Office of Consumer Information and Insurance Oversight, and Office on Disability, Aging and Long-Term Care Policy), Treasury and the Congressional Budget Office on those same issues, as well as grandfathering provisions, the interaction between age and health status premium rating factors, and the impact on premiums of the prohibition on annual and lifetime limits. Responded to questions from consumer representatives to the NAIC on MLR.

Participated as an issue expert at the *AmericaSpeaks: Our Budget, Our Economy* event in Philadelphia. This was a simultaneous town hall meeting held in cities across the country with the goal of finding common ground on ways to restore long-term fiscal sustainability.

In terms of media exposure, spoke with Robert Pear of the *New York Times* regarding medical loss ratios and was quoted in an article regarding health reform implementation. Cited in a *CNNMoney.com* story about health reform, specifically related to the individual mandate and non-financial incentives to encourage participation. Quoted in an article in the Bend Oregon *Bulletin* regarding how health reform will affect young people. Spoke with a number of outlets (Associated Press, Politico, BNA, etc.) regarding medical loss ratio requirements.