



# AMERICAN ACADEMY of ACTUARIES

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

In January, the Health Practice Council (HPC) released a comment letter to House and Senate leadership on the differences between the *Patient Protection and Affordable Care Act* and the *Affordable Health Care for America Act* (H.R. 3962). In order to provide input during the reconciliation process, the letter discussed the implications of these differences, and where appropriate, offered recommendations on which chamber's approach (if either) would be more viable.

During the past several months, Academy staff and members of the HPC and its work groups/task forces have responded and continue to respond to requests for information related to health care reform from congressional committees (e.g., majority and minority staff from the Senate HELP Committee, House Energy and Commerce Committee, Senate Budget Committee, Senate Small Business and Entrepreneurship Committee) and personal offices (e.g., Sen. Collins (R-ME), Sen. Nelson (D-NE), Sen. Wyden (D-OR), Rep. Terry (R-NE), Sen. Rockefeller (D-WV)).

On December 17, members of the HPC and Federal Health Committee held a conference call with actuaries from the Centers for Medicare and Medicaid Services (CMS) to discuss their modeling and analysis of the House and Senate health care reform bills. Some of the topics discussed included the relative cost of the uninsured/insured, take-up rates based on the strength of the mandate, the impact of reform on premiums, and the effect of reform on employer-provided coverage.

On December 4, Shari Westerfield provided [testimony](#) at a public hearing on health care reform during the National Association of Insurance Commissioners' (NAIC) Winter 2009 National Meeting. The testimony outlined issues that the NAIC would need to address (in terms of implementation at the state level) if federal health care reform is enacted.

In December, the Health Practice Financial Reporting Committee released a [new practice note](#) on the actuarial certification of restrictions relating to premium rates in the small group market. The practice note was originally developed to provide information to actuaries who prepare small group actuarial certifications required by state laws and regulations. The updated version of the practice note incorporates the passage of Actuarial Standard of Practice (ASOP) 26, *Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans*. It also has been updated to reflect relevant revision of certification requirements in various states and practical changes that have occurred since the original publication.

On November 23, the HPC sent a [comment letter](#) to the leadership of the Senate Committee on Health, Education, Labor and Pensions. This letter was in response to a request from the committee for analysis of the grandfathering provisions contained in the *Patient Protection and Affordable Care Act* and whether they would mitigate "rate shock" for those individuals who keep the coverage they have.

On November 20, the Academy's Health Practice Council (HPC) submitted a [comment letter](#) to Senate Majority Leader Harry Reid and Minority Leader Mitch McConnell on the *Patient Protection and Affordable Care Act*. The letter outlines the key issues that need to be considered when evaluating whether the Senate's health care reform bill will lead to a viable health insurance system and discusses whether the *Patient Protection and Affordable Care Act* addresses those issues. A similar [letter](#) was sent to Speaker of the House Nancy Pelosi and House Republican Leader John Boehner on November 6. That letter specifically addressed issues related to the

*Affordable Health Care for America Act (H.R. 3962).*

The newest additions to the dedicated Health Reform [webpage](#) include: [State Level Impacts](#) and the accompanying [chart](#) that illustrates the relative and directional impact of health care reform on premiums by state. As previously reported, the Health Practice Council (HPC) and the Federal Health Committee has developed a series of short policy statements, providing an actuarial perspective on various potential components of health care reform proposals. This series was developed in response to feedback received during the course of the annual Capitol Hill visits.

## **OPERATIONAL PLAN HIGHLIGHTS**

*2.1.1 Initiative to better focus Practice Councils in Public Policy.*

*Priority: 1*

*Response to Congressional requests:* As the health care reform debate continues, the Academy continues to respond to formal and informal congressional inquiries on aspects of reform. Recent requests for information have been on topics such as grandfathered plan provisions, small group eligibility (size) for participation in the exchange, and ways to strengthen the mandate through non-financial means.

*Hold briefings on relevant health care reform issues:* On November 2, a joint work group of the Academy's Health Practice Council and the Society of Actuaries held a [webcast](#) for media and congressional staff in conjunction with the release of a detailed [technical report](#) on the necessary start-up capital requirements for health insurance cooperatives and a public plan option. Under the modeled scenarios, the work group found that start-up capital requirements ranged from \$1.7 billion to \$45.6 billion. The wide variation is attributable to three unknowns – how many people enroll, the difference between pricing assumptions and actual claims, and average claims.

*Expand volunteer resources/collaborate with the SOA:* Based on the outcome of the SOA/Academy collaborative effort on long-term care legislation and in response to one specific request for information, the Academy and the SOA are collaborating on two new projects related to the ongoing health care reform debate: the first project evaluated the start-up funds needed for a public plan option or health insurance cooperative; the second project has modeled the effect(s) of the proposed tax on “Cadillac” plans. This collaboration, in addition to other ongoing activities, has allowed the HPC to expand the volunteer pool by more than 30 individuals.

*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 December, Shari Westerfield participated in a health care reform public hearing at the NAIC's Winter Meeting.

*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 presented at sessions during the SOA annual meeting, as well as at a recent actuarial club conference, in order to inform members of current activity being undertaken by the Academy with respect to health care reform.

## **SENIOR HEALTH FELLOW HIGHLIGHTS**

Served as the primary drafter of the comment letters to the Senate and House on the *Patient Protection and Affordable Care Act* and the *Affordable Health Care for America Act (H.R. 3962)*, as well as the comment letter to congressional leadership during the reconciliation process (as discussed in the Highlights section above).

Moderated a November 2 webcast on the necessary start-up capital requirements for health insurance cooperatives and a public plan option, which was sponsored by the Academy's Health Practice Council and the Society of Actuaries for media and congressional staff. Responded to follow-up questions on the webcast and a report from Senate Budget Committee staff.

Spoke and corresponded with staff members of congressional committees (majority and minority staff from Senate HELP Committee, Senate Small Business and Entrepreneurship Committee, Senate Finance) and personal offices (Sen. Rockefeller (D-WV), Sen. Ben Nelson (D-NE)) on the following health care reform issues: grandfathering provisions, impact of health reform on premiums, Medicare buy-in proposals, interaction between

age rating and the strength of the mandate, ways to strengthen the individual mandate, minimum loss ratios, and issues related to allowing employer groups size 51-100 to purchase coverage through the exchange.

Provided input on a press release related to the HPC's comment letter on the Senate health care reform bill. The information from the press release/letter was used in articles by Kaiser Health News, National Underwriter, and other trade publications.

Spoke with a policy expert from the Center on Budget and Policy Priorities regarding actuarial value and cost-sharing subsidies for low-income individuals and families, as well as the interaction between age rating and the strength of the individual mandate.

Appeared on PBS' Nightly Business Report in a segment on the House health care reform proposal and spoke specifically on the findings from the Academy/SOA joint project on start-up costs for co-ops and a public plan option. Provided input on the technical report discussed on PBS and served as moderator on the Academy's November 2 webcast for congressional staff and media.

#### **PUBLICATIONS TO BE COMPLETED IN 2009/2010**

<b>Future Publication/Activity</b>	<b>Committee/Work Group</b>	<b>Audience</b>	<b>Expected Publication Date*</b>
Comment letter on differences between House and Senate reform bills	HPC	Congress, etc	January 2010
Series of two-page backgrounders on various health care reform issues	HPC	Congress, etc.	ONGOING
Technical report on Cadillac plan excise tax	HPC/SOA	Congress, etc	January 2010
Issue brief on risk adjustment	HPC	Congress, etc.	TBD
Update on health care receivable factors	Health Care Receivables Work Group	NAIC	ONGOING
Issue brief on chronic care, wellness programs	Disease Management Work Group	Actuaries, interested industry partners	2010
Practice note on rate increases and active life reserves	Subgroup of HPFRC	Actuaries	2010
Update of 1994 report on stop-loss factors	Stop-Loss Work Group	NAIC, actuaries	2010