



## AMERICAN ACADEMY *of* ACTUARIES

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August 24, 2006

Patricia A. Maryland, Dr.P.H.  
Chair, Citizens' Health Care Working Group  
Attn: Interim Recommendations  
7201 Wisconsin Avenue, Suite 575  
Bethesda, MD 20814

Dear Dr. Maryland:

The American Academy of Actuaries'<sup>1</sup> Committee on Federal Health Issues commends the Citizens' Health Care Working Group for its efforts to initiate and engage in the national debate about health care coverage. As the working group finalizes its recommendations to Congress, the Federal Health Committee would like to offer an actuarial perspective on the interim recommendations.

Actuaries are uniquely qualified to provide expertise and perspective on the issues that arise with regard to risk and contingent events. Our extensive experience with health care financing and delivery in both public and private settings should prove valuable as various approaches and tactics for implementing the working group's recommendations are explored.

The interim recommendations of the Citizens' Health Care Working Group include making it public policy that all Americans have affordable health care, defining a core benefit package, protecting against high health care costs, and improving quality and efficiency in health care. The effort to design models that incorporate the working group's recommendations will involve various factors and their impact on the components of America's health care system, its financing and delivery channels. Members of the Academy's Federal Health Committee would gladly offer their unique perspective on some of these including:

- the underlying drivers of health care costs;
- the characteristics of uninsured and underinsured Americans, and the reasons why people lack health insurance;
- the nature and operation of risk pools;

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<sup>1</sup> The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, 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. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

- the causes and impacts of risk selection, including adverse selection, on health insurance costs and markets;
- the tradeoffs between coverage mandates and voluntary coverage and between benefit mandates and more flexible benefit packages;
- the mechanics of health care financing;
- the roles of social insurance, private health insurance, and employment-based health benefits, and the impact of various proposals on each segment;
- the role and effectiveness of disease management;
- the potential and limitations of using reinsurance to reduce health insurance premiums;
- the impact of plan design on utilization and costs.

Attached you will find a list of some of our publications that address many of these issues, which might be of use to you as you move forward with your recommendations.

The American health care system by its very nature is complex and has numerous interrelated elements. Transformation of this system and its financing presents a difficult challenge, requiring expertise and understanding in numerous disciplines. In addition to offering background material and our assistance to the working group on various aspects of health care delivery and financing, our members look forward to providing input to Congress as it considers the working group's recommendations.

Again, we commend the efforts of the Citizens' Health Care Working Group. Members of the Academy's Committee on Federal Health Issues are available to assist you as you finalize the recommendations. If you or your staff would like additional information or assistance, please feel free to contact Holly Kwiatkowski, the Academy's senior health policy analyst (federal), by phone at (202) 223-8196 or by e-mail at [Kwiatkowski@actuary.org](mailto:Kwiatkowski@actuary.org).

Sincerely,

Alfred A. Bingham, Jr., FSA, MAAA, FCA  
Chairperson, Committee on Federal Health Issues  
American Academy of Actuaries



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## KEY HEALTH CARE PUBLIC STATEMENTS

- Comment letter “*The Health Insurance Marketplace Modernization and Affordability Act of 2006*” (May 4, 2006). This letter provides an actuarial perspective on issues associated with the creation of small business health plans under S. 1955, as well as other issues in the bill related to benefits, rating, oversight, etc. [http://www.actuary.org/pdf/health/enzi\\_may06.pdf](http://www.actuary.org/pdf/health/enzi_may06.pdf)
- *Medicare’s Financial Condition: Beyond Actuarial Balance* (May 2006). This issue brief examines more closely the findings of the 2006 Medicare Trustees’ Report and other measures of Medicare’s financial outlook. [http://www.actuary.org/pdf/medicare/trustees\\_may06.pdf](http://www.actuary.org/pdf/medicare/trustees_may06.pdf)
- *Health Coverage Issues: The Uninsured and the Insured* (December 2005). This issue brief introduces the uninsured problem and discusses the characteristics of the uninsured and reasons why they lack health insurance. [http://www.actuary.org/pdf/health/uninsured\\_dec05.pdf](http://www.actuary.org/pdf/health/uninsured_dec05.pdf)
- *Pay for Performance: Rewarding Improvements in the Quality of Health Care* (October 2005). This issue brief provides background and analyses, from an actuarial perspective, on issues related to health care quality and the related pay-for-performance approach to provider reimbursement, particularly within the Medicare program. [http://www.actuary.org/pdf/health/pay\\_oct05.pdf](http://www.actuary.org/pdf/health/pay_oct05.pdf)
- *Medical Reinsurance: Considerations and Design Options for a Government-Sponsored Reinsurance Program* (September 2005). This background document is a follow-up to the January 2005 medical reinsurance issue brief. The background document delves further into the considerations and design options that would need to be addressed when developing a program government sponsored reinsurance program. [http://www.actuary.org/pdf/health/reinsure\\_sept05.pdf](http://www.actuary.org/pdf/health/reinsure_sept05.pdf)
- Slide Presentation “*Wading through the Basics on Health Care Risk Pooling*” (July 2005). This briefing provided information regarding the dynamics of risk pooling in health insurance including issues such as anti-selection and rating rules. [http://www.actuary.org/pdf/health/pool\\_july05.pdf](http://www.actuary.org/pdf/health/pool_july05.pdf)
- *Disease Management Programs: What’s the Cost?* (April 2005). This issue brief provides background information related to the evaluation of disease management programs and it also highlights some of the analytical challenges. [http://www.actuary.org/pdf/health/disease\\_april05.pdf](http://www.actuary.org/pdf/health/disease_april05.pdf)
- *Frequently Asked Questions on Association Health Plans* (March 2005). This issue brief examines some common questions about Association Health Plans (AHPs). It also addresses some possible unintended consequences and related concerns that could arise if the creation of AHPs is not approached carefully. [http://www.actuary.org/pdf/health/ahp\\_mar05.pdf](http://www.actuary.org/pdf/health/ahp_mar05.pdf)
- *Medical Reinsurance: Considerations for Designing a Government-Sponsored Program* (January 2005). This issue brief provides a primer on the current commercial medical reinsurance market. It then outlines some of the issues policy-makers should consider when designing and implementing a government-sponsored medical reinsurance program. [http://www.actuary.org/pdf/health/reinsurance\\_jan05.pdf](http://www.actuary.org/pdf/health/reinsurance_jan05.pdf)
- *Mental Health Parity: Often Separate, Usually Unequal* (December 2004). This issue brief describes current mental health parity requirements and how group insurance plans have responded to these requirements before turning to the cost implications of expanded mental health parity requirements, including the impact on other medical costs. [http://www.actuary.org/pdf/health/parity\\_1204.pdf](http://www.actuary.org/pdf/health/parity_1204.pdf)
- *Statement of the House Ways and Means Subcommittee on Health Regarding the Uninsured* (March 9, 2004). This statement identifies many, but not all, of the myriad issues that should be considered when designing and evaluating proposals to expand health insurance coverage. [http://www.actuary.org/pdf/health/uninsured\\_030904.pdf](http://www.actuary.org/pdf/health/uninsured_030904.pdf)
- *The Impact of Consumer-Driven Health Plans on Health Care Costs: A Closer Look at Plans with Health Reimbursement Accounts* (January 2004). This monograph provides a background on consumer driven health plans before turning to an analysis of the potential impact of this type of plan on health care costs. [http://www.actuary.org/pdf/health/cdhp\\_jan04.pdf](http://www.actuary.org/pdf/health/cdhp_jan04.pdf)