



AMERICAN ACADEMY *of* ACTUARIES

September 29, 2003

The Honorable William M. Thomas
Chairperson, House-Senate Medicare Conference Committee
2208 Rayburn House Office Building
Washington, DC 20515-0522

Dear Representative Thomas:

As Congress continues to reconcile the House and Senate Medicare prescription drug bills, the American Academy of Actuaries' Health Practice Council would like to offer assistance in assessing the financial implications of this and other proposed changes to the Medicare program.

With the increasing cost of prescription drugs, high drug utilization by the elderly, and declining access to affordable drug coverage, it is clear that providing a prescription drug benefit to seniors is a congressional priority. The question remains, however, as to how best to provide such a benefit while balancing the long-term financial requirements of the Medicare program. The dramatic increase in the unified Federal budget deficit currently projected complicates the challenge of expanding Medicare benefits while keeping the program fiscally sound.

In recent years, Medicare issues have been a priority not only for Congress, but also for the Academy's Health Practice Council. We have met with policymakers, sponsored informational briefings, and published a number of papers analyzing relevant issues, with a particular focus on the financial implications of Medicare reform. Attached you will find a list of some of our recent publications on Medicare and prescription drugs.

Academy members would be glad to assist Congress in assessing the actuarial implications of changes to the Medicare program. One area where Academy members can be of particular value would be helping you assess the impact of a Medicare prescription drug benefit on the availability of retiree health care insurance. Also, the Academy has reviewed the risk sharing provisions of the House and Senate Medicare prescription drug legislation and we would be glad to discuss these issues further.

The Academy is committed to providing objective actuarial analysis of the issues. We appreciate your efforts to deal with these complex and important issues and hope you find our materials helpful as this debate continues.

If you or your staff have any questions, or if you would like copies of any of our publications, please feel free to contact the Academy's senior health policy analyst (federal), Holly Kwiatkowski, at (202) 223-8196 or Kwiatkowski@actuary.org.

Sincerely,

Janet M. Carstens, FSA, MAAA, FCA
Vice President, Health Practice Council
American Academy of Actuaries

Cc: Members of the House-Senate Medicare Conference Committee
United States Senate
United States House of Representatives



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The following documents on Medicare and prescription drugs have recently been published by the American Academy of Actuaries and they are available on the Academy's website:

- *Comment Letter on the Risk Sharing Provisions of the Medicare Prescription Drug Legislation* (July 30, 2003) – This letter evaluates the risk sharing provisions of both the House (H.R. 1) and Senate-passed (S. 1) Medicare prescription drug legislation. The letter states that the risk sharing provisions in the Senate version of the bill are “likely to provide a greater incentive for private entities to participate,” while the reinsurance provisions in the House version “appear to make this program somewhat less desirable from an actuarial perspective.” The letter is available at http://www.actuary.org/pdf/medicare/risk_sharing_073003.pdf.
- *Actuarial Equivalence of Medicare Prescription Drug Plans* (July 21, 2003) – This briefing addressed the concept of actuarial equivalence, summarized the method used to determine actuarial equivalence under alternative prescription drug plan designs, and provided some examples of actuarially equivalent plans. The slides from this briefing are available at http://www.actuary.org/pdf/medicare/briefing_072103.pdf.
- *Comment Letter on Requiring Academy Membership for Actuarial Work Under the Medicare Prescription Drug Legislation* (June 24, 2003) – This letter suggests that under the House and Senate Medicare prescription drug legislation, any activities that are actuarial in nature should be undertaken only by a qualified actuary who is a member of the American Academy of Actuaries. The letter is available at http://www.actuary.org/pdf/Medicare/reform_062403.pdf.
- *Medicare Prescription Drug Plans: The Devil Is in the Details* (Updated April 2003) – This paper examines issues related to adverse selection, drug utilization management, and risk sharing, which should be addressed in any proposal to add prescription drugs to the Medicare program. The paper is available at http://www.actuary.org/pdf/medicare/drugbenefit_sept02.pdf.
- To view all of our work on Medicare and prescription drug issues, please visit the “Medicare Issues” web page at <http://www.actuary.org/medicare/index.htm>