

Medicare Supplement Insurance and Claim Cost Trends

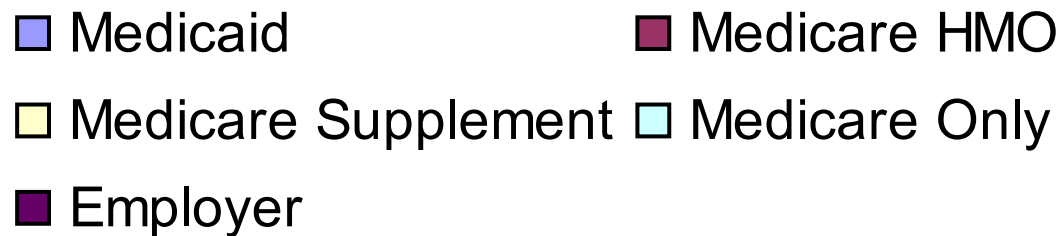
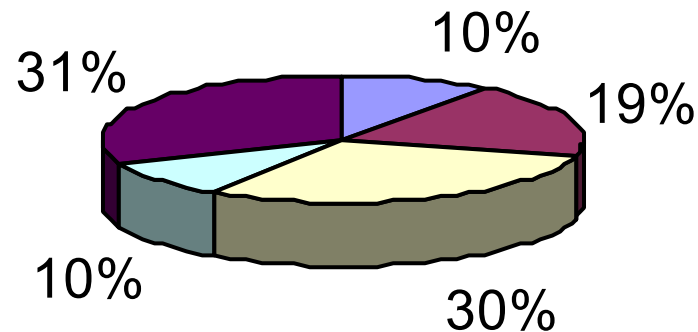
Report to NCOIL

**American Academy of Actuaries Medicare
Supplement Insurance Work Group**

Mike Abroe, Chairperson



Medicare 65+ Market Share



As of 1998 – CMS Reports

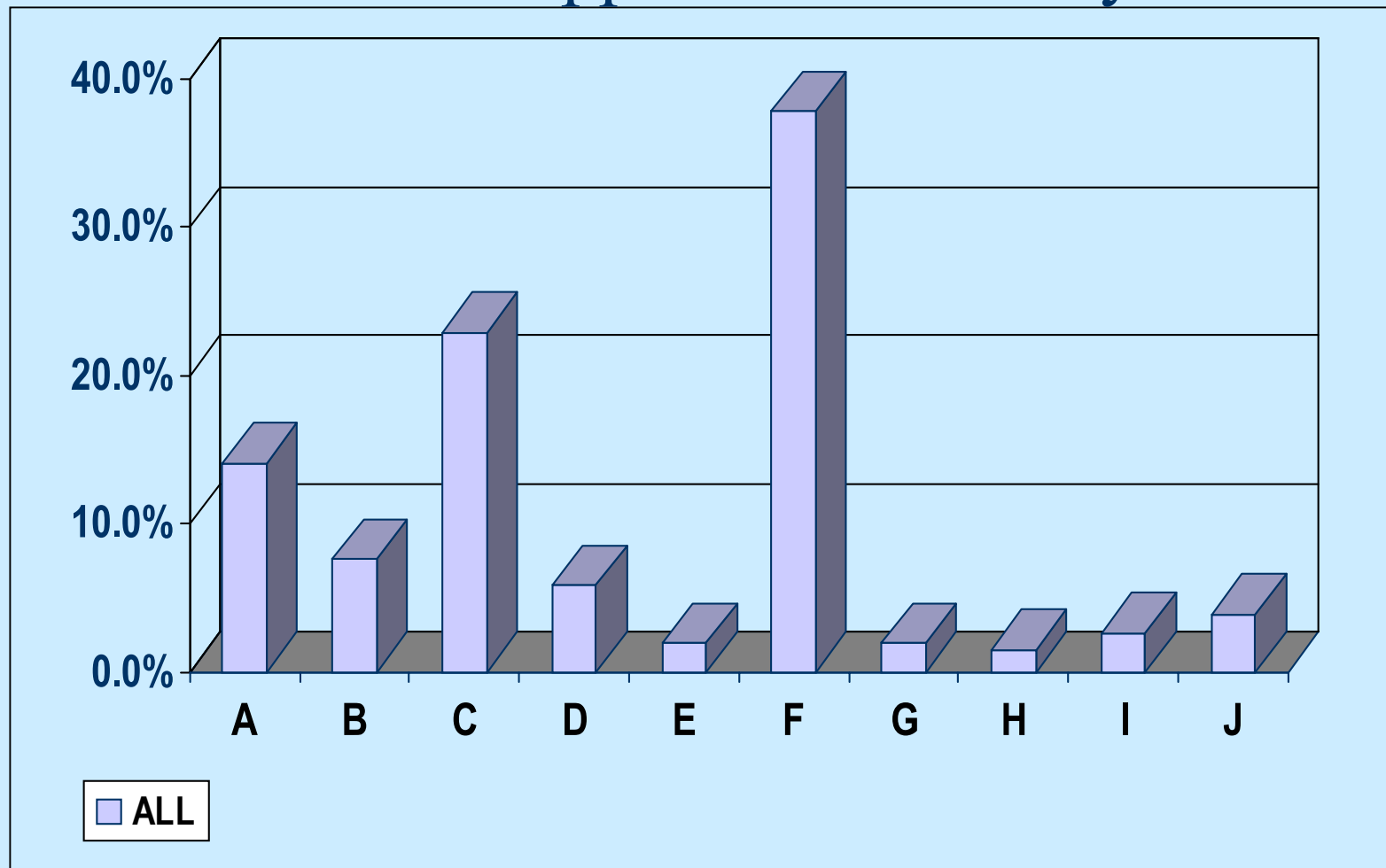
Medicare Risk HMO Enrollees

Year	Enrollees	Change
1995	3,089,259	820,895
1996	4,115,293	1,026,034
1997	5,211,339	1,096,046
1998	6,055,546	844,207
1999	6,347,434	291,888
2000	6,260,549	-86,885
2001	5,480,899	-779,650

Source: Medicare Managed Care Contract Reports, CMS



Medicare Supplement Lives By Plan



Source: 1998 NAIC

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Medicare Supplement Update

Benefit Plans A-J

Plan A	Plan B	Plan C	Plan D	Plan E	Plan F	Plan G	Plan H	Plan I	Plan J
Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits
		Skilled Nursing Coinsurance	Skilled Nursing Coinsurance	Skilled Nursing Coinsurance	Skilled Nursing Coinsurance	Skilled Nursing Coinsurance	Skilled Nursing Coinsurance	Skilled Nursing Coinsurance	Skilled Nursing Coinsurance
	Part A Deductible	Part A Deductible	Part A Deductible	Part A Deductible	Part A Deductible	Part A Deductible	Part A Deductible	Part A Deductible	Part A Deductible
		Part B Deductible			Part B Deductible				Part B Deductible
					Part B Excess 100%	Part B Excess 80%		Part B Excess 100%	Part B Deductible
		Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency
			At-Home Recovery			At-Home Recovery		At-Home Recovery	At-Home Recovery
							Basic Drugs \$1,250 Limit	Basic Drugs \$1,250 Limit	Extended Drugs \$3,000 Limit
				Preventive Care					Preventive Care

Basic Benefits: Part A and B Co-insurance

Nationwide Annual Claim Trend 1996 Through 1998

Reasons For Higher Medicare Supplement Trends

- Hospital outpatient
- Disableds/ESRD
- M+C Enrollment
- Demographics/Aging Population
- Rx Costs



Medicare Supplement Claim Trends – 1996 to 1998

Prescription Drug Experience

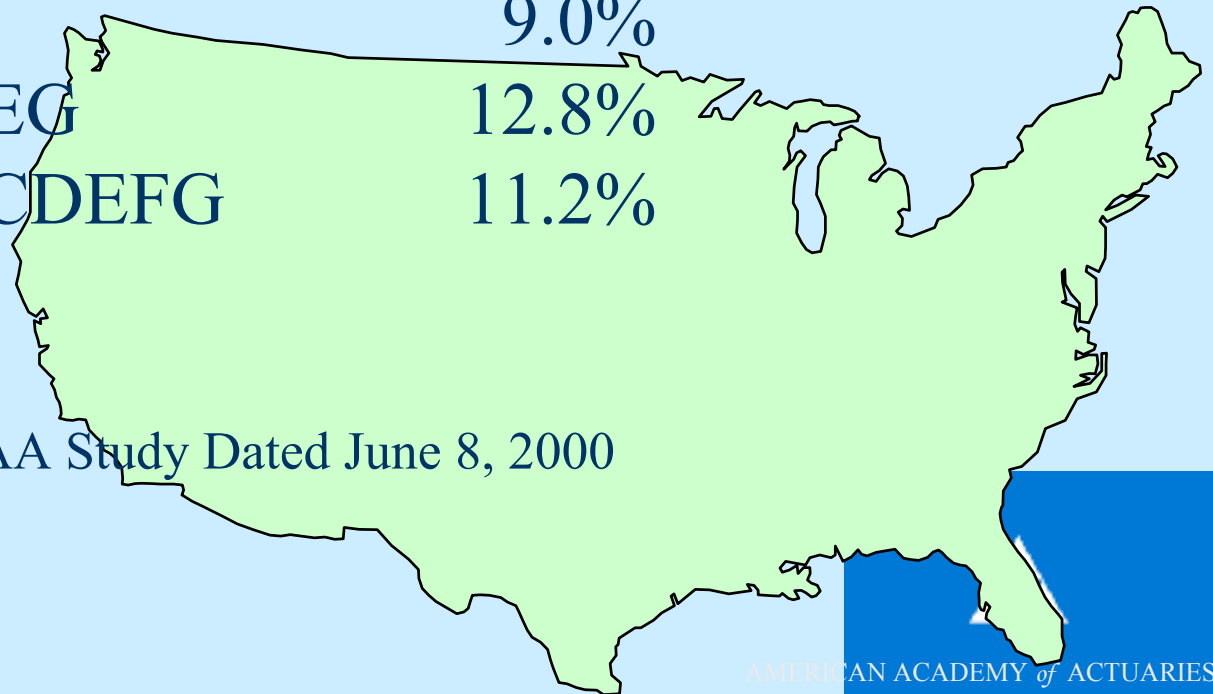
Plan	Rx Benefits Only	Non-Rx Benefits	All Benefits
Plans H,I	14.9%	10.5%	11.4%
Plan J	14.2%	5.2%	7.8%
Plans H,I,J	15.0%	8.7%	10.3%
Mass. Product	25.1%	10.5%	16.5%



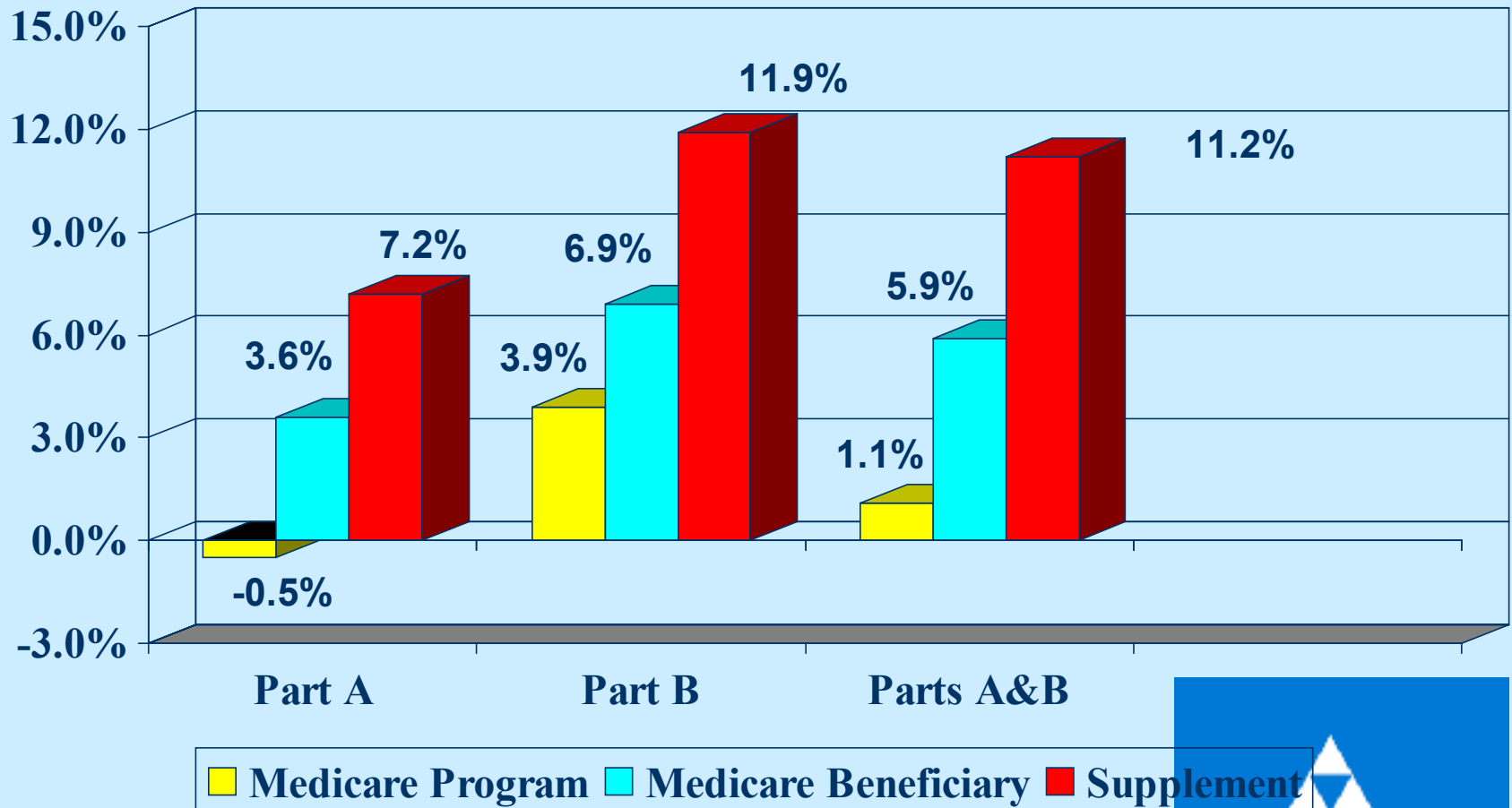
Nationwide Annual Claim Trend 1996 Through 1998

Plan A	17.6%
Plan C	10.9%
Plan F	9.0%
Plans BDEG	12.8%
Plans ABCDEFG	11.2%

Source: AAA Study Dated June 8, 2000



96/98 Medicare Fee-for-service Trend Versus Medicare Supplement Trend



Sources: AAA Study/HCFA

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Claim Trends – Hospital Outpatient

One Carrier's Plan F Experience

	1996-1997	1997-1998	Average 1996-1998
Outpatient Hospital	18.4%	15.3%	18.2%
Total Plan F	8.8%	9.0%	7.7%

The excess trend applied since 1992, the first year of standardization, implies aggregate claims costs 20% lower if Hospital outpatient inflated at the same rate as all other benefits combined.



Medicare's New Prospective Payment Methodology for Outpatient Services

- One-time reduction in aggregate coinsurance costs nationwide
- HCFA estimates a 12% initial reduction in Hospital Outpatient Benefits – or 3.1% of all beneficiary claim obligations
- Lowered Trend Thereafter
- But, Full Implementation up to 40 years, and



Ratio of Disabled to Aged Annual Claim Cost

Plan	Ratio
Plan A	3.83
Plan C	2.48
Plan F	1.35
Plans B,D,E,G	1.55
All Plans A-G	1.78



Claim Trends by Region - 1998/96

