

Health Equity from an Actuarial Perspective Benefit Design

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About the Academy



- The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues.
- The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

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Why actuaries care about health equity

Key health decision-makers rely on actuaries for advice

Unique skillset to quantify costs of health disparities to the health care system

Commitment to identifying and addressing issues on behalf of the public interest

Desire to explore and understand whether any actuarial practices inadvertently lead to or exacerbate health disparities and inefficient use of health care dollars

Potential to use actuarial principles to reduce health disparities and improve health outcomes

American Academy of Actuaries Health Equity Committee

- Created to contribute actuarial perspective to health equity
- Focus:
 - Evaluate actuarial practices in the context of health equity
 - Educate actuaries and other stakeholders on health equity issues
 - Apply an equity lens when considering the impact of current or proposed health care policies

Definitions used by the Health Equity Committee

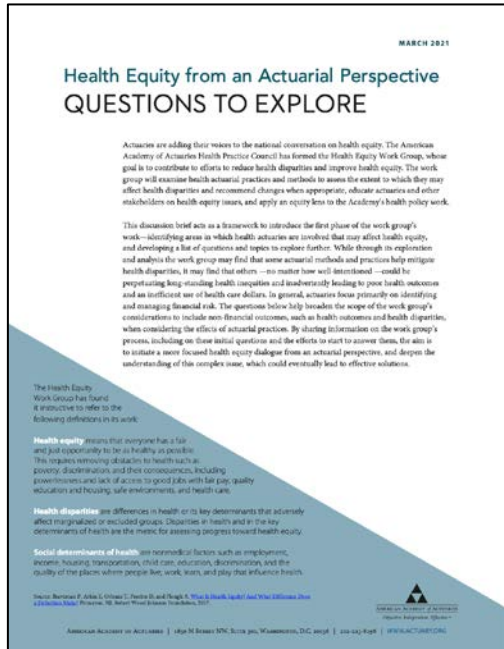
Health Equity: Everyone has a fair and just opportunity to be as healthy as possible. This requires removing obstacles to health such as poverty, discrimination, and their consequences, including powerlessness and lack of access to good jobs with fair pay, quality education and housing, safe environments, and health care.

Health Disparities: Differences in health or its key determinants that adversely affect marginalized or excluded groups. Disparities in health and in the key determinants of health are the metric for assessing progress toward health equity.

Social Determinants of Health: Nonmedical factors such as employment, income, housing, transportation, child care, education, discrimination, and the quality of the places where people live, work, learn, and play, which influence health.

Source: Braveman P, Arkin E, Orleans T, Proctor D, and Plough A, [What Is Health Equity And What Difference Does a Definition Make?](#) Princeton, N.J.: Robert Wood Johnson Foundation, 2017.

Initial phase—Discussion brief developed a list of questions and topics to explore further



- Comprehensive list served as starting point for further analysis
- Four areas of focus:
 - Health plan pricing
 - Health plan benefit design
 - Provider contracting and network development
 - Population health management

Subsequent papers explored issues in more detail

DISCUSSION BRIEF—ISSUE IN FOCUS | MAY 2021

Health Equity from an Actuarial Perspective Health Plan Pricing

The American Academy of Actuaries Health Practice Council created the Health Equity Work Group with a goal of contributing to efforts to reduce health disparities and improve health equity among racial and ethnic minority populations and underserved or underinsured communities. The work group is committed to assess the extent to which their own efforts, appropriate, educate actuaries and other stakeholders to the Academy's health equity work.

DISCUSSION BRIEF—ISSUE IN FOCUS | JULY 2021

Health Equity from an Actuarial Perspective Health Plan Benefit Design

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DISCUSSION BRIEF—ISSUE IN FOCUS | SEPTEMBER 2021

Health Equity from an Actuarial Perspective Provider Contracting and Network Development

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DISCUSSION BRIEF—ISSUE IN FOCUS | OCTOBER 2021

Health Equity from an Actuarial Perspective Managing Population Health

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Issue Brief

Health Risk Assessment and Risk Adjustment in the Context of Health Equity

AUGUST 2021

Key Points

- Risk assessment and risk adjustment—valuable tools that are used for a variety of purposes in health care and health insurance systems. They are used to adjust premium payments to health insurance plans so that plans are not over- or under-paid relative to the health of their enrollees. They are also used in programs that reward or penalize health care providers based on health care outcomes so they are not unfairly rewarded or penalized for factors outside of their control. In both of these instances, the use of risk adjustment is critical to helping ensure access to health insurance coverage and health care services among people who are at higher risk of using health care services or who have more complex health care needs. These tools can also be used to help identify individuals who would benefit from care management programs.

Health Equity Means that everyone has a fair and just opportunity to be as healthy as possible. This requires removing obstacles to health such as poverty, discrimination, and their consequences, including substandard conditions and lack of access to goods and services that affect one's health, quality of education and housing, safe environments, and health care.

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Health equity and benefit design

In what ways can benefit designs, formularies, or cost-sharing structures affect health disparities?

benefit complexity
in and out of providers benefits covered
benefit standardization
cost-sharing features
utilization control
essential health benefits rx formulary
historical data
plan design

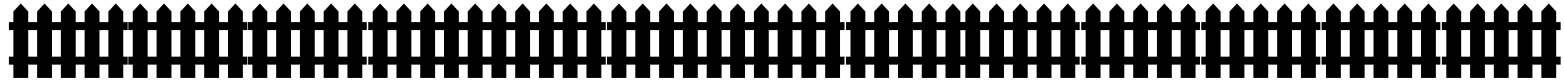
Benefit Design Example: Utilization Management Tools



Pre-
Authorizations

Tiered
Networks

High
Deductibles



Defining plan “benefit design”

Which services are covered?

Which providers are covered?

Cost-sharing structure

Utilization and medical management protocols

These features impact both access and affordability.

Using benefit design to attract and retain members

- High-deductible plans may be attractive with lower premiums, but some consumers may not be able to afford the cost-share
- Rich benefits may be needed by some consumers, but some of those consumers cannot afford the higher premiums
- Many benefit designs can be complicated and difficult for consumers to choose the best option
- Some benefit designs target helping consumers with certain chronic conditions

Using benefit design to manage utilization and spending



Reduce unnecessary utilization



Reduce necessary utilization

- Premium savings are spread across the entire group
- May assume that individuals have access to adequate, culturally appropriate information to know if a service is necessary
- May assume that an individual can access the preferred site of care (this can be difficult due to transportation or schedule)
- May assume individuals can navigate the complexity of the health care system

Standardized Benefit Designs



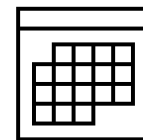
- Ensure benefits are comprehensive
- Ensure certain benefits are covered without any cost share
- Allow easy comparison across benefit designs
- Reduce administrative burden



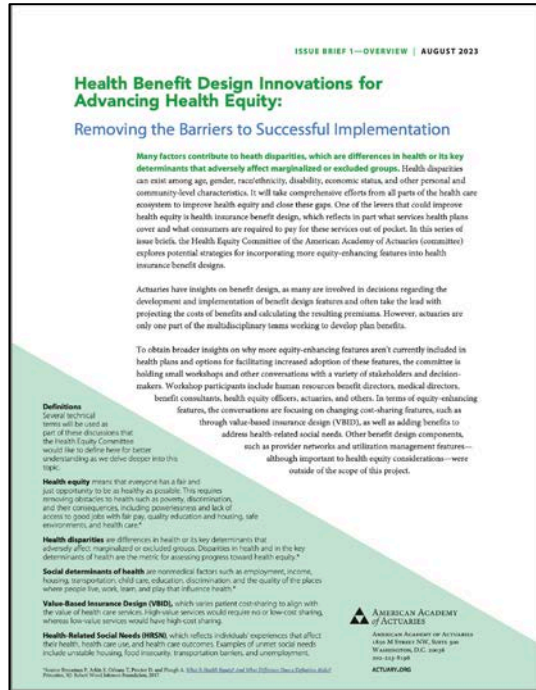
- Reduce consumer choice
- Hinder innovations that may be beneficial
- Limit ability to tailor benefits to meet the needs of particular enrollees

Provider Access

- Accessibility: location, hours of service, languages spoken
- Lower cost-share for preferred providers, locations, drugs—does bias impact determination of which providers are “preferred”?
- Are narrow networks sufficient for a diverse population?



2023 Health Equity Focus: Exploration of strategies to incorporate equity-enhancing features in health plans



- Goal: Have discussions among participants with different perspectives to discuss the successes and challenges of incorporating equity-enhancing benefit design features
- Areas of focus:
 - Process and challenges to incorporating equity-enhancing features
 - How benefit changes are evaluated
 - How to incorporate the voices of the people being served
 - Addressing implementation challenges
- Topics explored during four workshops, with subsequent release of related issue briefs, and continued at symposium on Nov. 15, 2023.

Enhancing equity through benefit design



Incorporation of equity-enhancing design features has been incremental and focused primarily on cost-sharing

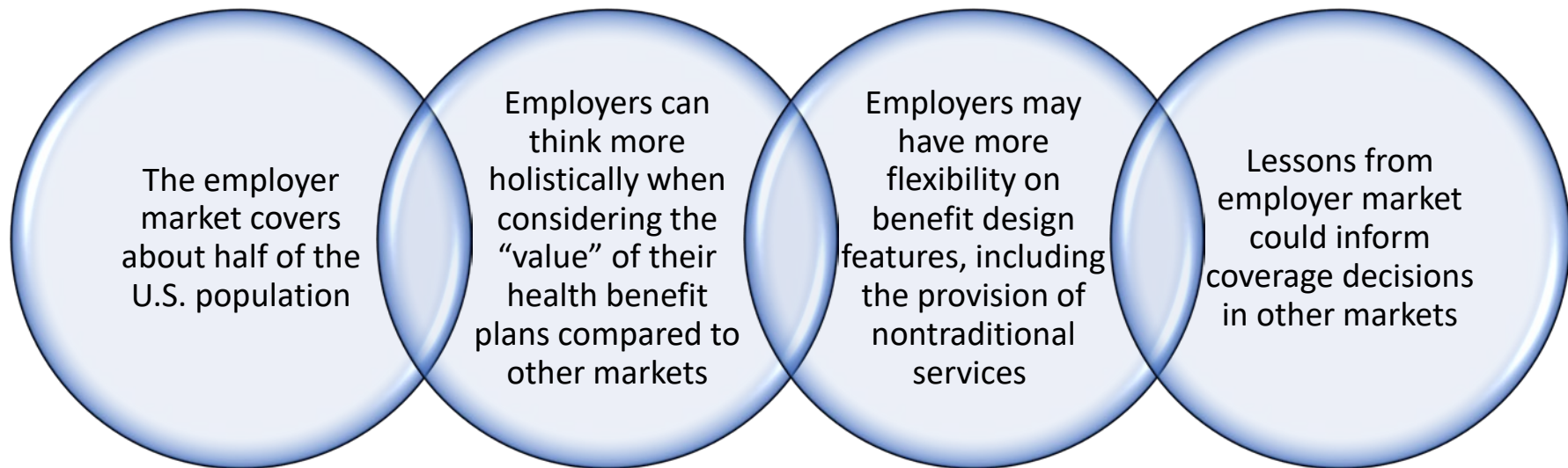


Through workshops and symposium, the American Academy of Actuaries had discussions among participants with different perspectives to help explore strategies to incorporate more equity-enhancing benefit design features



Focused primarily on large employers with self-funded health benefit plans

Focus on large employers with self-funded health benefit plans



Workshop and Symposium Participants Reflected Broad Array of Perspectives

- Actuaries
- Benefit consultants
- Employer benefits executives
- Chief medical/pharmacy officers
- Health care providers
- Health equity officers
- Health services researchers
- Insurance operations executives
- Lawyers
- Policy advisers
- Regulators

Workshop Series/Symposium High-Level Insights



High levels of interest in these topics!



Convening people to share experience is valuable

Break down silos

Opportunity for actuaries to gain broader perspective

Opportunity for non-actuaries to understand actuarial perspective



Opportunity to continue the conversation and make real progress



Key themes:

Health disparities are complex, require collaboration to fix

Rethinking how we measure the impact of benefit changes—beyond ROI

Designing effective solutions require incorporating the voices of people from communities experiencing disparities

Current regulatory framework may hinder the implementation of equity-enhancing benefit design

Data, data, data

Challenges to incorporating equity-enhancing features



Health disparities are complex and vary even among employees



Pressure to identify cost savings to offset costs of new benefits



Data are crucial to measuring and reducing disparities



How organizations think about health equity



Successes and lessons learned from challenges



How to balance differing priorities among decision-makers

Measuring the Impact – Beyond ROI

- Current methods of evaluating programs may hinder implementation
 - One-year performance measures for programs with multiyear runway
 - Cost-only focus ignores downstream savings
 - Cost-effectiveness may be a better metric
 - Must include outcomes
 - No consensus on what that means
- Both quantitative and qualitative data are needed to identify needs and build solutions
- How affordability factors into decisions

Incorporating the voices of the people experiencing disparities



- Collecting qualitative data is crucial
- Building trust and increasing transparency are needed to get honest feedback
- Listening to groups to understand their needs and priorities can facilitate bottom-up rather than top-down approaches
- Strategies to help employees, plan participants, others better understand and use benefits
- Getting input and feedback on unmet needs and benefits to address them
- Using trusted messengers to relay information

Addressing implementation challenges

- Start with the data available and build from there
- Prioritize health equity
- Tailor communications to the population being served
- Addressing provider shortages
- Consider how legal requirements can affect benefit flexibility. Laws are not designed with an equity lens and may limit:
 - the collection and use of data
 - the addition of new benefits

Importance of Data



Measuring and reducing disparities

Lack of consistent data format with key dimensions of equity

Collection and use of key data may be limited or prohibited



Determining which benefits to offer



Pricing benefits



Determining the efficacy of those benefits

Limitations of Claims Data

- Only reflects claims of those using the health care system
- For historically marginalized groups, claims understate risks, unmet needs
- Does not include key information needed to measure disparities
 - Combination of data from other sources could be helpful; e.g., enrollment data and social risk indices
 - Need to understand the limitations, risks of other data sources

Other Data Considerations

- Need to understand the data beyond statistical measures
 - Think critically about what the data is showing
 - The use of averages may mask the underlying distributions of different populations
 - Clinical expertise may be needed to understand data
 - Bias may be embedded in clinical data
- Data empathy
 - Data elements represent people and their experiences
 - Include the perspectives of people impacted by plan changes

Data Bias Considerations

- All data has bias
 - Important to understand the embedded bias and determine whether it impacts results
 - Make adjustments, if needed, to mitigate bias
- Sampling of populations may leave holes in our understanding and lead to wrong conclusions
- A sample may not be sufficient to understand the entire population
- Important to incorporate qualitative data to better understand quantitative data

Questions?

Thank You

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