

Draft date: 11/16/23

*2023 Fall National Meeting
Orlando, Florida*

HEALTH ACTUARIAL (B) TASK FORCE

Thursday, November 30, 2023

2:30 – 4:00 p.m.

Floridian Ballroom J-L & Corridor III - Level 1 - Bonnet Creek

ROLL CALL

Andrew N. Mais, Chair	Connecticut	Remedio Mafnas	N. Mariana Islands
Anita G. Fox, Vice Chair	Michigan	Eric Dunning	Nebraska
Mark Fowler	Alabama	D.J. Bettencourt	New Hampshire
Ricardo Lara	California	Justin Zimmerman	New Jersey
Michael Conway	Colorado	Judith L. French	Ohio
Karima M. Woods	District of Columbia	Glen Mulready	Oklahoma
Gordon I. Ito	Hawaii	Michael Humphreys	Pennsylvania
Dean L. Cameron	Idaho	Alexander S. Adams Vega	Puerto Rico
Amy L. Beard	Indiana	Michael Wise	South Carolina
Doug Ommen	Iowa	Cassie Brown	Texas
Vicki Schmidt	Kansas	Jon Pike	Utah
Timothy N. Schott	Maine	Scott A. White	Virginia
Kathleen A. Birrane	Maryland	Mike Kreidler	Washington
Grace Arnold	Minnesota		

NAIC Support Staff: Eric King

AGENDA

1. Consider Adoption of its Sept. 26 and Summer National Meeting Minutes Attachment One
—*Paul Lombardo (CT)*
2. Consider Adoption of the Long-Term Care Actuarial (B) Working Group Report, including its Oct. 2 and Summer National Meeting Minutes—*Fred Andersen (MN) and Paul Lombardo (CT)*
3. Hear an Update on Society of Actuaries (SOA) Research Institute Activities Attachment Two
—*Dale Hall and Kate Eubank (SOA)*
4. Hear an Update from the Federal Center for Consumer Information and Insurance Oversight (CCIIO)—*(CCIIO)*



5. Hear an Update from the American Academy of Actuaries (Academy) Health Practice Council—*Matthew Williams (Academy)* Attachment Three
6. Hear an Academy Professionalism Update—*Rob Damler, Cande Olsen, and Lisa Slotznick (Academy)*
7. Discuss Any Other Matters Brought Before the Task Force—*Paul Lombardo (CT)*
8. Adjournment

Draft: 10/6/23

Health Actuarial (B) Task Force
Virtual Meeting
September 26, 2023

The Health Actuarial (B) Task Force met Sept. 26, 2023. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Anita G. Fox, Vice Chair, and Kevin Dyke (MI); Mark Fowler represented by Sanjeev Chaudhuri (AL); Doug Ommen represented by Klete Geren (IA); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Timothy N. Schott represented by Marti Hooper (ME); Grace Arnold represented by Julia Lyng (MN); Eric Dunning represented by Michael Muldoon (NE); D.J. Bettencourt represented by Jennifer Li (NH); Judith L. French represented by Craig Kalman (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Dave Yanick (PA); Cassie Brown represented by Aaron Hodges (TX); Jon Pike represented by Ryan Jubber (UT); Scott A. White represented by David Shea (VA); and Mike Kreidler represented by Amy Peach (WA).

1. Adopted its 2024 Proposed Charges

Lombardo said there is a proposal to move the Long-Term Care Insurance (EX) Task Force under the Health Insurance and Managed Care (B) Committee in 2024. He said a major change to the Health Actuarial (B) Task Force's 2024 proposed charges will be moving the Long-Term Care Actuarial (B) Working Group from reporting to the Health Actuarial (B) Task Force to reporting to the proposed Long-Term Care Insurance (B) Task Force. He said the Working Group will continue with the charges it has for 2023, and there will be an additional charge to develop a single actuarial approach to multistate long-term care insurance (LTCI) rate increase reviews for use in the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework). He said there is an additional charge for the Health Actuarial (B) Task Force's 2024 proposed charges, which is to coordinate with the proposed Long-Term Care Insurance (B) Task Force on LTCI recommendations of the Long-Term Care Actuarial (B) Working Group.

Schallhorn made a motion, seconded by Dyke, to adopt the Health Actuarial (B) Task Force's 2024 proposed charges (Attachment XX). The motion passed unanimously.

2. Discussed a Referral from the Health Insurance and Managed Care (B) Committee

Lombardo said during the Health Insurance and Managed Care (B) Committee's Aug. 14 meeting at the Summer National Meeting, the Committee adopted a motion to refer two issues to the Health Actuarial (B) Task Force for review and discussion (Attachment XX). He said the Task Force will work toward completing the requests in the referral in a timely and appropriate fashion. He said the Task Force will further discuss the two issues in the referral letter during later Task Force meetings.

3. Heard a Presentation from the BCBSA

Randi Chapman (Blue Cross Blue Shield Association—BCBSA) and Kurt Giesa (Oliver Wyman) gave a presentation (Attachment XX) on risk adjustment in the individual federal Affordable Care Act (ACA) market.

Lombardo asked Giesa if the analysis shown in the presentation would be valid if there were significant changes in a market year-to-year, such as a large insurer leaving the market in a year that was unknown to other insurers when rates were set for the given year. Giesa said the analysis has been done using other years' data, and the results look similar for the other years where there have been market entrances and exits. Lombardo said early in

the implementation of the ACA, Connecticut had a new entrant to the individual market, with approximately 1,000 members out of a market total of 125,000–130,000 members. He said this new entrant had the highest claim amount per member per month in the counties it did business in, but it still had to pay a significant amount of money into the risk adjustment program. He said this was extremely counterintuitive to what the risk adjustment program was intended to accomplish. He said the insurer increased its membership to 32,000 in a subsequent year and had to make a substantial risk adjustment payment for this year. He said the insurer stopped offering policies in Connecticut within three years. He said even though Giesa’s analysis shows at a broader level that the risk adjustment program is working as it should, there are isolated instances where the risk adjustment does not operate well for smaller or new market participants.

Having no further business, the Health Actuarial (B) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/B CMTE/HATF/2023_Fall/09-26-23 HATF/HATF Minutes 09-26-23.docx

Draft: 8/21/23

Health Actuarial (B) Task Force
Seattle, Washington
August 12, 2023

The Health Actuarial (B) Task Force met Aug. 12, 2023. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Anita G. Fox, Vice Chair, represented by Kevin Dyke (MI); Mark Fowler represented by Sanjeev Chaudhuri (AL); Gordon I. Ito represented by Kathleen Nakasone (HI); Dean L. Cameron represented by Weston Trexler (ID); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Timothy N. Schott represented by Marti Hooper (ME); Grace Arnold represented by Fred Andersen (MN); Eric Dunning represented by Michael Muldoon (NE); D.J. Bettencourt represented by Jennifer Li (NH); Justin Zimmerman represented by Seong-min Eom (NJ); Judith L. French represented by Craig Kalman (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Jodi Frantz (PA); Cassie Brown represented by Aaron Hodges (TX); Jon Pike represented by Ryan Jubber (UT); and Mike Kreidler represented by Lichiou Lee (WA). Also participating was: Anna Krylova (NM).

1. Adopted its Spring National Meeting Minutes

Muldoon made a motion, seconded by Trexler, to adopt the Task Force's March 21 minutes (*see NAIC Proceedings – Spring 2023, Health Actuarial (B) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Long-Term Care Actuarial (B) Working Group

Andersen said the Working Group met Aug. 12 and took the following action: 1) adopted its July 19, June 7, and May 1 minutes; 2) discussed drafting changes to VM-25, Health Insurance Reserves Minimum Reserve Requirements, of the *Valuation Manual* to add tables from the American Academy of Actuaries (Academy) and Society of Actuaries (SOA) Research Institute's final *Long-Term Care Insurance Mortality and Lapse Study*; 3) discussed a referral from the Health Risk-Based Capital (E) Working Group regarding *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51); 4) heard a presentation on public/private long-term care (LTC) funding solutions; and 5) heard an update on a single long-term care insurance (LTCI) multistate rate review approach.

Andersen made a motion, seconded by Trexler, to adopt the report of the Long-Term Care Actuarial (B) Working Group (**Attachment 8-12 LTCAWG package**), including its July 19, June 7, and May 1 minutes. The motion passed unanimously.

3. Heard an Update on SOA Research Institute Activities

Cindy MacDonald (SOA) gave an update (Attachment [SOA_HATF_202308_final.pptx](#)) on SOA Research Institute activities. Lombardo said he is concerned that the results of the SOA's state insurance regulator interest survey indicate that the studies regulators have given the highest priority to are the ones that are the most difficult to get industry support for participation and funding. He said he and Dyke would like to meet with the SOA and LTCI industry representatives to discuss industry difficulties with providing study data and to determine if there is anything regulators can do to assist them.

4. Heard a Presentation on SOA Education Redesign

Stuart Klugman (SOA) gave a presentation (Attachment [SOA Fellowship Pathway for LATF-HATF-CASTF2.pptx](#)) on changes to the educational pathway to attaining the Fellow, SOA designation.

Lombardo asked if the SOA can give a more detailed presentation of changes to the educational pathway during a future Task Force meeting. Klugman said the SOA will do so.

5. Heard an Update from the Academy Health Practice Council

Matthew Williams (Academy) gave an update (Attachment [Academy HPC Updates to NAIC HATF 08.12.23 \(FINAL\).pdf](#)) on Academy Health Practice Council activities.

6. Heard an Update on Academy Professionalism

Dyke said the Actuarial Standards Board (ASB) currently has 18 Actuarial Standards of Practice (ASOPs) open for revision. He said of the 18, there are two general, four casualty, two enterprise risk management, three health, two life, three pension, and two multipractice. He said the ASB has begun work on a diversity, equity, and inclusion (DE&I) initiative and has developed a statement of the importance of DE&I to the ASB. He said the statement is available on the ASB website. He said the ASB has an initiative underway to determine if current ASOPs are sufficient to cover the use of general and generative artificial intelligence (AI) in actuarial practice.

Dyke said the following ASOPs are currently or will soon be exposed for comment: ASOP No.7, Analysis of Life, Health, or Property/Casualty Insurer Cash Flows; ASOP No. 12, Risk Classification (for All Practice Areas); ASOP No. 28, Statements of Actuarial Opinion Regarding Health Insurance Assets and Liabilities; ASOP No. 41, Actuarial Communications; ASOP No. 45, The Use of Health Status Based Risk Adjustment Methodologies; and ASOP No. 49, Medicaid Managed Care Capitation Rate Development and Certification. He said a proposed ASOP for reinsurance pricing for life and health insurance is being developed, and work is being done to determine if health insurance should be included.

Shawna Ackerman (California Earthquake Authority—CEA) said the Actuarial Board for Counseling and Discipline (ABCD) has two primary functions. She said the first is to respond to member requests for guidance on professional or ethical issues they face at work. She said the second is to consider complaints of alleged violations of the Academy's Code of Professional Conduct. She said the ABCD receives about 100 requests for guidance each year, and approximately 30 of these each year are related to health practice issues. She said requests for guidance typically center on Precept 1: An actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession. She said another issue requests for guidance are received for is qualification standards.

7. Discussed an Inadequate Risk Adjustment Issue

Jubber said the Utah Insurance Department was recently approached by two insurers that claim the risk adjustment formula used for federal Affordable Care Act (ACA) marketplace plans is inadequate, particularly in specialty drug prescriptions. He said the insurers stated that insureds taking these drugs do not receive a risk score that adequately reflects the high cost to the insurers for the drugs. He said he would like to discuss what other states have experienced with this issue. Lombardo said a meeting will be scheduled for Task Force members and interested state insurance regulators to discuss the issue.

Having no further business, the Health Actuarial (B) Task Force adjourned.

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SOCIETY OF ACTUARIES RESEARCH UPDATE TO HATF

November 30, 2023

Dale Hall, FSA, MAAA, CERA
Managing Director of Research

Kate Eubank, FSA, MAAA
Senior Experience Studies Actuary

Presentation Disclaimer

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.

Analysis and Trends of U.S. Insurance Industry Climate Risk Financial Disclosures

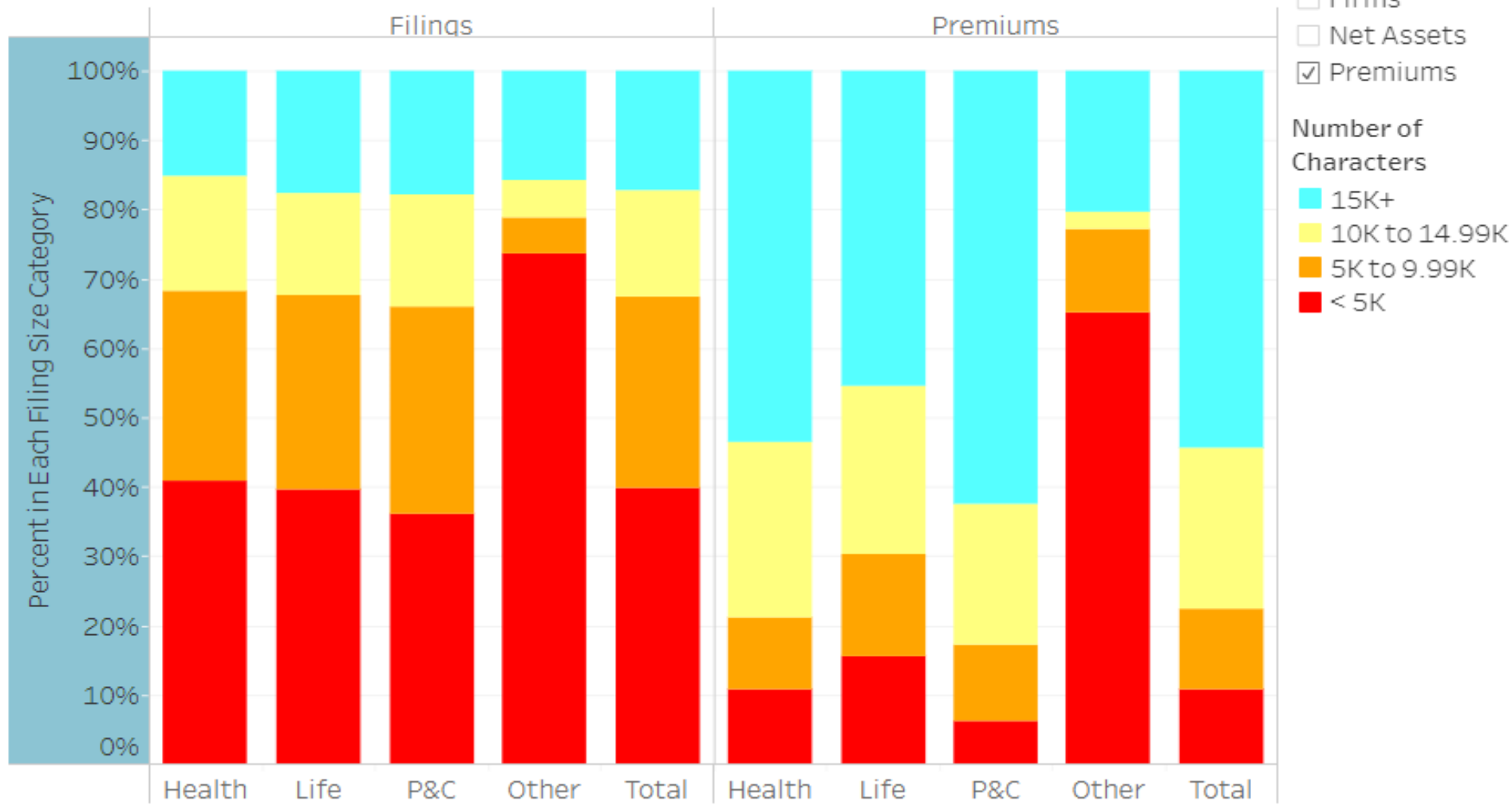
U.S. Insurance Industry Climate Risk Financial Disclosures

- Partnership Project with NAIC's Center For Insurance Policy Research
- Analysis of climate risk disclosures for the 2021 reporting year
 - TCFD format: Narrative responses
 - Governance
 - Strategy
 - Risk management
 - Metrics and targets

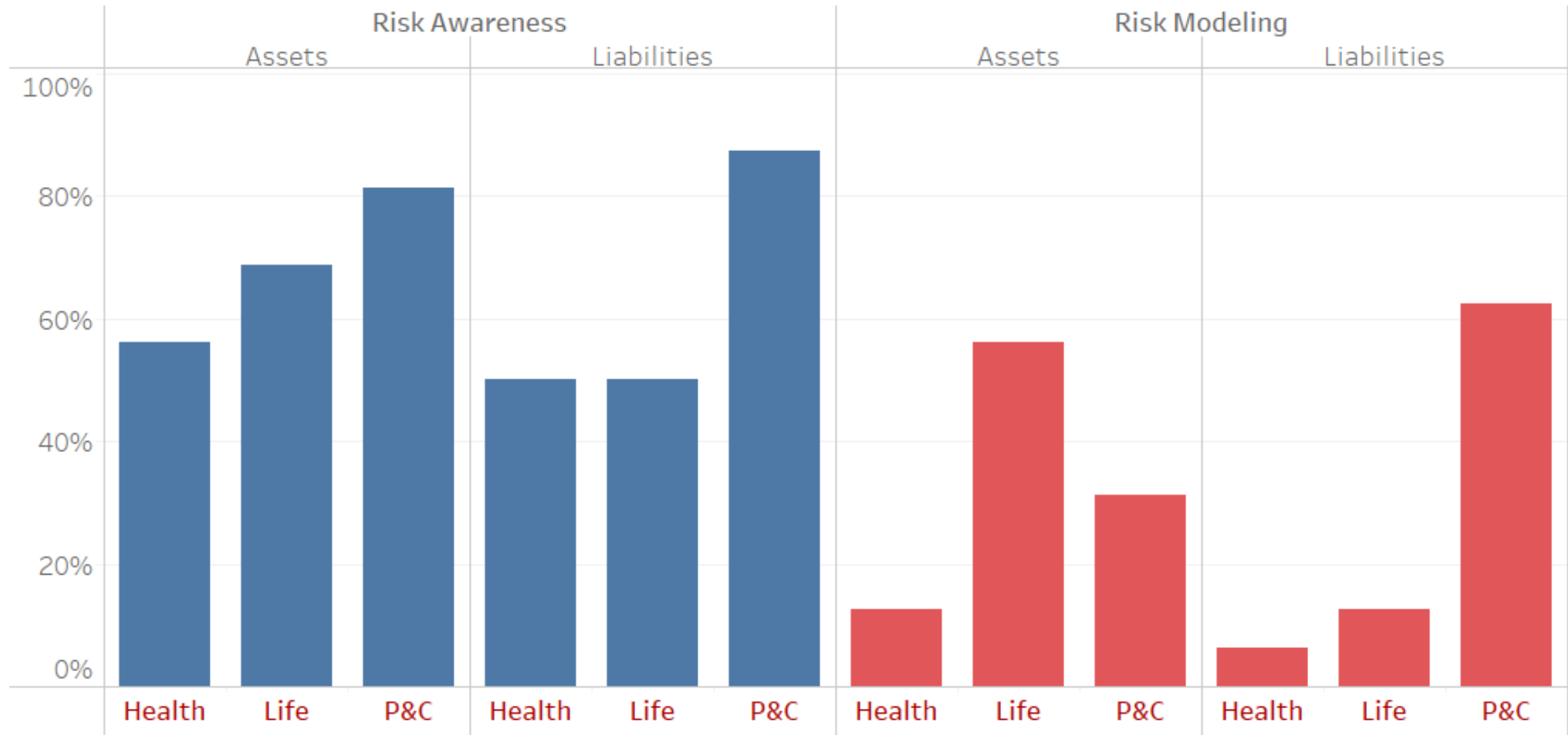
U.S. Insurance Industry Climate Risk Financial Disclosures

- High-level observations
- Short: About 40% of the universe of 2021 disclosures contain less than 5000 characters of text – too brief to offer a meaningful discussion of climate risk.
- Length and comprehensiveness of disclosures is positively correlated with the size of insurers. Consequently, while about 40% of the disclosures are less than 5000 characters, this group collectively represents only 11% of total direct premiums.
- Broad range of approaches to disclosing climate risk especially by line-of-business

Distributions of Filings, Firms, Premiums, and Net Assets by Number of Characters in Filing



Percent of Sample Demonstrating Awareness of Climate Risks or Modeling Climate Risks



U.S. Insurance Industry Climate Risk Financial Disclosures

- Health:
 - 50% of health insurers in the sample discuss climate-related risks to underwriting and liabilities, but only 6% report attempts to qualitatively or quantitatively assess or model these risks.
- Life: Investment oriented
 - 70% of the sampled disclosures of life insurers specifically identify climate-related investment risks, and 56% report attempts to assess or model (either qualitatively or quantitatively) the potential impact of climate-related risks on their investment portfolios.

U.S. Insurance Industry Climate Risk Financial Disclosures

- P&C:
 - Relative to other types of insurers, P&C insurers were more likely to have established a governance framework to address climate-related risks, as well as a strategy and risk management process to assess and manage the risk.
 - More likely to have identified metrics and targets related to climate risks and opportunities

Long-Term Care Feasibility Survey



LTC Survey Results and Prior Study Participation

- Survey to gauge participation and funding interest went out in late September
- Results summary:
 - # of participating companies = 9
 - Prior study had 18 companies
 - Market share for participating companies = 46%
 - Prior study covered 80% of market measured by industry premium
 - # of companies willing to purchase (i.e. fund the study) = 7
 - % of funding target covered = 35-42%
 - depends on whether purchase price for companies is \$25,000 or \$30,000

IDI Survey

- Per the SOA's IDI (individual disability insurance) experience committee:
 - Regulators may want to consider developing new IDI incidence and termination valuation tables
 - Recent disability incidence rates are ~40% lower than IDIVT standard → statutory ALRs are greater than warranted by experience
 - Recent disability termination rates are ~50% lower than IDIVT standard → statutory DLRs are lower than warranted by experience
 - Updated experience data would be needed
 - Similar to LTC, we do not believe that industry will adequately support via participation and funding
 - Survey went out end of October

Discussion



Additional Health Research

Experience Studies & Practice Research

Project Name	Objective	Expected Completion Date
Modeling the Impact of the COVID-19 Public Health Emergency (PHE) on State Medicaid Programs	Develop a model to help estimate the impact of the anticipated unwinding of the PHE on State Medicaid Programs. This includes an excel model, a users guide to the model, and a paper that illustrates how the model works and what it is trying to measure.	11/20/2023
2024 Getzen Model	This research examines is a model that does long term medical trend projects. In addition, there is a write-up which describes how each of the assumptions were chosen.	https://www.soa.org/resources/research-reports/2023/2024-getzen-model-update/
Calculated Risk: Driving Decisions Using the 5/50 Research	Validate the 5/50 Premise through % of total costs and average allowed annual costs by percentile grouping. Analyze ability to predict the 5% based on prior claims and risk factors. Calculate Transition probabilities between different groups. Develop a me	11/15/2023
HCCT152 - Healthcare Provider Shortage Impact to Morbidity	This research will study the impacts on growing provider shortages on the cost and utilization of healthcare	11/20/2023
Ethics and AI 2023 Update	This report will highlight the ethical risks arising from the application of Artificial Intelligence (AI) in actuarial practice and to have tools to use to identify and manage it, with a new additional focus on the fast-growing use of generative AI tools . This paper provides a technical overview of the tools and disciplines currently in AI as well as the forces at work that financial institutions such as insurance companies are using to modernize their analytical processes.	12/5/2023
HCCI Quick Hit - Specialty Pharmacy Trends	This research will examine some key specialty drugs to look at how increases in uptake in drugs worth between 10K and 200K are driving current pharmacy trend.	12/15/2023
HIV + Medicare	This research involves evaluating the impact of HIV positive individuals on Medicare Advantage.	12/15/2023
Reimagining Pharmacy Financing	A follow-up to the Reimagining Pharmacy gathering in the Spring, this research will look to define and measure the value of different drugs for the same drug class and then also suggest methodologies for rewarding value.	12/31/2023
Modeling of Reform Proposals for LTC System Improvements	Assesses the impact of reform proposals for LTC system changes on stakeholders including consumers.	1/15/2024
Statistical Approaches for Imputing Race and Ethnicity	Outline the various approaches for statistically imputing race and ethnicity in the U.S. along with their strengths and weaknesses to help familiarize actuaries with these techniques.	2/29/2024



American Academy of Actuaries Health Practice Council Updates Fall 2023

November 30, 2023

Health Actuarial (B) Task Force (HATF) Meeting

About the American Academy of Actuaries



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.

For more information, please visit: www.actuary.org

Public Policy and the Academy

The Academy, through its public policy work, seeks to address pressing issues that require or would benefit from the application of sound actuarial principles. The Academy provides unbiased actuarial expertise and advice to public policy decision-makers and stakeholders at the state, federal, and international levels in all areas of actuarial practice.

Issue Focus: Health Equity

Events:

- Summer/Fall: Series of workshops focused on the intersection of benefit design and health equity
- Nov 15: [Health Benefit Design Innovations for Advancing Health Equity](#) symposium

Four-part issue brief series, *Health Benefit Design Innovations for Advancing Health Equity: Removing the Barriers to Successful Implementation*

- [Issue Brief 1—Overview](#)
- [Issue Brief 2—Evaluating Benefit Changes](#)
- [Issue Brief 3—How to Better Understand the Needs of the People We're Trying to Serve](#)
- [Issue Brief 4—Overcoming Constraints to Implementation](#)

Issue Focus: LTSS

Comments on [LTC Financing for WA Cares Fund Program](#) to the Office of the State Actuary for the state of Washington on key issues related to LTC financing and risk management (Oct. 2023).

- The letter provides information on considerations necessary to achieve and maintain LTSS trust solvency for the WA Cares Fund Program.

HRBC (E) Working Group

Oct. 31: [Letter](#) sent to Chairman Drutz on the Academy work group's progress on the tiered RBC Factor development

- Verbal updates were shared at the Nov. 8 virtual meeting
- Draft analyses and findings are still intended by year-end

Key Policy Priorities for 2024

- Health equity
- Public health challenges
- Insurance coverage and benefit design
- Health care costs and quality
- Medicare sustainability
- Long-term services and supports
- Financial reporting and solvency
- Professionalism

Questions?

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