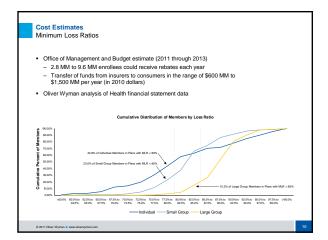
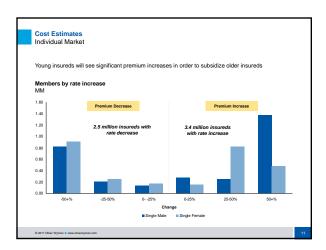
## **OLIVER WYMAN** Actuarial Consulting September 15, 2011 Impact of Health Care Reform on the **Economy and Reserving** CONFIDENTIAL | www.oliverwyman.com Antitrust Notice The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings Under no circumstances shall CAS seminars be used as a means for competing companies or firms to reach any understanding – expressed or implied – that restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy Contents 1. Near-Term Reforms 2. Longer-Term Reforms 3. Cost Estimates

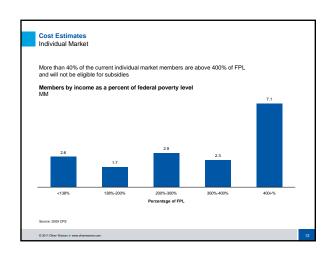
## **Near-Term Reforms** Near-Term Reforms Benefits Annual benefit limits phased out over time, except for grandfathered individual plans Restrictions and prohibitions on benefit limits apply to the "dollar value of benefits" on "essential benefits" Preventive services covered without any cost sharing (non-grandfathered plans), including:<sup>1</sup> MammographyVaccines - Aspirin to prevent heart attack Folic acid for women of child-bearing age Screening for high blood pressure Additional recommendations from Institute of Medicine related to Womens' Health, including: Lactation counseling and renting breastfeeding equipment Full range of FDA approved contraceptive methods Screening and counseling for domestic violence Near-Term Reforms Other Coverage of child dependents Dependent coverage to age 26 No pre-existing condition exclusions for children under 19 Review of Rate Increases (non-grandfathered) Increases of 10% or more (annual basis) are "subject to review" Minimum Loss Ratios - 80% for coverage purchased as an individual or through a small employer group - 85% for coverage purchased as a large group - Rebates if a carrier's loss ratio is below minimum (at state level for individual, small group, or large group market in total)

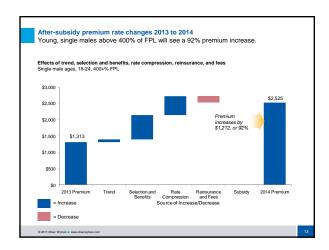
	Longer-Term Reforms	
Longor-Torm Pararms		7
Longer-Term Reforms 2014		
Coverage of Essential Benefits		
Low-income subsidies (up to 400% FPL)     Exchanges become operational		
<ul> <li>Greater price transpi</li> <li>Subsidies only available</li> </ul>	able in the exchange	
<ul> <li>Guarantee Issue with Modified Community Rating for individuals and small employers</li> <li>No health underwriting</li> </ul>		-
Open enrollment period for individuals     Maximum 3:1 ratio for age		
Risk-adjustment (in and out of exchange)     Individual and employer mandates		
Reinsurance for individual market     Assessments to all insured markets to pay for reinsurance		
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	Cost Estimates	
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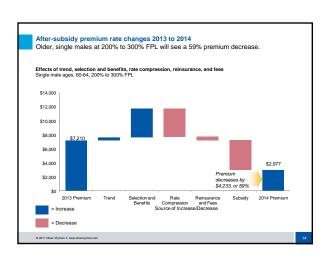
## Cost Estimates Macro View - Official Congressional Budget Office (CBO) estimate is a modest deficit reduction as a result of reform (\$124 BN) from 2010 through 2019 - Estimated deficit reduction is comprised of - \$1.1 TN cost of providing low-income subsidies, offset by - \$0.5 TN in cost savings, and - \$0.7 TN in increased tax revenues - The legislation that was scored includes - Taxes and fees (CLASS Act) that begin prior to low-income subsidies - Cuts to Medicare that may not be realized, e.g. annual "doc fix" - Some costs unaccounted for, e.g. enforcement of individual mandate - "Cadificial" tax postponed to 2018; will it be collected? - One alternate estimate is that deficits will increase by \$562 BN from 2010 through 2019, with much larger deficits thereafter!











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