



PPACA
A Regulator's View

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Discussion Topics

- ▶ HHS Regulations, then and now
- ▶ Response of Health Regulatory Actuaries
- ▶ NAIC Solvency Impact Subgroup and MLR
- ▶ Rate Review Grants - Cycle 1
- ▶ NAIC and SERFF
- ▶ High Risk Pool
- ▶ Exchanges
- ▶ Current Events



Some Significant Dates

- ▶ January 15, 2010 - ODI Health Actuary Leaves
- ▶ 3/23/10 - PPACA Enacted - Confusion Reigns
- ▶ 7/1/10 - Rate Review Grant Application Due
- ▶ 8/9/10 - Grants Awarded
- ▶ 8/16/10 - ODI Hires Health Actuary
- ▶ 9/1/10 - High Risk Pools Begin Operation
- ▶ 2/24/11 - Cycle 2 Grant Rules Released



HHS Regulations

- ▶ Initial proposals incompatible with state regulatory practices
- ▶ Displayed willingness to be flexible and to learn from states how best to implement
- ▶ Wanted large volumes of information and data from both states and companies
- ▶ Focus on transparency for consumers

HHS Regulations

- ▶ Working with states to modify requirements based on states' knowledge and experience
- ▶ Looking to NAIC for advice on MLR, rate review requirements, and commissions
- ▶ What is an 'unreasonable rate increase request?'
- ▶ Rate Disclosure Forms

Health Regulatory Actuaries

- ▶ Went through legislation and identified issues to be resolved
- ▶ Identified over 70 issues
- ▶ Created issue working groups to make recommendations
- ▶ Contentious items included credibility adjustment factor confidence level

NAIC Solvency Impact Subgroup

- ▶ Focused on rules for reporting compliance with PPACA rather than its solvency impact
- ▶ Produced supplemental blank for reporting
- ▶ Many contentious items including activities to improve healthcare quality and fraud prevention activities
- ▶ First submission due April 1

Medical Loss Ratio(MLR)

- ▶ Clinical services and quality initiatives
- ▶ Individual and small group markets - 80%
- ▶ Large group markets - 85%
- ▶ Rebates required if minimums not met
- ▶ Arguments over what gets included in calculation and what is excluded
- ▶ Agent/broker commissions are the current hot topic

Rate Review Grant - Cycle 1

- ▶ States could apply for \$1 million to initiate or improve their rate review processes
- ▶ Cannot replace current expenditures
- ▶ Some states had no authority to regulate rates at all, some like Ohio have authority to review all
- ▶ Money for 1 year with rules to come in 4th quarter of 2010 for subsequent cycles

NAIC and SERFF

- ▶ SERFF used by 49 states
- ▶ Decision to enhance SERFF to capture data from filings required for PPACA compliance
- ▶ States commit part of their Cycle 1 grant to build reporting system - HHS agrees to delay reporting requirements until system is built

High Risk Pools

- ▶ States decide to create temporary pools with federal funds to last until PPACA goes into effect in 2014
- ▶ State can run themselves, designate a non-profit to run it, or default to let federal government run it.
- ▶ Even with subsidies, rates are high, though lower than open market

Health Exchanges

- ▶ States could apply for grants for feasibility studies
- ▶ Political events become more prominent, i.e individual mandate
- ▶ Rates must be the same in the exchange as they are outside the exchange
- ▶ States can run; non-profit can run; if neither, the federal government will run
- ▶ Role of agents/brokers vs. navigators

Current Events

- ▶ Rate Disclosure Forms
- ▶ What is an unreasonable rate increase?
- ▶ Role of RBC in rate review?
- ▶ Cycle 2 and beyond
- ▶ Court decisions
- ▶ Agent Commissions
- ▶ Rebate calculations

Observations

- ▶ Health rates have similar characteristics to P&C rates
- ▶ High premium to surplus ratios - 6:1 is not uncommon
- ▶ 5% profit and contingencies provision can be 30% of surplus
- ▶ Less data mining
- ▶ Fixed and variable expense provisions

Questions

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