Impact of Medicare Section 111 Reporting Requirements

prepared for:
The Casualty Actuarial Society

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Overview

- Project sponsored by the Casualty Actuarial Society
- Background
  - Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA)
  - More formalized reporting requirements of medical services received by Medicare beneficiaries
- Project Objective: Assist practicing casualty actuaries in evaluating the impact
- Potential impacts were investigated using the following approaches:
  - Interviews with Claim Consultants and Actuaries
  - Case studies
  - Estimated impacts for a hypothetical insurer
- Presentation is a summary of a forthcoming paper that will be available from the CAS website.

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Project Overview

- **Section 111: Key Considerations**
  - Medicare covers persons age 65 or over, persons under 65 with certain disabilities, and persons of all ages with End-Stage Renal Disease.
  - Medicare is a secondary payer to liability insurance (including self-insurance), no-fault insurance, and workers compensation ("primary payers"). (This was not changed by Section 111.)
  - Section 111 imposed on primary payers mandatory reporting requirements to CMS for Medicare beneficiaries receiving medical treatments covered by a primary payer.
  - Primary payer must report to CMS all medical diagnoses for injuries/illnesses paid for by the primary payer.
  - If Medicare pays for treatment for which a primary payer is found to be responsible, such will be considered a "conditional payment" and CMS will seek reimbursement from the primary payer.
  - A primary payer can resolve long-duration claims with a Medicare Set-Aside Arrangement, as long as Medicare's secondary payer status is accounted for.

Project Overview

- **Section 111: Potential Impacts**
  - CMS has a stronger process for recovering conditional payments.
  - Some primary payers may not have been reserving past 65 years.
  - Some injuries/illnesses for individuals 65 and over may have been unreported to primary payers.
  - Some primary payers did not use MSAs.
  - Significant fines for not reporting.

- **Present Project**
  - Assess potential impacts on ultimate losses for primary payers.
  - Focus was on WC, auto, and homeowners lines. Impacts can also be expected for other property-casualty lines, including general liability, product liability, and malpractice liability.
  - Analyses were performed (1) to illustrate the types of situations that might arise and (2) to estimate the potential impacts on losses.
    - Case studies (with potential financial impacts): 10 cases for WC, auto, and HO.
    - Hypothetical-insurer impacts: assumptions applied to summary-level data for WC and auto.

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Summary of Findings: Case Studies

- 10 case studies were developed to be representative of situations where Section 111 might have implications for a practicing actuary.
- Table summarizes the broader financial impacts for the 6 WC cases.
- For a particular condition, estimated impacts were 1%-7% on losses for Medicare-eligible, and up to 0.4% on losses for all workers.

		(1)	(2)
		Impact on Total Losses	
Case Number	Condition/Type of Injury	Medicare Eligible	All Workers
1	Joint replacement	3.8%	0.2%
2	Long latency	2.1%	0.1%
3	Lung cancer	5.1%	0.3%
4	Medicare beneficiary relocates	0.9%	0.05%
5	Pharmaceutical	5.7%	0.3%
6	SSDI	2.9%	0.1%

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Summary of Findings: Impact on Hypothetical-Insurer

- Estimates were developed for WC and private passenger auto for a hypothetical insurer.
- Estimates were for a range of assumed impacts on medical losses.
- WC, moderate impact: 17%-23% for workers 65 and over; ~ 1% for all workers.
- Auto, moderate impact: ~2% on medical payments for 65 and over.

Workers Compensation				
Assumed Impact on Average Incurred Medical	(1)	(2)	(3)	(4)
	Estimated Impact as a Percent of Total Medical Losses			
	Base Scenario		Alternative Scenario: 50% Decrease in Settlements	
	65 and Over	All Ages	65 and Over	All Ages
Low	10.9%	0.5%	15.8%	0.8%
Moderate	**17.3%**	**0.9%**	**22.5%**	**1.1%**
High	25.1%	1.3%	28.4%	1.4%

Automobile: All Types of Coverages		
Assumed Impact on Medical Payments	(1)	(2)
	Estimated Impact For Injured Individuals 65 and Over	
	Total Medical Payments	Total Payments
10%	1.3%	0.4%
15%	**2.0%**	**0.6%**
20%	2.6%	0.8%

- Note: Results on Slide 6 are for a not-exhaustive set of conditions, for which there may be some overlap, and are for total losses. The results on this slide are for all types of injuries and are for medical losses. The results are from analyses from different perspectives and it would be inappropriate to sum results on Slide 6 for comparisons to the results on this slide.

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Section 111:

Background and Reporting Requirements

Background – Section 111

- **Medicare has been a secondary payer** for workers comp since 1965 and for other liability coverages since 1980.
- Enacted in 2007, **Section 111 sets forth mandatory reporting requirements** for liability insurers (including self-insurers), no-fault insurers, and workers compensation insurers providing coverage to Medicare beneficiaries. Section 111 put in place increased monitoring processes did not change Medicare's status as a secondary payer.
- **Non-Group Health Plan parties are obligated to notify Medicare** about "settlements, judgments, awards, or other payment from liability insurers (including self-insurers), no-fault insurers, and workers compensation" received by or on behalf of Medicare beneficiaries.
- **The reporting requirements became effective May 1, 2009.**

Background – Section 111

- **Two broad types of medical services under Section 111**:
  - "On-going Responsibility for Medicals" (ORM)
    - Payments for the injured party's on-going medical care (threshold = $750).
  - Total Payment Obligation to the Claimant (TPOC)
    - Settlement, judgment, award, or other one-time or lump sum payment.
    - May be in addition to previous medical payments.
    - Thresholds: October 1, 2013: $2,000; October 1, 2014: $300.

- **Conditional payments**
    - In situations where Medicare has paid for medical services that are subsequently found to be the responsibility of a primary payer, Medicare will consider these payments as having been "conditional payments" and seek reimbursement from the primary payer.

- **Medicare Set-Aside Arrangements (MSA)**
    - An agreement with CMS that allocates a portion of a WC settlement to pay for future medical services related to a WC claim. Funds must be depleted before Medicare will pay for the WC-covered medical treatment.

Reporting Requirements

- **What lines of insurance?**
  - Workers compensation
  - Liability insurance (including self-insurance) that concerns automobile, uninsured motorist, underinsured motorist, homeowners, product, malpractice.

- **What information is reported?**
  - Medicare identifier (e.g., SSN), name, date of birth, gender, RRE TIN and address, diagnostic information (ICD-9), TPOC dates and amounts.
  - CMS will verify if an individual is a Medicare beneficiary.
  - Reporting is done quarterly by a Responsible Reporting Entity (RRE) to the Center for Medicare and Medicaid Services (CMS). Reporting can be done for a RRE by a TPA or vendor.
  - Different reporting thresholds for on-going medical and lump sum payments.

- **What does CMS do with this information?**
  - CMS will use the information to identify situations where another party (e.g., workers compensation insurer, auto insurer, self-insured) should be the primary payer for medical treatment.

Assessing the Impact: Overview and Methodology

Assessing the Impact of Section 111

- **Impacts may occur with:**
  - Case reserves and IBNR
  - Claim settlements
  - Claim frequency and claim severity
  - Loss distributions
  - Pricing

- **For this project, the focus was on the primary case studies.**
  - 10 representative cases a practicing casualty actuary might encounter.
  - Cases were extended to broader considerations with a template presented for evaluating the cost implications for similarly-situated cases.

- **Estimated impacts for a hypothetical insurer.**
  - Estimates developed for WC and auto.
  - For WC, estimates were developed for a base scenario and for an assumed 50% decrease in the frequency of claim settlements.

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Assessing the Impact:

Interviews with Claim Consultants and Actuaries

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Assessing the Impact: Interviews with Claim Consultants and Actuaries

- **Impact on case reserves**
  - Although case reserves for claimants 65 and over do not appear to be increasing, it may be that reserve specialists do not have enough experience with Section 111 reporting or the WCMSAs.
- **Settlements delayed, deferred, foregone**
  - The MSA process is causing some medical settlements for workers compensation claims to be delayed, deferred, or foregone. Also, because medical settlements are being foregone, there are fewer indemnity settlements.
  - Impacts on settlements are likely to vary by line of business. In the past, MSAs were an available for WC. MSA is a new option for other liability coverages.
  - For WC, the impacts on settlements are likely to differ across states and across insurers.
- **Large settlements getting larger**
  - For claims with settlements, the large settlements as a group appear to be getting larger, and consequently there appears to be a longer tail to the distribution of settlement amounts.
- **MSAs for liability (non-workers comp) claims**
  - The MSA process was not available to liability coverages until after Section 111 went into effect.
  - Different regional CMS offices have had different procedures for handling liability MSAs, so the ability of a primary payer to get a MSA has varied from region to region.
  - To date, there have been very few MSAs for liability coverages other than workers compensation.

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Assessing the Impact:

Case Studies

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Assessing the Impact: Case Studies

- **Cases developed to illustrate the various situations** where Section 111 reporting might enable previously missed medical treatments attributable to workers compensation claims.

- **10 case studies**
  - Workers compensation – 6
  - Automobile – 3
  - Homeowners – 1

- **Cases studies were developed to be representative**. Cases do not cover all types of situations where Section 111 might have an impact.

- **WC cases were extended to broader considerations** with a template presented for evaluating the cost implications for similarly-situated cases.

Assessing the Impact: Case Studies

Case	Line of Business	Abstract	Relevance for MSP Status and Section 111 Reporting
1	Workers Comp	Knee replacement	May require future medical expenses for future replacements.
2	Workers Comp	Needle-stick injury	Medical expenses for a slow-developing illness (e.g., Hepatitis C with potential liver transplant).
3	Workers Comp	Claimant develops lung cancer	CMS challenges adequacy of settlement for the life expectancy of the injured worker
4	Worker Comp	Medicare beneficiary with a work-related injury relocates	Treating physicians at new location unaware of the workers compensation claim submit bills directly to Medicare rather than to the workers compensation insurer.
5	Worker Comp	Claimant has long-term pharmaceutical needs.	Medicare Part D is secondary to workers' compensation
6	Workers Comp	45 year-old receiving SSDI has shortened life expectancy	CMS is challenging the settlement for not providing for hospice care.
7	Automobile	Passenger in auto accident covered by driver's no-fault automobile coverage	ORM for automobile insurer.
8	Automobile	Medicare makes conditional payments for a 67-year-old automobile accident claimant	Conditional payments for TPOC claim.
9	Automobile	Auto accident claimant with a traumatic brain injury	Case complicated by a pre-existing Alzheimer condition.
10	Homeowners	Medicare beneficiary injured on neighbor's property	Primary care provider mis-reports injury as covered by Medicare.

Assessing the Impact: Case Studies

- **Two parts to each case study**
  - Single case description
  - Broader considerations for similar types of cases

- **Single case descriptions**
  - Claimant profile (demographics)
  - Financial impact (especially medical)

- **Broader considerations** for similar types of cases
  - Example: knee replacements → joint replacements
  - Template for estimating financial impacts
  - Key assumptions: frequency, pre- and post-Section 111 case reserves
  - Estimated financial impacts
  - Implications for a casualty actuary

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Case #1: Joint Replacements

Consideration	Commentary
Profile	• 66 years old, male, with a permanent partial workers' compensation (WC) **injury that requires a knee replacement** • Given the injured worker's life expectancy, **future replacements are likely.**
Medicare secondary payer	• Because the **knee injury was caused by a work-related incident**, the WC insurer will be responsible for the knee replacement and the rehabilitation care. • The WC insurer will also be responsible for future knee replacements because the need for the replacements relates to the work-related injury.
Significance for a casualty actuary	• **Case reserves are likely to have been established for one knee replacement** without taking into consideration the likelihood of future knee replacements.

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Case #1: Joint Replacements

- Broader Consideration: Knee, hip, shoulder, and ankle replacements.
- Estimated Financial Impacts:
  - Increase in costs for all Medicare-eligible beneficiaries: 3.8% (= 2.5M / (0.05 x 1,320.4M))
  - Increase in costs across all injured workers: 0.2% (= 2.5M / 1,320.4M)

Injured Body Part	(1) Number of Claims for a Book of 100,000 Claims	(2) Percent of Claims	(3) Average Incurred Loss	(4) Percent of Losses	(5) Percent of Claims Medicare-Eligible	(6) Percent of Medicare-Eligible With Replacement	(7) Number of Joint Replacements for Medicare-Eligible	(8) Pre-Section 111 Case Reserve	(9) Potential Loss
Lower extremities, knee	5,951	6.0%	19,449	8.8%	5.0%	6.0%	18	181,550	294,650
Upper extremities, shoulder	4,476	4.5%	22,540	7.6%	5.0%	1.0%	2	100,000	200,000
Lower extremities, ankle	3,406	3.4%	10,824	2.8%	5.0%	1.0%	2	100,000	200,000
Lower extremities, hip	746	0.7%	20,574	1.2%	5.0%	3.0%	1	100,000	200,000
Total, selected inj body parts	14,579	14.6%		20.4%			23	3,746,965	6,271,993
Total, all injured body parts	100,000		1,320,363,949		5.0%				
Change in case reserves									2,525,028

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Case #2: Needle-Stick Injury

Consideration	Commentary
Profile	• **65 years old, female, healthcare worker who filed a claim following a needle-stick**. • Medical-only claim with recurring treatments for Hepatitis C tests. Possibility of a liver transplant in the future.
Medicare secondary payer	• **Medicare is the secondary payer for all medical treatments concerning the needle-stick injury**, including all recurring tests and the liver transplant, if necessary.
Section 111 reporting requirements	• The individual may be receiving Medicare benefits for treatments not associated with the needle-stick injury; however, the WC payer will be responsible for the ongoing medical treatments and might be responsible for the liver transplant. • The **WC payer may seek a MSA**; however, given the possibility of a liver transplant, **CMS may expect a very large amount**, and the payer may decide to keep the claim open and process under ORM.
Significance for a casualty actuary	• If the individual later receives a liver transplant and it is not identified to the medical providers as caused by a work-related injury, then payments will be processed through Medicare. • **Prior to Section 111, the transplant may have been paid for by Medicare** because CMS did not know the cause was a work-related injury from several years past. • **With Section 111, because of the insurer's obligation to report the claim CMS is aware that this is a work-related injury** and payment for the subsequent transplant will be the responsibility of the workers' compensation insurer.

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Case #2: Needle-Stick Injury

- Broader Consideration: Workers in healthcare and correctional healthcare occupations, dental workers, and first responders (e.g., firefighters, police officers, and emergency medical technicians) continue to be exposed to needle-stick injuries.

- Estimated Financial Impacts:
  - Increase in costs for all Medicare-eligible beneficiaries: 2.1% (= 1.4M / (0.05 x 1,320.3M))
  - Increase in costs across all injured workers: 0.1% (= 1.4M / 1,320.3M)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Cause of Injury	**Number of Claims for a Book of 100,000 Claims**	**Percent of Claims**	**Average Incurred Loss**	**Percent of Losses**	**Percent of Claims Medicare-Eligible**	**Percent of Medicare-Eligible Requiring a Liver Transplant**	**Number of Medicare-Eligible Requiring a Liver Transplant**	**Pre-Section 111 Case Reserve**	**Potential Loss**
Cut, Puncture, Scrape or Injury By, NOC	3,335	3.3%	3,214	0.8%	5.0%	0.5%	0.8	59,000	1,147,100
Struck or Inj by - Fellow Workers, Patient or Oth Person	940	0.9%	10,182	0.7%	5.0%	0.5%	0.2	59,000	1,147,100
Absorption, Ingestion or Inhalation, NOC	646	0.6%	4,203	0.2%	5.0%	0.5%	0.2	59,000	1,147,100
Burn or Scald - Dusts, Gases, Fumes, Vapors or Radiation	228	0.2%	5,751	0.1%	5.0%	0.5%	0.1	59,000	1,147,100
Total, selected causes of injury	5,149	5.1%		1.8%			1.3	75,946	1,476,569
Total, all causes of injury	100,000		1,320,272,232		5.0%				
Change in case reserves									1,400,623

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Case #5: Pharmaceutical Prescriptions

Consideration	Commentary
Profile	• 65 years old, male, with a permanent total workers' compensation injury that **will require pain medication for the remainder of his life**.
Medicare secondary payer	• As with hospital and medical treatments covered by Parts A and B under Medicare, **pharmaceutical prescriptions covered by Part D are secondary to WC coverage**.
Significance for a casualty actuary	• **Several years after an injury, payments for pharmaceutical prescriptions may continue** to account for a considerable amount of medical payments. • Prior to Section 111, over time the pain medications for the injury might have been included in the individual's other medications (e.g., for diabetes, hypertension) and inadvertently paid for by Medicare. Case reserves might have only provided for only a few years of prescriptions.

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Case #5: Pharmaceutical Prescriptions

- Broader Consideration: **Payments for Part D coverage will be monitored in the same manner** as payments for hospital and medical treatments.
  - Broader consideration: all claims with Rx prescriptions.
  - **Impacts are likely to concern the timing** of prescription payments from the date of injury.

- Financial Impact for change in reserves:
  - All Medicare-eligible beneficiaries: 5.7% (= 3.6M / 63.4M)
  - Across all injured workers: 0.3% (= 3.6M / 1,267.8M)

Part A: Prescription Payments by Service Year

Service Year	(1) Medical Costs	(2) Incremental Medical Costs	(3) Rx Share of Incremental Medical Costs	(4) Rx Amount
1	2,283	2,283	3%	68
2	4,283	2,000	5%	100
3	4,917	634	10%	63
4	5,241	325	16%	52
5	5,446	204	22%	45
6	5,598	152	29%	**44**
7	5,716	118	34%	**40**
8	5,818	103	36%	**37**
ultimate	7,430	1,612	50%	**806**
Total				1,256

Part B: Potential Loss Under Section 111 Reporting

Type of Claim	(1) Number of Claims	(2) Total Ultimate Losses	(3) Medical Ultimate Losses	(4) Rx Ultimate Losses	(5) Rx Losses Through 5 Years	(6) Percent of Claims Medicare-Eligible	(7) Number of Medicare-Eligible	(8) Pre-Section 111 Rx	(9) Potential Loss
Book of claims	100,000	12,678	7,431	1,256	539	**5.0%**	5,000	**2,695,000**	**6,279,214**
Change in reserves									**3,584,214**
All Medicare-eligible		**63,390,000**							
All workers		**1,267,800,000**							

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Workers Compensation Case Summaries

- Table summarizes the broader financial impacts for the 6 WC cases.

- Estimated financial impacts
  - Increases of 1% to 7% on losses for all Medicare-eligible workers (col 4).
  - Increases of 0.4% or less across all injured workers.

Case Number	Condition/Type of Injury	(1) Percent of Medicare-Eligible Claims	(2) Percent of Medicare Losses (prior to Section 111)	(3) Impact on Medicare-Eligible With Condition/ Type of Injury	(4) Impact on All Medicare-Eligible	(5) Impact on Total
1	Joint replacement	14.6%	20.4%	18.8%	**3.8%**	**0.2%**
2	Long latency	5.1%	1.8%	115.2%	**2.1%**	**0.1%**
3	Lung cancer	3.6%	6.3%	81.0%	**5.1%**	**0.3%**
4	Medicare beneficiary relocates	62.6%	4.3%	2.2%	**0.9%**	**0.05%**
5	Pharmaceutical	100.0%	9.9%	N/A	**5.7%**	**0.3%**
6	SSDI	3.1%	4.8%	60.7%	**2.9%**	**0.1%**

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Case #8: Conditional Payments for Medicare Beneficiary Injured in Auto Accident

Consideration	Commentary
Profile	• **Joan is driving her car** and is hit by another car and **Joan has to go to the hospital**.
Medicare secondary payer	• Hospital tries to bill the **other driver's liability insurer** but the insurance company **disputes liability** and does not pay the claim. • **Hospital bills Medicare $30,000, and Medicare makes a conditional payment to the hospital of $20,000.**
Section 111 reporting requirements	• Prior to Section 111, the $20,000 paid by Medicare had a decent chance of not being repaid by the liability insurer because CMS would not have known there was an insurance settlement. • **With Section 111, the liability insurer is required to report the settlement**, and CMS will track the claim and identify that a conditional payment was made and demand repayment.
Significance for a casualty actuary	• If all of the $20,000 that CMS paid was related to the accident, then the $20,000 will need to be paid back to Medicare. If some of the $20,000 was for treatment unrelated to the accident, then only the part related to the accident gets paid back. • The insurer should set up a reserve for this claim when the insurer knew about the accident. **The insurer should expect to be responsible for the conditional payment and the additional amounts related to the accident.**

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Case #10: Medicare Beneficiary Injured on Neighbor's Property

Consideration	Commentary
Profile	• 72 year old woman **twists her ankle while on her neighbor's property.** • Injury requires medical attention, radiology tests, pain medication, and physical therapy.
Medicare secondary payer	• **Neighbor's homeowner insurance policy** covers medical expenses for individuals injured on the neighbor's property.
Section 111 reporting requirements	• **Claim must be reported under Section 111** because, as an ORM claim, the **total medical payments are greater than $750**.
Significance for a casualty actuary	• **Prior to Section 111, it is likely that the homeowner's insurer would not have known about the incident**, and CMS would not have recognized the payment as a conditional payment and pursued the homeowner's insurer for reimbursement.

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Assessing the Impact:

Estimated Impacts by Line of Business

Impacts for a Hypothetical Insurer: Estimated Impacts by Line of Business

- **Lines of business considered**
  - Workers compensation
  - Automobile
  - Homeowners

- **Considerations**
  - Estimates developed using summary data
  - Estimates developed for a hypothetical insurer for WC and auto
  - Insufficient data precluded developing estimates for homeowners

- Details concerning other considerations and assumptions in **forthcoming report**.

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Impact for a Hypothetical Insurer: Estimates for Workers Compensation

- Estimated impacts using summary-level data.

- Considerations
  - Share of estimated medical losses for injured workers 65 and over
  - Distribution of claims (excluding small medical only claims)
  - Average incurred medical
  - Assumptions for the estimated impact on average incurred medical

Assumed Impact on Average Incurred Medical	Ongoing Responsibility for Medicals (ORM)		Total Payment Obligation to the Claimant (TPOC)
	Large Medical Only Claims (ORM-MO)	Lost Time Claims Without Lump Sum (ORM-LT)	Lump Sum
Low	5%	10%	15%
Moderate	**10%**	**15%**	**25%**
High	15%	20%	40%

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Impact for a Hypothetical Insurer: Estimates for Workers Compensation

- Table presents estimated impacts for two scenarios:
  - Base scenario
  - Alternative: 50% decrease in settlements (expected to increase average medical for non-settlement and settlement claims)

- Estimated impact on total medical losses for "moderate" assumption :
  - Among workers 65+: 17%-25% increase in medical losses
  - Across all workers: approximately 1% increase in medical losses

Assumed Impact on Average Incurred Medical	Estimated Impact as a Percent of Total Medical Losses			
	Base Scenario		Alternative Scenario: 50% Decrease in Settlements	
	65 and Over	All Ages	65 and Over	All Ages
Low	10.9%	0.5%	15.8%	0.8%
Moderate	**17.3%**	**0.9%**	**22.5%**	**1.1%**
High	25.1%	1.3%	28.4%	1.4%

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Impact for a Hypothetical Insurer: Estimates for Automobile Coverages

- Background information claims closed in 2007 and 2012.
  - 65 and over account for larger percentage of claims closed in 2012.
  - 65 and over account for larger percentage of medical payments among claims closed in 2012.
  - Between 2007 and 2012, average medical payments increased more for 65-and-over than for less-than-65.

Number	Consideration	Claims Closed in 2007	Claims Closed in 2012	Percent Change: 2007-2012
1	Percent of claims for 65 and over	8.5%	**9.3%**	
2	Percent of medical payments for 65 and over	10.4%	**13.0%**	
3	Average medical payment			
	Less than 65	$4,669	$5,782	**23.8%**
	Over 65	$6,160	$8,423	**36.7%**

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Impact for a Hypothetical Insurer: Estimates for Automobile Coverages

- Estimated impacts using summary-level data for all coverages and five separate coverages.

- Considerations:
  - Percent of medical payments for injured individuals 65 and over
  - Average medical payment for claims closed in 2012
  - Assumptions for the estimated impact on average incurred medical

Assumed Impact on Medical Payments	All Types of Injuries	Bodily Injury	Personal Injury Protection	Medical Payments	Uninsured Motorist	Underinsured Motorist
	Estimated impact as a percent of total medical payments					
10%	1.3%	1.0%	1.3%	1.7%	1.4%	2.8%
15%	2.0%	1.5%	2.0%	2.6%	2.0%	4.1%
20%	2.6%	2.0%	2.6%	3.5%	2.7%	5.5%
	Estimated impact as a percent of total payments					
10%	0.4%	0.4%	0.3%	1.7%	0.3%	0.7%
15%	0.6%	0.6%	0.5%	2.6%	0.5%	1.0%
20%	0.8%	0.8%	0.7%	3.5%	0.7%	1.4%

Impact for a Hypothetical Insurer: Homeowners

- Data were insufficient to develop an estimated impact for homeowners. Paucity of data may be due to the small share of medical services account for in total incurred and liability losses.

- Table presents the distribution of incurred losses by cause of loss for Accident Years 2005-2007.
  - Across all types of causes, medical payments accounted for 0.2% of total losses.
  - For liability losses, medical payments accounted for 3.6% of losses when catastrophes are included and 2.9% when catastrophes are excluded.

- Claim consultants expect an increase in the number of claims with medical payments and an increase in the amounts of medical payments covered by homeowners policies.

	All Causes of Loss		**Liability Causes of Loss**	
Cause of Loss	**Including Catastrophes**	**Excluding Catastrophes**	**Including Catastrophes**	**Excluding Catastrophes**
TOTAL - ALL LOSSES	100.0%	100.0%		
Property Causes of Loss				
Total - Property Losses	94.5%	93.0%		
Total - Liability Losses	5.5%	7.0%	100.0%	100.0%
Liability Causes of Loss				
Bodily Injury	2.7%	3.4%	48.2%	48.6%
Property Damage	1.1%	1.4%	19.6%	20.0%
Medical Payments	**0.2%**	**0.2%**	**3.6%**	**2.9%**
All Other Liability	1.6%	2.0%	28.6%	28.6%

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Summary

- Section 111 introduced more formalized reporting requirements for medical services received by Medicare beneficiaries.
- Case studies presented for WC, private passenger auto, and homeowners.
- Estimated impacts for selected types of workers compensation cases were 1%-5% on losses for Medical eligible workers and up to 0.3% losses for all workers.
- Estimated impacts for a hypothetical insurer for WC were 17%-23% for workers 65 and over, and 1% for all workers.
- Estimated impacts for a hypothetical insurer for drivers 65 and over were approximately 2% on medical payments and less than 1% on total payments.

References

- Centers for Medicare & Medicaid Services, ““MMSEA Section 111 Mandatory Insurer Reporting – Liability (Including Self-Insurance), No-fault Insurance, and Workers’ Compensation User Guide,” Version 4.5, Rev. 2015/2 February (COBR-M2-2015-V4.5).

- Centers for Medicare & Medicaid Services, “MMSEA Section 111 Mandatory Insurer Reporting – Quick Reference Guide,” Version 1.2, Rev. 2014/6 October (COBR-Q4-2014-V1.2).

- Centers for Medicare & Medicaid Services, “Workers’ Compensation Medicare Set-Aside Arrangement (WCMSA) Reference Guide,” January 5, 2015 (COBR-Q1-2015-v2.3).

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Impact on Development Methods

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Impact on Development Methods

- Historical development triangles exclude some or all payments from earlier calendar periods.
- The “missing” amounts are payments made by CMS in the past that will be made by insurers or employers in the future.
- Unadjusted methods can understate or overstate depending on assumptions.

A (Simple?) Example: Assumptions

- 5% of total WC losses were and would be paid by CMS absent Section 111.
  - None of this 5% was paid by insurers before 2010
  - All of this 5% will be paid in 2013 and forward
  - Phase in for 2010, 2011 and 2012

- Timing of missing payments.
  - Option A: Same as all other payments
  - Option B: Last payments to be made

- Examples and assumptions are for illustration purposes only.

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CMS Payments in Triangle

Accident	Years of Development																	
Year	1	2	3	4	5	6	7	8	21	22	23	24	25	26	27	28	29	30
1985	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%	50%	75%	100%	100%
1986	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%	50%	75%	100%	100%	100%
1987	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%	50%	75%	100%	100%	100%	100%
1988	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%	50%	75%	100%	100%	100%	100%	100%
1989	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%	50%	75%	100%	100%	100%	100%	100%	100%
1990	0%	0%	0%	0%	0%	0%	0%	0%	25%	50%	75%	100%	100%	100%	100%	100%	100%	100%
2007	0%	0%	0%	25%	50%	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2008	0%	0%	25%	50%	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2009	0%	25%	50%	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2010	25%	50%	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2011	50%	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2012	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2013	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2014	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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Payment Patterns: Options A and B

Option A — **Payment Pattern - Assumes "Missing" Payments are Paid at Same Rate as "Normal" Payments**

Year	1	2	3	4	5	6	7	8	21	22	23	24	25	26	27	28	29	30	Total
Total	5.0	10.0	10.0	5.0	5.0	5.0	5.0	5.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	100.0
Normal	4.75	9.5	9.5	4.75	4.75	4.75	4.75	4.75	1.9	1.9	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	95.0
Missing	0.25	0.5	0.5	0.25	0.25	0.25	0.25	0.25	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	5.0

Option B — **Payment Pattern - Assumes "Missing" Payments are Paid Last**

Year	1	2	3	4	5	6	7	8	21	22	23	24	25	26	27	28	29	30	Total
Total	5.0	10.0	10.0	5.0	5.0	5.0	5.0	5.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	100.0
Normal	5.0	10.0	10.0	5.0	5.0	5.0	5.0	5.0	2.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	95.0
Missing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	5.0

Option A: Same Paid Scenario

- DFs in CYs 2010+ will be higher because the 12/31/09 the base has missing losses.
- Using the paid DF method (3 avg) overstates reserves by 4%.
- Using the paid DF method (all avg) gives about the right answer.
  - 30 year history drowns the impact of recent CYs

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Option A: Paid Development Factors

Accident Year	Years of Development 1	2	3	4	5	6	7	8	21	22	23	24	25	26	27	28	29	30
1985	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	1.011	1.010	1.010	1.010	1.010	1.000	1.000	
1986	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	1.011	1.011	1.011	1.011	1.011	1.000		
1987	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	1.011	1.011	1.011	1.011	1.011			
1988	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	1.011	1.011	1.011	1.011				
1989	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	1.011	1.011	1.011					
1990	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	1.011	1.011						
2007	3.000	1.667	**1.203**	**1.171**	**1.148**	**1.130**	1.115											
2008	3.000	**1.675**	**1.204**	**1.172**	**1.148**	1.129												
2009	**3.026**	**1.678**	**1.205**	**1.172**	1.147													
2010	**3.026**	**1.678**	**1.205**	1.170														
2011	**3.026**	**1.678**	1.202															
2012	**3.025**	1.669																
2013	3.000																	
2014																		

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Option B: Late Paid Scenario

- DFs in tail are understated (that's were the missing payments are).
- Using the paid DF method (3 avg) understates reserves by 1%.
- Using the paid DF method (all avg) understates reserves by 4%.
  - DFs for older CYs are more understated

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Option B: Paid Development Factors

Accident	Years of Development																	
Year	1	2	3	4	5	6	7	8	21	22	23	24	25	26	27	28	29	30
1985	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	**1.000**	**1.000**	**1.003**	**1.005**	**1.008**	**1.000**	**1.000**	
1986	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	**1.000**	**1.003**	**1.005**	**1.008**	**1.010**	**1.000**		
1987	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	**1.003**	**1.005**	**1.008**	**1.010**	**1.010**			
1988	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	**1.005**	**1.008**	**1.010**	**1.010**				
1989	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	**1.008**	**1.010**	**1.010**					
1990	3.000	1.667	1.200	1.167	1.143	1.125	1.111	1.100	1.022	1.011	**1.011**	**1.010**						
2007	3.000	1.667	1.200	1.167	1.143	1.125	1.111											
2008	3.000	1.667	1.200	1.167	1.143	1.125												
2009	3.000	1.667	1.200	1.167	1.143													
2010	3.000	1.667	1.200	1.167														
2011	3.000	1.667	1.200															
2012	3.000	1.667																
2013	3.000																	
2014																		

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Methodology Adjustment

- Adjusted actual payments using CMS% and phase in rates.
- All DFs match assumed pattern.
- Mechanical project gives “100” for each AY, the “correct” answer if all missing payments are included.
- Need to subtract difference between actual and adjusted payments to reflect past missing payments.

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