



CARIBBEAN ACTUARIAL ASSOCIATION



Accredited as a Full Member  
of the International Actuarial Association

# 2015 Conference "Strength in Numbers"

25th Annual CAA Conference

Hilton Trinidad & Conference Centre

Port of Spain, Trinidad & Tobago

2<sup>nd</sup> to 4<sup>th</sup> December 2015



CARIBBEAN ACTUARIAL ASSOCIATION



Accredited as a Full Member  
of the International Actuarial Association

# Healthcare Reform in the US – Lessons for the Region

Annette James FSA, MAAA

[ajames@doi.nv.gov](mailto:ajames@doi.nv.gov)

**December 3, 2015**

# Agenda

---

- Goals of healthcare reform in the US
- Did it Work?
- Key lessons learned from several viewpoints
  - Policy makers
  - Regulators
  - Actuaries
- Critical factors for reform success

# Overview of Major US Healthcare Reform Goals

- Improve access to healthcare
  - Expand Medicaid eligibility
  - Subsidies for low income
  - Individual mandate
- Reduce cost
- Strengthen consumer protections
  - Establish minimum level of essential health benefits (EHB)
  - Guaranteed issue, no exclusions for pre-existing conditions
  - No underwriting on health status
  - Single risk pool pricing
- Increase competition, improve transparency
  - Establish health insurance exchanges
  - Establish gov't - funded non-profit insurance companies (CO-OPs)



# Did it Work?

---

- Depends on who you ask
  - Yes – resounding success
  - No – it’s a disaster
- Reality – mixed bag

# Did it Work?

*Percentage of U.S. Adults Without Health Insurance, by Quarter*

Do you have health insurance coverage?  
Among adults aged 18 and older



Quater 1 2008-Quarter 4 2014  
Gallup-Healthways Well-Being Index

GALLUP®



# Successes

---

- Improved access to healthcare
  - Significant decrease in the % uninsured
- Strengthened consumer protections
- Improved transparency

# Challenges

---

- Access – still a work in progress
- Cost of healthcare not addressed
- Consumer protection provisions resulted in increased cost
- Competition? To date, 13 of the 23 CO-OPs have failed
- Delayed implementation of major reforms in many states
- Premium stabilization programs designed to smooth the transition have not been as effective as hoped
- Plethora of regulations difficult to digest, enforce compliance
- Focus on minimizing rate increases may create solvency strain especially for smaller companies





# Lessons Learned - Policy Perspective

- Design
  - Can start with existing model but need to customize
  - Transparent process documenting key decisions
  - Stakeholder involvement leads to stronger buy-in
- Financing
  - Stable funding source, not subject to political trade winds
- Implementation
  - Allow sufficient lead time to develop regulatory guidance
  - Develop transition plans to minimize disruption
- Develop process for monitoring and refining



# Lessons Learned – Regulator’s Perspective

## Policy Implementation

- Engage major stakeholders and solicit input
- Collaborate/coordinate with other government agencies, other jurisdictions, different skill sets
  - Strength in numbers
- Build consensus with lawmakers to develop new legislation and regulation
- Develop process, including metrics, for tracking and evaluating performance

Close monitoring of all companies with significant amount of business impacted by reform



# Lessons Learned – Actuary’s Perspective

## Actuarial Estimation – Pricing / Reserving / Forecasting

- Take time to understand the new rules
- Higher levels of uncertainty of estimates due to lack of data
- Consider getting independent review of models, methodology, assumptions
- Communicate with other actuaries but be wary of “group think”
- Reasonableness testing
  - Sensitivity testing, stress testing, cash flow testing to better understand interrelationships and drivers of results



# Critical Success Factors

- Full understanding of the different aspects of the problem to be solved and pros and cons of each alternative
  - Input from major stakeholders and technical experts at the outset
  - Buy-in from stakeholders
- Stability of financing
- Transparency of process
- Enhanced monitoring at least through the transition period

Thank You

