5/17/12

Issues and Tasks Relating to Health RBC Working Group Charge to the Risk and Reinsurance Subgroup

Charge:

"By June 1, 2012, identify and communicate to the NAIC’s HRBC Subgroup those aspects of the Affordable Care Act (ACA) that have or will have significant effects on the risks assumed by U.S. health insurers. The communication to the HRBC Subgroup should identify qualitatively the specific sources and nature of the changes in risk, but the HCRAWG Risk Adjustment and Reinsurance Subgroup should not attempt to quantify the changes or the implications on HRBC requirements."

Issues and Tasks

- Examine the formula as it relates to individual, small group, and large group major medical, restricted to underwriting risk. *Steve Ostlund and Bill Weller*

- Create a list of provisions in the ACA that may have an effect on the risk to health insurers. Some of the provisions will increase risk, and some will decrease it. *Neil Vance*

  Examples (not exhaustive):
  - Determine if payable MLR rebates would be treated as retrospective premium adjustments are in the RBC formula.
  - Sections 1341, 1342 & 1343 of the ACA
  - Guaranteed issue effect on risk
  - How will each item that affects risk vary over time?
  - Whether an individual mandate is in force
  - Migration of individuals from high-risk pools and PCIPs

- Conduct a literature search to identify existing sources to identify above list of provisions. *Jim Carroll*

- The Subgroup should attempt to quantify the effect of each provision above, and determine if it is possible to incorporate these changes into the health RBC formula.

- The Subgroup should be clear that it isn’t implying RBC is an accurate measure of risk, but that it should only be used as an early warning to regulators about possible solvency issues.
• The Subgroup needs to be careful that it doesn’t make changes to the formula that would wrongly force companies into regulatory action levels, and that it should be mindful of unintended consequences any changes may cause.

• Determine if Accountable Care Organizations and Consumer Operated and Oriented Plans, as formed by PPACA, should be subject to RBC requirements. *Julia Philips*