



AMERICAN ACADEMY *of* ACTUARIES

August 24, 2011

John Rink, Chair  
Medicare Supplement Refund Formula Subgroup  
National Association of Insurance Commissioners

Dear John,

The American Academy of Actuaries<sup>1</sup> Medicare Supplement Work Group appreciates the NAIC's Medicare Supplement Refund Formula Subgroup's request to formulate a charge to review the Medicare Supplement Refund Formula for potential changes that may need to be addressed. The work group hopes that the below charge meets the NAIC's expectations:

1st Priority: Revised Formula/Factors

- Evaluate the current formula against alternative factors between Issue Age ("Prefunding") and Non-Issue Age rate structures.
- Recommend revised formulas for Issue Age and Non- Issue Age rate structures.

2nd Priority: Pooling

- Evaluate the impact of pooling across all plans within type (group, individual, etc.) within a state.
- Make a recommendation regarding pooling.

3<sup>rd</sup> Priority: Tolerance Formula and Level

- Evaluate the impact of alternative tolerance formula and levels.
- Make a recommendation regarding revised tolerance formula.

\*\*\*\*\*

If you have further questions regarding the charge, please contact Tim Mahony, the Academy's state health policy analyst (202-223-8196; [Mahony@actuary.org](mailto:Mahony@actuary.org)).

Sincerely

Kenneth L. Clark  
Chair, Medicare Supplement Work Group  
American Academy of Actuaries

---

<sup>1</sup> The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.