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Comments to the National Association of Insurance Commissioners
Special (EX) Committee on Race and Insurance
Workstream Five
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Annette V. James, FSA, MAAA, FCA
Chairperson, Health Equity Work Group
American Academy of Actuaries

On behalf of the Health Equity Work Group ("HEWG") of the American Academy of Actuaries ("Academy"),[1] I would like to thank the National Association of Insurance Commissioners ("NAIC") for establishing the Special (EX) Committee on Race and Insurance ("Committee") to examine important questions regarding race and insurance. In comments previously provided to the NAIC on this important initiative, Academy president D. Joeff Williams announced that the Academy was undertaking a new initiative to study health equity and the ways in which actuarial practice may be perpetuating or contributing to health disparities.[2] The Academy's new endeavor aims to also facilitate solutions to health disparities. I am pleased to confirm the formation of the Academy's Health Equity Work Group and provide an update on our efforts relating to health equity.

Definition of Health Equity

It is important to have a common understanding of what is meant by health equity. The HEWG has found it instructive to refer to the following comprehensive definition put forward by the Robert Wood Johnson Foundation.

> *Health equity means that everyone has a fair and just opportunity to be as healthy as possible. This requires removing obstacles to health such as poverty, discrimination and their consequences, including powerlessness and lack of access to good jobs with fair pay, quality education and housing, safe environments, and health care. For the purposes of measurement, health equity means reducing and ultimately eliminating*

[1] The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted 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.
[2] D. Joeff Williams letter to NAIC Special (EX) Committee on Race & Insurance, Sept. 10, 2020.

disparities in health and its determinants that adversely affect excluded or marginalized groups.[3]

About the HEWG

The HEWG consists of about 30 volunteer actuaries representing diverse perspectives across the spectrum of health actuarial practice, including those with expertise in commercial health insurance, employee health benefit plans, Medicare, and Medicaid, and with experience from the insurance carrier, consulting, and regulatory perspectives. The HEWG was established by the Academy's Health Practice Council to further the U.S. actuarial profession's commitment to health equity throughout the health care system by looking internally, as a profession, at current practices that potentially perpetuate or exacerbate adverse health outcomes experienced by people of color and/or historically underrepresented groups. The work group will also explore how the actuarial profession might facilitate solutions to health disparities.

HEWG Charge

Health equity is broad topic. The HEWG decided to focus on the specific areas that we, as health actuaries, have expertise in and can impact. Our charge is broken down into three parts:

1. Evaluate actuarial practices in the context of health equity
   a. Identify and monitor actuarial data sources and methodologies that may contribute to health disparities
   b. Assess the extent to which actuarial practices contribute to health disparities
   c. Explore options for addressing identified actuarial drivers of health disparities
   d. Identify areas in which actuarial methods can contribute to improving health equity
2. Educate actuaries and other stakeholders on health equity issues
3. Apply an equity lens when considering the impact of current or proposed health care policies.

The HEWG is still in the initial phase of its work. This process includes asking ourselves tough questions, such as:

- Are there actuarial methodologies or modeling techniques that perpetuate disparities?
- Are there actuarial methodologies that reduce disparities?
- If the data needed to measure a specific variable are not available, is a proxy appropriate? What should an actuary consider when using such a proxy? Does the data used measure the intended items?
- Does the use of historical data embed disparities in projections?
- Are assumptions appropriately determined and applied?

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[3] Paula Braveman, Elaine Arkin, Tracy Orleans, Darren Proctor, and Alonzo Plough. *What Is Health Equity? And What Difference Does a Definition Make?* Princeton, N.J.: Robert Wood Johnson Foundation, 2017.

- What sorts of analyses should be performed to explicitly identify inequities?

We have created subgroups that will explore issues in four topic areas:

- Benefit design
- Provider contracting/network development
- Pricing
- Population health

We recognize that there are some common issues, such as the use of historical data and risk adjustment/risk stratification, that may be addressed by all subgroups from different perspectives. And there may be some issues that are unique to a specific group.

The HEWG's initial efforts are directed at developing a list of questions in each of the four topic areas that we can use to structure our investigation of actuarial practices. We expect to publish this list during the first quarter of 2021 and follow up with more in-depth analyses and publications. We are approaching our work with openness and curiosity. We intend to begin with a fairly comprehensive list of questions and topics to pursue. Inclusion on this list will not imply that we have determined these practices necessarily lead to increased disparities. Rather, the list is a starting point for further analysis, after which we may conclude that particular practices contribute to inequities, others improve health equity, and others have no impact. We will explore options for addressing any actuarial drivers of health disparities that we identify, as well as any nonactuarial drivers that might be addressed through actuarial methods.

We expect that the topics we are exploring are similar to those being considered by the NAIC and other regulatory and health policy organizations. Therefore, we will strive to communicate frequently regarding our process and findings, providing education on these issues as we better understand them ourselves, and creating a blueprint for others to use for investigating different aspects of equity. Additionally, we expect that there may be opportunities to work closely with the NAIC on specific solutions to ensure that regulation of the insurance industry is consistent with the goals of health equity in insurance.

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We believe that the goals of the HEWG and the Committee are closely aligned, and we would be happy to provide regular updates to this Committee and participate, to the extent appropriate, in your deliberations. As an actuary and a former regulator, I am keenly aware of the intersection of insurance regulation and public policy decision-making with the work of health actuaries. This commonality of interest highlights the need for coordinated efforts by actuaries and regulators in this important endeavor, and I look forward to working together with the Committee to pursue our shared goals.

Again, on behalf of the Academy's Health Equity Work Group, I appreciate having this opportunity to share with the NAIC our current work on the important issue of race and health insurance. If you wish to follow up with us, please contact the Academy's senior health policy analyst, Matthew Williams, at williams@actuary.org.

Sincerely,

Annette V. James, MAAA, FSA
Chairperson, Health Equity Work Group
American Academy of Actuaries