American Academy of Actuaries Health Equity Committee Updates—Summer 2024

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National Association of Insurance Commissioners (NAIC)
Special (EX) Executive Committee on Race and Insurance

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About the American Academy of Actuaries

The American Academy of Actuaries is a 20,000-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.

For more information, please visit: actuary.org

Agenda

- Overview of the American Academy of Actuaries Health Equity Committee (HEC)

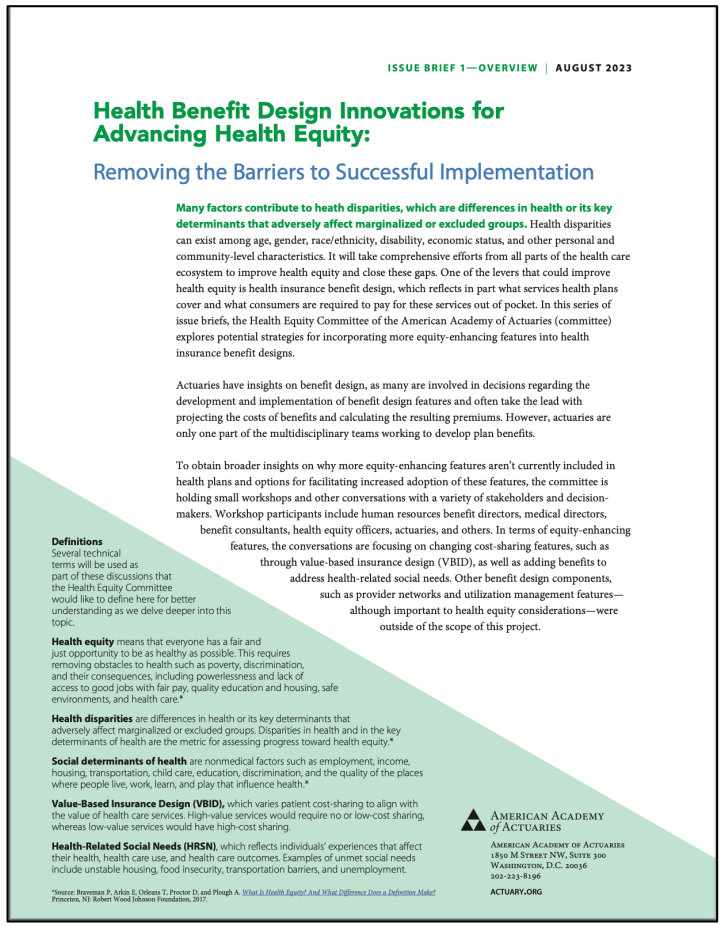
- Key Takeaways from 2023
  - The importance and limitations of data
  - Evaluating benefits: Is there a better way other than focusing on cost?
  - Regulatory issues

- 2024 Focus: Behavioral Health

Academy Health Equity Committee

- Created in 2020 to contribute actuarial perspective to health equity
- Focus:
  - Evaluate actuarial practices in the context of health equity
  - Educate actuaries and other stakeholders on health equity issues
  - Apply an equity lens when considering the impact of current or proposed health care policies
- Publishes issue briefs exploring health equity topics in actuarial practice
- November 2023 symposium on equity-enhancing benefits in the employer coverage space

2023 Health Equity Focus: Exploring strategies to incorporate equity-enhancing features in health plans



ISSUE BRIEF 1—OVERVIEW | AUGUST 2023

Health Benefit Design Innovations for Advancing Health Equity:

Removing the Barriers to Successful Implementation

Many factors contribute to heath disparities, which are differences in health or its key determinants that adversely affect marginalized or excluded groups. Health disparities can exist among age, gender, race/ethnicity, disability, economic status, and other personal and community-level characteristics. It will take comprehensive efforts from all parts of the health care ecosystem to improve health equity and close these gaps. One of the levers that could improve health equity is health insurance benefit design, which reflects in part what services health plans cover and what consumers are required to pay for these services out of pocket. In this series of issue briefs, the Health Equity Committee of the American Academy of Actuaries (committee) explores potential strategies for incorporating more equity-enhancing features into health insurance benefit designs.

Actuaries have insights on benefit design, as many are involved in decisions regarding the development and implementation of benefit design features and often take the lead with projecting the costs of benefits and calculating the resulting premiums. However, actuaries are only one part of the multidisciplinary teams working to develop plan benefits.

To obtain broader insights on why more equity-enhancing features aren't currently included in health plans and options for facilitating increased adoption of these features, the committee is holding small workshops and other conversations with a variety of stakeholders and decision-makers. Workshop participants include human resources benefit directors, medical directors, benefit consultants, health equity officers, actuaries, and others. In terms of equity-enhancing features, the conversations are focusing on changing cost-sharing features, such as through value-based insurance design (VBID), as well as adding benefits to address health-related social needs. Other benefit design components, such as provider networks and utilization management features—although important to health equity considerations—were outside of the scope of this project.

Definitions
Several technical terms will be used as part of these discussions that the Health Equity Committee would like to define here for better understanding as we delve deeper into this topic.

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.*

Health disparities are differences in health or its key determinants that adversely affect marginalized or excluded groups. Disparities in health and in the key determinants of health are the metric for assessing progress toward health equity.*

Social determinants of health are nonmedical factors such as employment, income, housing, transportation, child care, education, discrimination, and the quality of the places where people live, work, learn, and play that influence health.*

Value-Based Insurance Design (VBID), which varies patient cost-sharing to align with the value of health care services. High-value services would require no or low-cost sharing, whereas low-value services would have high-cost sharing.

Health-Related Social Needs (HRSN), which reflects individuals' experiences that affect their health, health care use, and health care outcomes. Examples of unmet social needs include unstable housing, food insecurity, transportation barriers, and unemployment.

*Source: Braveman P, Arkin E, Orleans T, Proctor D, and Plough A. *What Is Health Equity? And What Difference Does a Definition Make?* Princeton, NJ: Robert Wood Johnson Foundation, 2017.

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Goal: Host discussion groups with broad range of participants/perspectives on the successes and challenges of incorporating equity-enhancing benefit design features

Areas of focus:

- Process and challenges to incorporating equity-enhancing features
- How benefit changes are evaluated
- How to incorporate the voices of the people being served
- Addressing implementation challenges

Four workshops held, with subsequent release of related issue briefs, culminating in the November 15 Symposium

2023 Workshop Series/Symposium—Insights

- High levels of interest in these topics!
- Convening people to share experience is valuable
  - Break down silos
  - Opportunity for actuaries to gain broader perspective
  - Opportunity for non-actuaries to understand actuarial perspective
- Opportunity to continue the conversation and make real progress
- Key themes:
  - Data, data, data
  - Rethinking how we measure the impact of benefit changes—beyond ROI
  - Current regulatory framework may hinder implementation of equity-enhancing benefit design

The Importance of Data

- Drives decisions that impact health coverage
- Pricing benefits, forecasting, reserving, risk adjustment accruals, population management programs, provider contracting, etc.
- Determining the efficacy of those benefits
- Measure and monitor disparities
  - Lack of consistent data format with key dimensions of equity
  - Collection and use of key data may be limited or prohibited
- Imperfect but still usable
  - Need to understand the limitations, bias and make appropriate adjustments

Limitations of Claims Data

- Only reflects claims of those using the health care system
- For historically marginalized groups, claims understate risk and unmet needs
- Does not include key information needed to measure disparities
- Combination of data from other sources could be helpful; e.g., enrollment data, clinical data, and social risk indices
  - Need to understand the limitations, risks of data from different sources

Evaluating Benefits: Moving from Cost to Cost-Effectiveness

Advantages of using cost-effectiveness:

- Reflects not only health costs, but also desired health outcomes, and the impact on total benefits;
- Supports using a longer time horizon to see the value of the benefit; and
- Helps reframe the evaluation of benefit options to prioritize high-value care that improves health

Challenges of Implementing a Cost-Effective Approach to Evaluating Benefits

- Difficult to attribute results to specific benefits / initiatives
- Lack of uniform metrics to measure health and health outcomes
- Risk of misinterpreting clinical information
- Cost is much more easily understood and accepted; decision-makers may not prioritize cost-effectiveness
- Lack of data to support a cost-effective approach
  - Data on health plan costs are readily available and easily assessed, which encourages the emphasis on costs

Regulatory Issues

- Laws are often not designed with an equity lens
- State and federal limitations on the collection and use of data
- Federal and state laws may limit the ability to enhance benefits

2024 HEC Focus—Behavioral Health

- Focus on using cost-effectiveness to evaluate enhanced behavioral health benefits, as opposed to using only cost
- Requires evidence to "connect the dots" and incorporate other factors, such as non-financial outcomes, and impact on other medical spending into actuarial analysis
- The HEC is focusing on using behavioral health to develop a framework that could be generalized for other health benefits

Envision Tomorrow—2024 Academy Annual Meeting

Oct. 15–16 at the Grand Hyatt in Washington, D.C.

Health-specific breakout sessions:

- Broadening the Focus: Incorporating Indirect Costs/Savings and Non-Financial Outcomes (**virtual and in-person**)
- Integration of Care for Dual-Eligible Beneficiaries Across Medicare and Medicaid
- Regulating the Affordable Care Act: What's New for 2025?

Thank You—Questions?

For more information, please contact

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