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NEWS RELEASE

Immediate Release

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Actuaries Project “Substantial Capital” to Fund Health Insurance Co-ops or Public Plan

Little difference in start-up capital found between co-ops and public plan option

WASHINGTON – 2 Nov. 2009 – A group of nonpartisan experts said that the necessary start-up capital for either health insurance co-operatives or a public plan option may be substantial and could vary greatly. Under modeled scenarios, actuaries projected that start-up capital requirements ranged from approximately \$1.7 billion to \$45.6 billion. The projections are intended to inform policymakers about the costs of implementing either co-operatives or a public plan option, which are proposed in health care reform legislation currently under congressional consideration.

During a webcast for congressional staff and media hosted by the **American Academy of Actuaries**, the actuaries said that the wide range in projected start-up capital is attributable to three unknowns—how many people enroll, the difference between pricing assumptions and actual claims, and average claims. Overall little variance in capital requirements was found between co-operatives and the public plan option.

The findings were published in a technical report prepared by a joint work group of the American Academy of Actuaries and the Society of Actuaries. The work group developed a new model that projects, under a variety of scenarios, required start-up capital including the amount of capital needed to meet health plan solvency standards. The complete report is available at: http://www.actuary.org/pdf/health/tech_coops_nov09.pdf.

For more information or to schedule an interview, contact Andrew Simonelli, assistant director of communications for the American Academy of Actuaries, at 202.785.7872.

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The American Academy of Actuaries is a 16,000-member professional association whose mission is to serve the public on behalf of 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. www.actuary.org

The Society of Actuaries (SOA) is the largest professional organization dedicated to serving 20,000 actuarial members and the public in the U.S. and Canada. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of financial risk. www.soa.org