

# **American Academy of Actuaries: Public Policy Activities Related to the Individual and Small Group Markets**

Power Hour Presentation to the CMS Center for Consumer  
Information and Insurance Oversight

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# Speakers

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# Agenda

- Overview of actuaries and the American Academy of Actuaries
- Overview of the Academy's public policy activities and the Health Practice Council
- Detailed overview of work pertaining to the individual and small group markets
- Q&A

# What are health actuaries?

- In general, actuaries identify and manage financial risk
- Health actuaries are trained in all aspects of the finance and delivery of health benefits
- Have core set of knowledge and technical expertise related to assessing and managing health-related risks and their financial consequences
- Work for insurance companies, consulting firms, federal and state regulators, health care providers, etc.
- Actuaries don't predict costs. Use past experience and informed judgement on changes between the experience period and the projection period to estimate future costs.

# Responsibilities of health actuaries

Health actuaries are involved in various aspects of health care financing and delivery, including:

- Designing health benefit packages that balance the competing objectives of those who fund, deliver, and receive health plan benefits and health care services
- Designing and managing viable and sustainable financial models for health care delivery
- Projecting future health care utilization and spending
- Determining premium levels that will adequately cover future claims

Health actuaries often work with other professionals

# Professional obligations



Actuaries may perform actuarial services only when qualified to do so.



Actuaries must follow applicable standards wherever they practice.



When Code and Law conflict, follow the Law.



Actuaries who commit material violations are subject to counseling or discipline.

# About the American Academy of Actuaries

Founded in 1965



Nonprofit  
nonpartisan  
professional  
association for  
20,000+ U.S.  
actuaries of all  
specialties

Mission: To serve  
the public and the  
U.S. actuarial  
profession

U.S. actuarial  
profession's  
voice on public  
policy issues

Leads the  
professionalism  
activities of the  
U.S. actuarial  
profession

# Academy's public policy goals

- Identify and address public policy issues on matters in which actuarial expertise provides unique insights.
- Provide unbiased advice to federal and state policymakers, regulators, and other health policy experts and stakeholders on matters within actuarial expertise.
- Consider the perspectives of the various communities affected by public policy.



# Academy's public policy audiences and activities

- Audiences
  - Policymakers and regulators (both federal and state)
  - Other policy experts
  - Media
  - Academy members
- Publications and other activities include:
  - Comment letters on proposed regulations or legislation
  - Issue briefs and other papers on relevant topics of interest
  - Presentations to and meetings with policymakers, regulators, and other stakeholders

# Academy volunteers are critical to our work

## Academy Resources

1,000+ Volunteers

45 Academy Staff

3 Actuarial Fellows

- Volunteers work collaboratively with staff to provide effective, independent, and objective actuarial information, analysis, and education for the formation of sound public policy and professionalism resources.
- The Academy aims to have committees that are diverse in terms of member views, experiences, demographics, and industry. These diverse perspectives help ensure our work is balanced.
- Work products go through several layers of review to ensure objectivity.

# Health Practice Council priority areas

- Health care costs and quality
- Insurance coverage and benefit design
- Medicare sustainability
- Long-term services and supports
- Public health challenges
- Health equity
- Financial reporting and solvency
- Professionalism

# Health Practice Council committees

- Individual and Small Group Markets Committee
- Active Benefits Committee
- Retiree Benefits Committee
- Health Care Delivery Committee
- Health Equity Committee
- Medicare Committee
- Medicaid Committee
- Long-Term Care Committee
- Behavioral Health Task Force
- Financial Reporting and Solvency Committee

# Individual and Small Group Markets Committee

- Monitors federal and state legislation and regulatory activities and provides insights on the implications of proposals to change ACA provisions
- Develops annual premium driver issue brief, infographic, and related webinar
- Submits comment letters on annual payment notice, risk adjustment, AV calculator, etc.

# Health insurance market basics

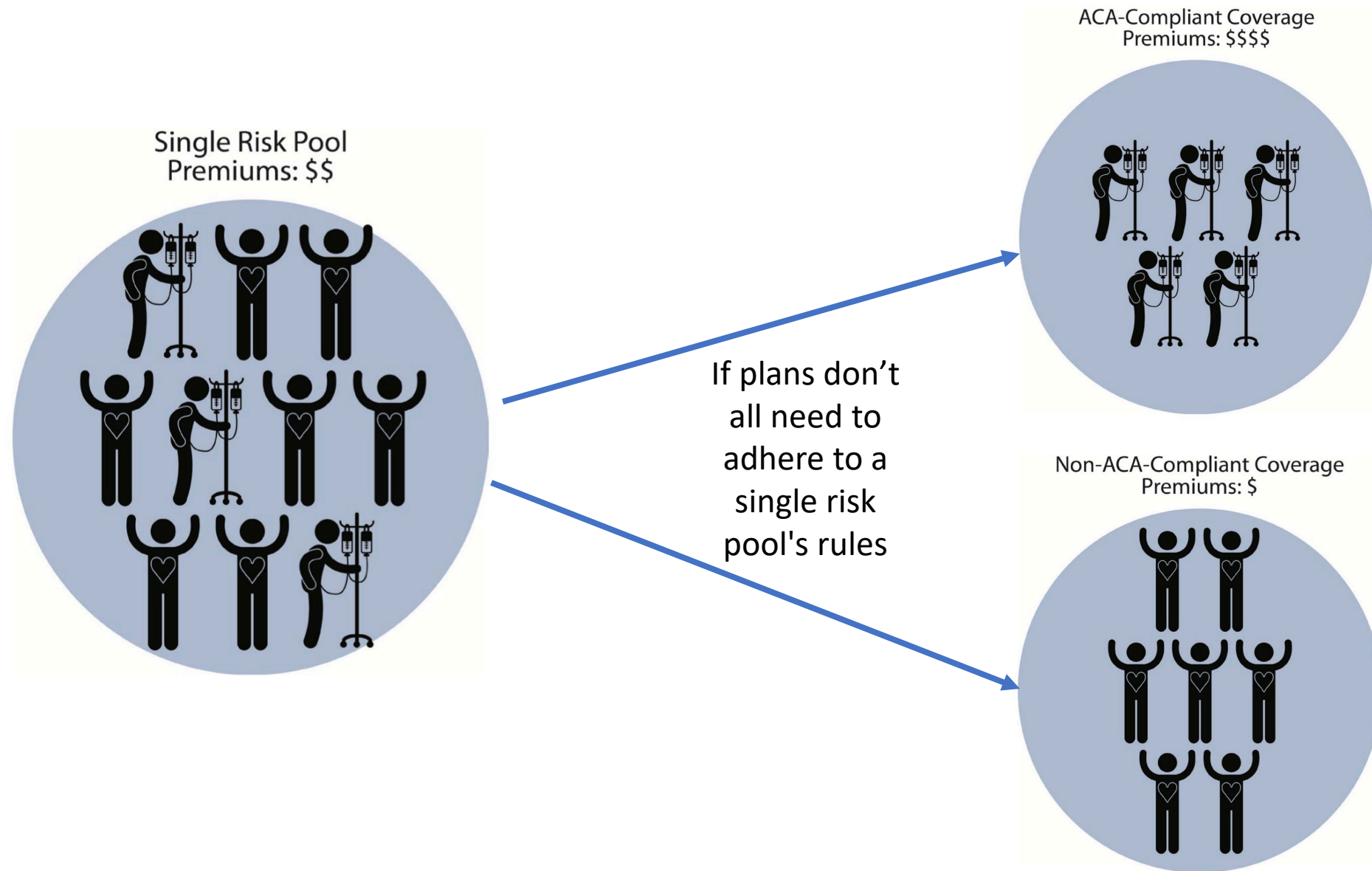
## Risk pooling

- The pooling of risk is fundamental to the concept of insurance.
- A health insurance risk pool is a group of individuals whose medical costs are combined to calculate premiums.
- Pooling risks together allows the higher medical costs that less healthy enrollees incur to be offset by healthier enrollees' lower costs, either within a plan or within a premium rating category.
- In general, the larger the risk pool, the more predictable and stable premiums will be.

# Health insurance market basics

## Adverse selection

- When given the opportunity, individuals or groups with greater health care needs are more likely to purchase health insurance (and plans with richer benefits) than those with fewer health care needs
- “Adverse selection” is when an insurer (or an insurance market as a whole) attracts a disproportionate share of individuals or groups with higher health care needs
- Higher premiums result, which can lead to more healthy individuals opting out of coverage, which would result in even higher premiums
- Avoiding such a “premium spiral” requires minimizing adverse selection and instead attracting a broad base of healthy individuals





# Individual and Small Group Markets Committee

## Recent Publications

- Issue brief, *Ensuring Access, Affordability, Choice, and Competition in the Individual Health Insurance Market*
- Comment letter to CMS regarding Market Integrity and Affordability proposed rule
- Comment letter to U.S. House Committee on the Budget, regarding on the reconciliation legislation
- Comment letter to U.S. Senate leadership, regarding the House-passed reconciliation legislation

# Individual and Small Group Markets Committee

## Ensuring Access, Affordability, Choice, and Competition in the Individual Market

- The individual market is governed by various laws and regulations that aim to support access, affordability, choice, and competition, including:
  - Uniform market rules
  - Premium tax credits
  - Consumer protections
  - Cost-sharing reductions
- Certain policies could lead to higher premiums, reduced insurer competition, and less consumer choice, including:
  - Expiration of enhanced premium tax credits
  - Availability of plans that don't adhere to existing rules
  - Selling insurance across state lines
- Individual Coverage Health Reimbursement Arrangements (ICHRA) and (invisible) high-risk pools could improve the individual market, but only if carefully designed

# Individual and Small Group Markets Committee

## Comment letter on proposed market integrity rules/Letters to U.S. House and Senate on reconciliation legislation

- Provisions that raise adverse selection concerns include:
  - Reducing the open enrollment period to 45 days
  - Imposing new income verification requirements (including those that would eliminate automatic re-enrollment)
  - Requiring new special enrollment period (SEP) verifications
  - Prohibiting APTCs for individuals who didn't file an income tax return or reconcile prior-year APTCs
  - Removing caps on consumer liability for repayment of excess APTCs
- Eliminating the low-income SEP could help mitigate adverse selection

# Individual and Small Group Markets Committee

## Comment letter on proposed market integrity rules/Letters to U.S. House and Senate on reconciliation legislation (cont.)

Certain provisions could increase enrollee cost-sharing requirements

- Bronze auto re-enrollment: Would eliminate the current policy that automatically re-enrolls CSR-eligible individuals in bronze plans into a similar silver plan if it has the same or lower premium than the bronze plan
- Annual premium adjustment percentage: Incorporating 2013 individual market premiums into calculation method would overstate premium trend, resulting in a higher maximum out-of-pocket limit and premium contribution percentage than under the current method
- Expanding the AV de minimis ranges: Permitting lower AVs within each metal tier could lead to lower premiums, but any reduction in AV would likely increase cost-sharing requirements

# Individual and Small Group Markets Committee

## Comment letter on proposed market integrity rules/Letters to U.S. House and Senate on reconciliation legislation (cont.)

### ICHRAs → Custom Health Option and Individual Health Care Expense Arrangements (CHOICE)

- Allow employers to contribute funds that employees can use to purchase individual market coverage (with additional tax advantages to do so)
- May offer employees more coverage options at a more predictable cost for employers
- The impact on the individual market depends on the health status of employees in firms that adopt them
- Requiring CHOICE arrangements to be offered uniformly to all employees and restricting options to ACA-compliant plans could improve the individual market
- Public policies that lower premiums and improve market stability could increase employer interest in CHOICE arrangements
- Policies that lead to higher premiums or market destabilization could discourage adoption of CHOICE arrangements

# Individual and Small Group Markets Committee

Comment letter on proposed market integrity rules/Letters to U.S. House and Senate on reconciliation legislation (cont.)

Federal funding for cost-sharing reductions would:

- Eliminate the need to increase premiums and would alleviate the difficulty inherent in calculating the appropriate premium load
- Be consistent with the intent of the ACA
- Reduce the gross premiums of plans with CSR loads
  - Lower gross premiums → reductions in premium tax credits → increased net premiums for tax-credit-eligible enrollees, in particular those who used tax credits to purchase bronze or gold plans.

The impact on adverse selection and in turn on premiums is unclear.

# Individual and Small Group Markets Committee

## Forthcoming publications

- 2026 premium drivers issue brief
- Infographic on premium rate development timeline
- Publication on the interconnectedness of various insurance markets, including employer-sponsored insurance, Medicaid, and the individual health insurance market

# Individual and Small Group Markets Committee

## Potential 2026 premium drivers

***The premium drivers issue brief is intended to describe how premiums may change in the upcoming plan year. It is not intended to be used or relied on by actuaries, insurers, or regulators for rate filings.***

Factors the committee is exploring include:

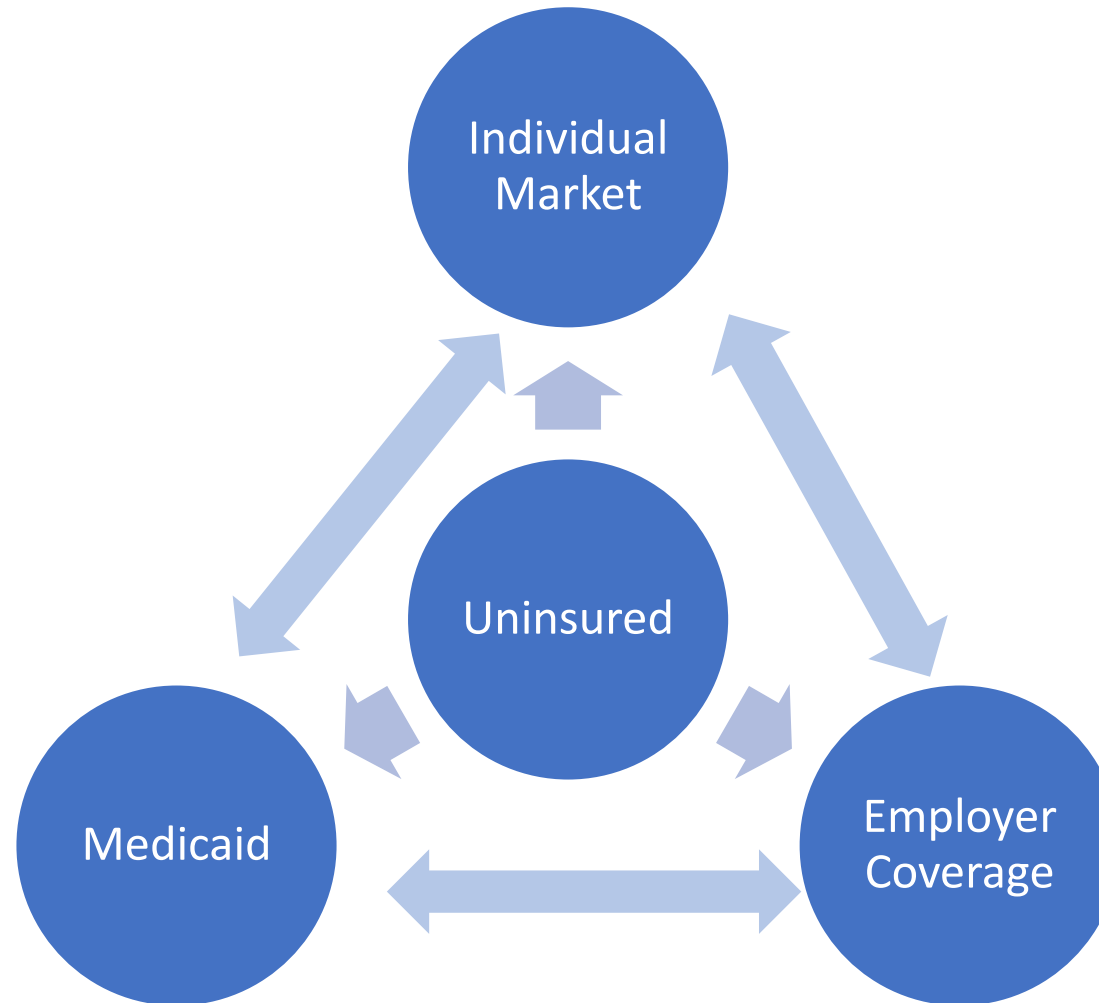
- Medical trend: general inflation, medical and Rx spending
- Changes in the risk pool composition: end of enhanced APTCs, market integrity rules, Medicaid redeterminations, ICHRAs
- Small group coverage factors: ICHRAs, level-funded options
- Premium changes will reflect local market dynamics with variations driven by insurer goals and state and local policies, rather than by nationwide considerations



# 2026 Illustrative Premium Rate Development Timeline

Approximate Internal Insurer Deadlines	
Product development and experience analysis	Sept 2024–Feb/March 2025
Plan design development and actuarial value testing	Nov 2024–Feb 2025
Examine prior experience and make necessary adjustments	March 2025
Set target provider reimbursement levels	Early-Mid April 2025
Project data based on expected medical and Rx trend	Mid-Late April 2025
External Deadlines	
Initial rate filing deadlines	May 2025–June 2025
Final application deadline	Aug 13, 2025
Final limited data correction window	Sept 12-13, 2025
Rate filing data published	Oct 15, 2025
Open enrollment begins	Nov 1, 2025

# Interconnectedness of Health Coverage Sources



# Other Resources from the Committee

- Risk Pooling: How Health Insurance in the Individual Market Works
- Using High-Risk Pools to Cover High-Risk Enrollees
- Selling Insurance Across State Lines
- Association Health Plans
- Comments on Short-Term Limited Duration Insurance

# Summary: Principles for Sustainable Health Insurance Markets

- Individual enrollment at sufficient levels and a balanced risk pool
- A stable regulatory environment that facilitates fair competition
- Sufficient health insurer participation and plan offerings to provide consumer choice
- Low health spending growth and high quality of care

# Questions?

# Thank You

For more information, please contact:

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# Appendix: Links to Resources

- *Ensuring Access, Affordability, Choice, and Competition in the Individual Health Insurance Market:* <https://actuary.org/wp-content/uploads/2025/03/health-brief-2025-EnsuringAccessIndHealthMarket.pdf>
- Comment letter to CMS on Market Integrity and Affordability proposed rule: <https://actuary.org/wp-content/uploads/2025/05/health-comment-Proposed-Market-Integrity-2025-Proposed-Rule.pdf>
- Comment letter to House Committee on the Budget on budget reconciliation: <https://actuary.org/wp-content/uploads/2025/05/Academy-House-Budget-Reconciliation-Comment-Letter.pdf>
- Comment letter to Senate leadership on House-passed reconciliation legislation: <https://actuary.org/wp-content/uploads/2025/06/Academy-Senate-Budget-Reconciliation-Comments.pdf>
- *Risk Pooling: How Health Insurance in the Individual Market Works:* <https://actuary.org/wp-content/uploads/2017/11/RiskPoolingFAQ071417.pdf>
- *Using High-Risk Pools to Cover High-Risk Enrollees:* <https://actuary.org/using-high-risk-pools-to-cover-high-risk-enrollees/>
- *Selling Insurance Across State Lines:* <https://actuary.org/selling-insurance-across-state-lines/>
- Association Health Plans: <https://actuary.org/association-health-plans/>
- Comments on Short-Term Limited Duration Insurance: [https://actuary.org/wp-content/uploads/2018/04/STLD\\_Comment%20Letter\\_040618.pdf](https://actuary.org/wp-content/uploads/2018/04/STLD_Comment%20Letter_040618.pdf)