

Florida Health Insurance Rate & Solvency Regulation

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Health Product Review

- Ensures that all Health policy forms provide all the statutorily required consumer protections
- Ensures that premiums are reasonable in relation to benefits
- Rates cannot be inadequate, excessive, nor unfairly discriminatory.



Medical Loss Ratio Standards

- Florida commercial health insurers have been governed by minimum medical loss ratios (MLR¹) for several decades.
 - MLR = percentage of premiums used to pay for healthcare
 - Regulatory minimums range from 65%-70%
 - Florida MLRs for the commercial health industry²:
 - 2012 – 82%
 - 2013 – 82%
 - 2014 – 87%
- CMS has introduced rebates/penalties for Federal programs if the MLR is below:
 - 80% in the individual and small group markets
 - 85% in the large group and Medicare Advantage markets
- Agency for Healthcare Administration uses an alternative methodology called an Achieved Savings Rebate (ASR)
 - Companies return 50% of profits above a 5% margin, 100% of profits above 10%

¹Federal and Florida law use slightly different definitions of medical loss ratio

²Source: NAIC Health annual statements. MLRs are for Florida only experience.



Forces Driving Premium Change

- Premium changes are driven by the cost of care, the utilization rate and leveraging of consumer cost-sharing
- Cost of care:
 - Hospital and provider contracts
 - Drug costs
 - New technology can lead to increases in the cost of care
- Utilization Rate:
 - Frequency of healthcare visits
 - Number of tests/services/prescriptions provided per visit
 - New technology can also lead to higher utilization rates
- Cost-sharing leverage
 - Fixed dollar deductibles and co-pays cover a smaller percentage of claims each year due to price inflation



Breakdown of Health Insurance Claims

- Total health insurance claims are the product of the cost of care and the utilization rate.
- Claims can be subdivided into six main categories

Benefit Category	Percentage of Total Claims
Outpatient Hospital	26.7%
Professional	25.6%
Inpatient Hospital	25.5%
Prescription Drug	15.9%
Other Medical	4.9%
Capitation	1.5%

Percentages do not add to 100% due to rounding
Source: 2016 plan year Individual and Small Group rate filings



Health Financial Oversight

- Monitors the financial condition of health insurers and HMOs
- Reviews financial statements and performs on-site financial examinations
- Reviews reserve liabilities for actuarial soundness



Minimum Capital Standards

- For Health Insurers:
 - Risk Based Capital (RBC)
 - Dynamic solvency tool which categorizes risks as either (1) Asset, (2) Underwriting, or (3) Other. Formulas are tailored to the risks specific to health insurers.
 - Surplus the greater of:
 - \$2.5 million
 - 4% of total liabilities + 6% of liabilities relative to health insurance
- For HMOs:
 - Surplus the greater of:
 - \$1.5 million
 - 2% of premium
 - 10% of liabilities



Health Insurance Industry Financial Metrics

Net Underwriting Gain/Loss as a Percentage of Earned Premium¹

	2014	2013	2012
Commercial	-1.3%	2.6%	4.2%
Medicaid	-4.3%	3.0%	-0.4%
Medicare	6.7%	4.0%	3.5%

Nationwide Medical and Hospital Spending as a Percentage of Earned Premium²

	2014	2013	2012
Commercial	87%	82%	82%
Medicaid	95%	87%	84%
Medicare	85%	84%	81%

¹Source: NAIC Health annual statements, nationwide data for all companies licensed and writing in Florida

²Source: NAIC Health annual statements. MLRs are for Florida only experience.



Questions?

