

Princeton, New Jersey, May 14, 2014
Press release

Obamacare 2015 Pricing Remains a “Guessing Game”

Uncertainty among health insurance actuaries is pervasive according to a Munich Health study

Contact
Robert Aristarco
Media Relations
Munich Health North America
Tel: +1 (609) 243-4343
raristarco@munichhealth.com

Munich Health North America, Inc.
555 College Road East
Princeton, New Jersey 08543
United States

www.munichhealthna.com

Health insurance actuaries lack adequate data to confidently submit 2015 pricing plans to the state insurance boards for enrollment under the Affordable Care Act (ACA), according to a study released today. The study was conducted by Munich Health North America, Inc. a subsidiary of Munich Re, one of the world’s largest reinsurers.

Among the actuaries surveyed, two-thirds (66 percent) lack enough information regarding demographics or utilization rates of those who enrolled in health care exchanges in 2014 to accurately formulate pricing decisions for the year ahead. The deadline for submission was recently extended from May 1, 2014 to May 31, 2014, by the Centers for Medicare and Medicaid Services.

“With only preliminary data available, pricing the costs of health care has been more difficult than ever for some of the best and brightest actuaries in the country,” said Brad Anderson, Chief Actuary of Munich Health North America’s Managed Care Division. “As the May deadline approaches, health insurance actuaries are facing increased pressure to accurately price plans for 2015. However, the impact on health insurance companies could be dramatic if actuaries are unable to appropriately price this risk.”

Managing Demographic Risk

Based on current data, most health insurance actuaries believe that the demographics of individuals moving onto the exchanges will create a riskier health insurance market. According to the study, 86 percent foresee a shift in the relative morbidity of the newly insured and predict a significantly less healthy group of people joining the exchanges. Of those actuaries polled, 84 percent felt that the age mix was a cause for concern from a risk perspective, and 62 percent noted anti-selection was occurring. Further, 93 percent anticipate a spike in utilization by the newly insured due to ‘pent up’ demand among those who didn’t previously have or qualify for health insurance, in turn creating a riskier market.

“Risk is going to be increasingly managed by medical providers. But hospitals are not going to have the actuarial ability to do that well, and most won’t have the financial reserves - they will need reinsurance,” said Howard Dean, former Governor of Vermont and former Chairman of the Democratic National Committee, at the recent Munich Health Symposium.

Shifting Risk, Higher Costs

The vast majority of actuaries (83 percent) noted that the overall impact of the ACA has been negative on health insurance costs. Additionally, nearly half of the respondents (45 percent) noted that there will likely be an increase in pricing for the

commercial market in 2015, as a result of the ACA.

“Expect premiums to go up, cost to go up, spending to go up, utilization to go up, and that will all be directly attributable to Obamacare,” said Bill Frist, former U.S. Senate Majority Leader, at the 2014 Munich Health Symposium.

Methodology

Munich Health surveyed 90 actuaries who specialize in the field of health care and are currently working for health insurance plans or for health care consulting firms. The survey was conducted between 3/5/14 and 3/20/14. A copy of the results can be found at http://www.munichhealthnare.com/pdf/MHNA_Actuarial_Survey.pdf.

Note for editorial departments

In case of enquiries, please contact:

Media Relations Munich Health North America

Bob Aristarco

Tel.: (609) 243-4343

raristarco@munichhealth.com

Munich Health is one of three business segments of Munich Re. Here all international health care business in insurance and reinsurance operations, as well as related services, are pooled under the Munich Health brand.

Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2013, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.3bn on premium income of over €51bn. It operates in all lines of insurance, with almost 45,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world’s leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2013, ERGO posted premium income of €18bn.
