

Comment #1 – 2/4/16 – 3:10 p.m.

I am writing to comment on the exposure draft to the revision of ASOP No. 5, *Incurred Health and Disability Claims*.

In addition to feedback on the questions specified by the Task Force, I have two general comments:

- The phrase “different than” in section 2.8 should be replaced with “different from”. Similarly, “different usefulness and value than” in section 2.14 should be replaced with “different usefulness and value from”. One thing can be different from another thing, but it is grammatically incorrect to say that one thing is “different than” another.

1. Is it appropriate to change the language in the first sentence of section 3.2 from “should consider” to “should include”?

I do not believe that this change is appropriate since the remainder of the section uses the “should consider” language.

2. Is the guidance in section 3.3.6 on “provider contractual arrangements” too detailed?

I think the level of detail is appropriate. However, I do not consider many of these payments to be “claims”. I define a claim as a bill submitted by a provider requesting payment for specific services provided to a specific member. Any other payments to providers I consider as non-claim benefit expenses. An example of such an expense is pay for performance. In my opinion, if ASOP No. 5 is intended to cover non-claim benefit expenses as well as true claims, it should be renamed *Incurred Health and Disability Benefit Expenses*.

3. Is the required disclosure on “provider insolvency risk,” as discussed in section 3.3.6, appropriate?

Yes.

4. Which common methods, if any, are appropriate to include in section 3.4?

It is appropriate to include the development method, tabular method, and projection methods, as currently reflected in the exposure draft. I feel that the following sentence is not appropriate and should be deleted: "Because no single method is necessarily better in all cases, the actuary should consider the use of more than one method."

5. Are the methods included in section 3.4 described in appropriate detail?

Yes, the level of detail is appropriate for an ASOP.

6. Is the requirement to disclose explicit provision for adverse deviation (PAD), as discussed in section 4.1, appropriate?

No, I do not feel that this is appropriate.

Very respectfully,

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