

Comment #8 – 4/26/16 – 3:07 p.m.

Dear committee members,

I really don't like paragraph 3.3.2 of the ASOP #5 exposure draft. It tries to encompass some very large ideas into a single paragraph and winds up being confusing. What I think would be most useful is a list of different breakdowns and why they would be necessary.

3.3.2 Categories of Incurred Claims- The actuary should consider separately estimating of incurred claims by categories:

- a. Separate into categories by lag-development patterns. If claims have different runout patterns and one category is growing relative to the other category(ies), the lag patterns developed by the method may not be accurate for future payments.
- b. Separate into categories by provider payment arrangement. If providers are capitated, the estimate of their future payments will be developed by a reading of their contract, not by using the lag-development method. (*although this seems to be well covered in 3.3.6*)
- c. *And so on*

The reason I'd like to see the list and the reasons is because I can't think of a single reason to break down by demographics, although that is mentioned. Am I missing something? I also can't think of why it matters what the exposure unit growth is. If my providers started billing by visit instead of by procedure but had the exact same allowed pattern it wouldn't affect my estimate.

I've read the paragraph many times, and I really think the only thing that needs to be mentioned is capitation (covered in 3.3.6) and different lag-development patterns. Could the rest of the paragraph be an attempt to list why there may be different lag-development patterns?

Also, for paragraph 3.3.4, Large Claims are not defined. Which I totally understand, but it should be mentioned why it is not defined. Maybe say something like "the actuary should use professional judgment in determining the appropriate definition of large claims".

Thank you for your work on this ASOP. Your efforts are much appreciated.

Most sincerely,
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