Oracle and 3 R's

Payors and Providers

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Program Agenda

1 ▶ The 3 R's

2 ▶ Oracle and Insurance

3 ▶ Demonstration

Oracle, anyone?
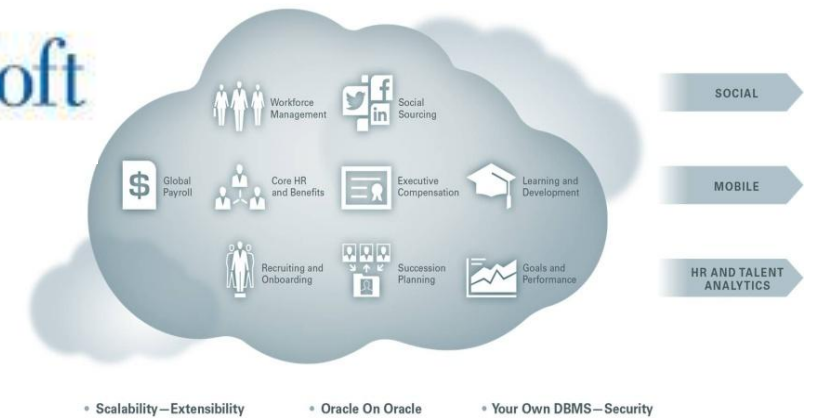
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What are they?

Programs	Reinsurance	Risk Corridors	Risk Adjustments
Purpose	Provide issuers inside Exchanges greater payment stability while neutralizing the impact from adverse selection in the individual insurance market		
Objectives	Offsets high cost outliers	Protect against inaccurate rate-setting	Protect against adverse selection
Outcome	Evens out market rate increases due to immediate coverage to high risk individuals	Transfer risk among carriers inside Exchanges by limiting underwriting profits and liabilities	Stabilize premium volatility by spreading the financial risks among insurance issuers
Period	2014 through 2016	2014 through 2016	Begins 2014 and permanent
State of Federal	State (can be federal assisted)	Federal	Federal
Funding	Assesses Fully Insured and Self-Insured Plans	Carriers realizing a 3% or better outcome than underwriting projections subsidize other carriers.	Transfer payments from plans that enroll low risk individuals to plans that enroll high risk individuals

(Chao & Company)

Why do we care? Reinsurance

- Not all companies see the value

- Short-term window of opportunity (2014-2016)

- Need to setup a Reinsurance program

- Need to coordinate your data quickly – (April, Y+1)

- Project out medical claims that will hit the $45,000 attachment point

- There is significant funding for this program ($63/$44/$26 per capita)

Sample Reinsurance Example – Deadline April of Y+1

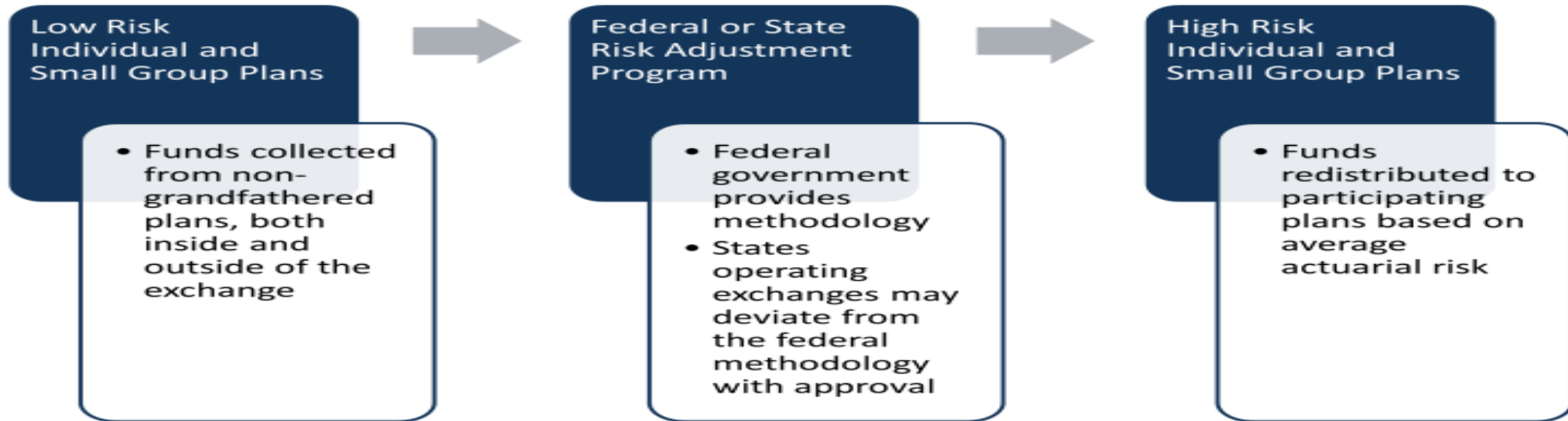| Year	Attachment Point	Claim Amount	Excess Loss	Recovery	Maximum Recovery*
2014	$45,000	$55,000	$10,000	$8,000	$164,000
2015	$70,000	$100,000	$30,000	$24,000	$144,000
2016	$100,000	$125,000	$25,000	$20,000	$120,000

*Maximum Claim Amount = $250,000

Sample Recovery Amount

Reinsurance Financial Impact Timeline Program-Wide

	2014	2015	2016
Assessed on all Commercial including Self Funding	$517M	$351M	$227M
Potential Recoveries (in KPIF)	$266M	$177M	$126M

$569mi

Risk Adjustment - Modeling!

Risk Adjustment Under the Affordable Care Act

Low Risk Individual and Small Group Plans

- Funds collected from non-grandfathered plans, both inside and outside of the exchange

Federal or State Risk Adjustment Program

- Federal government provides methodology
- States operating exchanges may deviate from the federal methodology with approval

High Risk Individual and Small Group Plans

- Funds redistributed to participating plans based on average actuarial risk

Source: Kaiser Family Foundation

THE HENRY J. KAISER FAMILY FOUNDATION

$$Y = I + C_1 X_1 + C_2 X_2 + \ldots C_i X_i + \ldots + C_n X_n$$

(Kahn, Park, Yi, Milliman)

Risk Adjustment – Predictive Modeling Example

Average = $1,000

Female, 57 = $500 = .5 risk factor, Condition A = $700 = .7 risk factor

Risk Score = 0.5+ 0.7 = 1.2

$1,000*1.2 = 1,200 – 1000 = $200 transfer out

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Risk Corridor – Shared Savings/MLR

Table 4. Amount of MLR Rebates Due on August 1, 2012

Based on Insurance Plan Activity During Calendar 2011

	Individual Market	Small Group Market	Large Group Market
Total Amount of Rebate	$393,877,421	$321,116,259	$386,378,570
Total Enrollees Receiving Rebates	4,122,682	3,295,798	5,341,787
Average Rebate Per Family	$152	$174	$135
Percent of Covered Companies Paying Rebate	38%	17%	11%

Source: Department of Health and Human Services, http://www.healthcare.gov/law/resources/reports/mlr-rebates06212012a.html#individual. DHHS webpage includes detailed debate on rebates broken down by state.

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+80% of the Global 500 Insurance Companies use Oracle
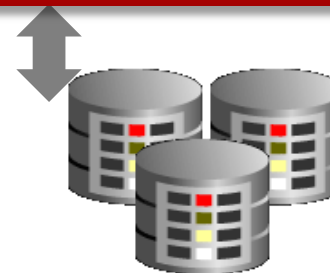
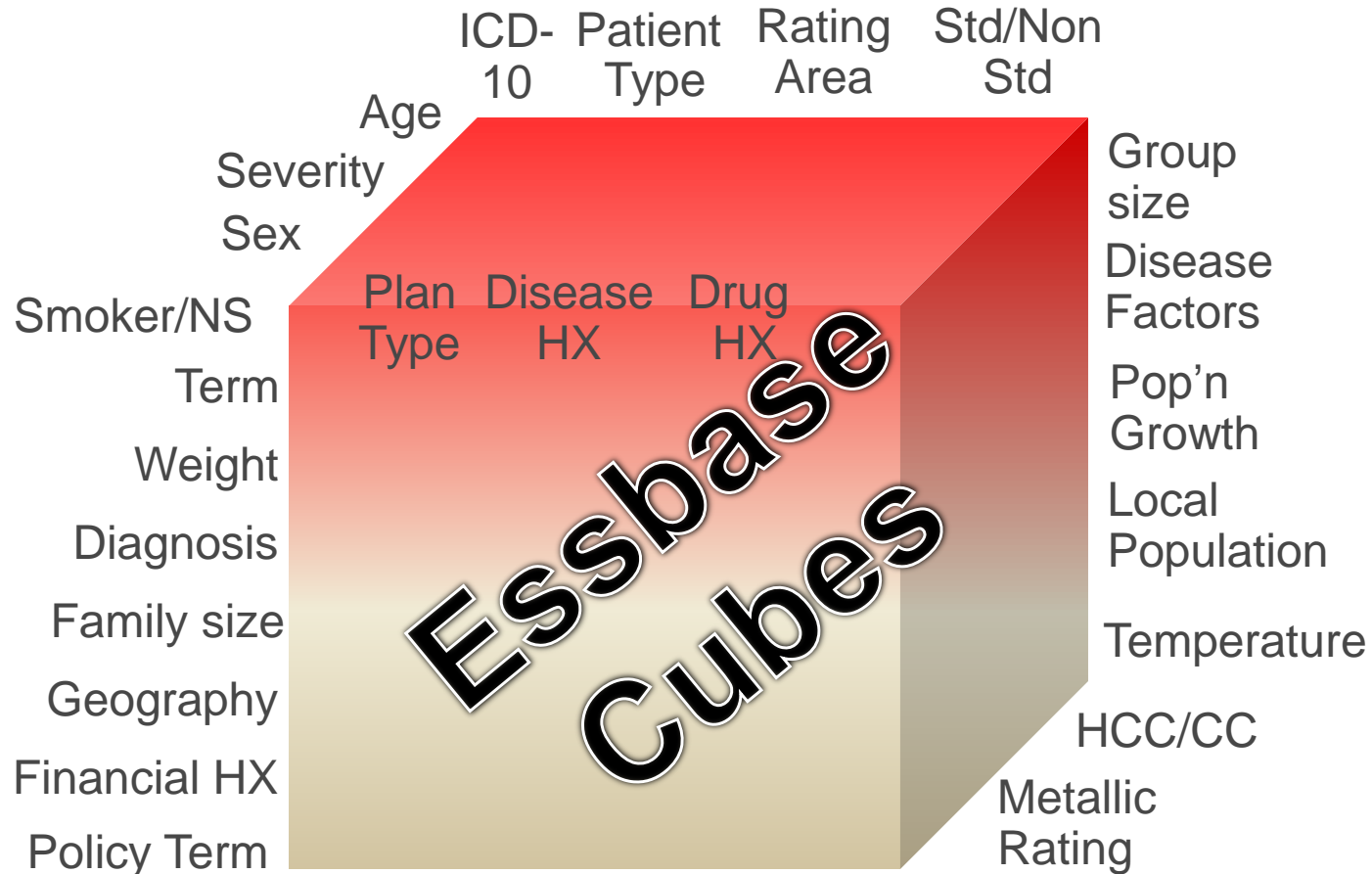# Oracle Enterprise Performance Management
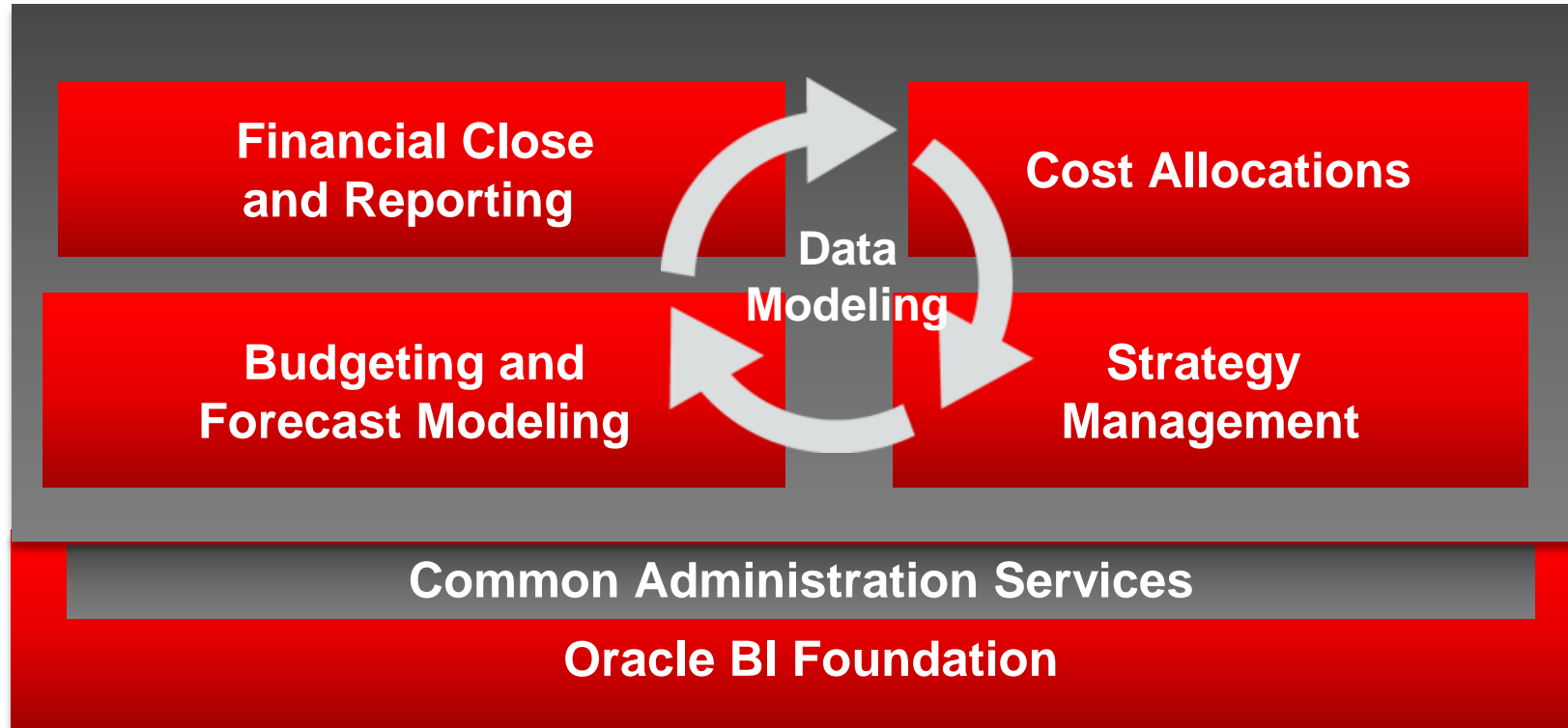
Costing in Healthcare Successes

Essbase – What is it?

- Business User tool
- Analytical calculations
- Automated aggregations
- Allocation engine
- Scenario modeler
- Results stored and used
- Multidimensional
- Easily customizable
- Easy reporting
- Open architecture

Correlating Administrative costs to Pricing

2.8M medical members, $13B premiums
Oracle customer since 1995
Local Market Share 34.8% ~ Retention
Rate of 96.7%

Needs

- Faced with ACA 2010 regulatory requirements
- No correlation between administrative costs and actuarial pricing model/retention rates
- Discover and understand shared services cost burdens
- Strong migration path for allocations without a steep learning curve
- Calculate customer, channel, product, etc profitability
- Impact of reorganizations, pricing, cost detail for other payer-provider initiatives
- A software vendor who understands Healthcare

After

- Project start to production April – October, 2010
- Continue to solve regulatory requirements as they unfold; 3 R's
- Passed audit using the solution in 2012
- Down to a 10-day close with 15 minute processing time of allocations
- Key metrics;132 cost pools, 110 LOB's, 45 drivers
- Eliminated custom coding and IT support dependency
- Seamless migration of design, data imports/outputs
- Quick and wide reception of the solution across the enterprise

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Demonstration
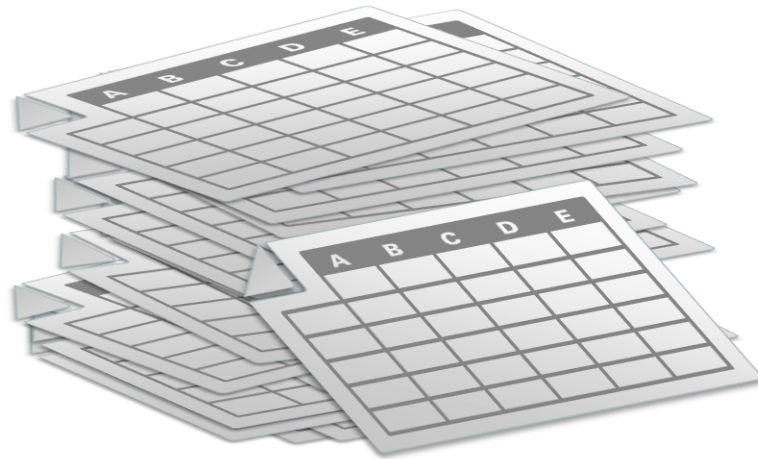
93%

use spreadsheets in financial processes

Source: *Performance Management: An Incomplete Picture.* Study carried out by Dynamic Markets for Oracle Corporation

Additional Resources

Solution Factory

http://Launch.oracle.com/
Token: Actuary

Videos

http://www.youtube.com/watch?v=0tbSlRofLig&list=PL6gBNP-Fr8KWtiJ5FsEj_Gzdv0uLIXj7-&feature=share&index=7

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