

Health & Benefits

You are a pricing actuary for BEAR Health Insurance Company. Rockwood-Leibowitz, a large benefits consulting firm, wants to offer BEAR Health's insurance products on its 2018 private exchange. In the interest of offering a diverse set of options to its clients, Rockwood-Leibowitz asks BEAR Health's product team to provide designs and pricing for standalone bronze, silver, gold, and platinum plans.

Task 1

Please list and describe the benefit components that make up a typical health insurance plan. What are the relationships between these components and the expected premium cost to the insured?

Task 2

Please explain to BEAR Health's product team what bronze/silver/gold/platinum plan are and how they are calculated.

Task 3

Given this definition & the assumed experience data, design a set of plans that conforms to the requirements of each metal tier and price the PEPM rates for each of them. Assume a 10% trend and 85% loss ratio. Make sure these plan designs are legal under the ACA.

Task 4

Rockwood-Leibowitz reveals to BEAR Health's product team that instead of a standalone plan, they now want to offer these plans as a multi-choice option for their clients. Please explain why the rates you submitted earlier are no longer adequate.

Task 5

Assuming that the 2016 Claims experience will act as a good proxy for the expected experience for Rockwood-Leibowitz's clients, what are some pricing strategies to completely mitigate the risk of adverse selection? Calculate exactly how much each plan's rates will change relative to what they would be if it were a single-plan offering. What does this imply about the relationship between plan choice and the overall rates to consumers?

Task 6

Rockwood-Leibowitz is set on offering plans of each metal tier as a multi-choice option for their clients. They mention that price will be the main determinant in the success of the product. Given this directive, would you like to make any edits to the original plan designs in order to minimize the rate loads without increasing the risk of adverse selection? Why or why not?