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Press Release

Milliman identifies ten strategic considerations of the Supreme Court upholding PPACA

Major concerns for healthcare stakeholders include adverse selection, strength of the individual mandate, new complexity surrounding Medicaid expansion, changes to employer-sponsored insurance

Seattle – June 29, 2012 – Milliman, Inc., a premier global consulting and actuarial firm, today released analysis of the Supreme Court’s 5-4 decision upholding the Patient Protection and Affordable Care Act (PPACA). With the court effectively ruling the individual mandate and other elements of the law constitutional—with the notable and complex exception of certain aspects of Medicaid expansion—healthcare stakeholders can turn their attention to implementing healthcare reform.

“Since 2009, Milliman has worked with its clients to prepare for and implement the healthcare reform law,” said Clark Slipher, Milliman Health Practice Director. “With the law’s constitutionality bound up in court, it’s been an uncertain time for our clients, which include insurers, employers, providers, and state and Federal governments. This ruling clarifies the road ahead for American healthcare, and while it is reassuring to know where we are going, healthcare stakeholders face many strategic challenges that will require innovation and sound financial planning in the years ahead.”

Strategic considerations facing healthcare stakeholders include:

1. **Adverse selection may still be a challenge.** Even with the individual mandate in place, the success of many insurers under PPACA will depend on their ability to minimize adverse selection.
2. **Medicaid expansion just became a far more complex and variable proposition.** The court’s decision to allow states to opt out of Medicaid expansion creates dynamic changes across the healthcare system.
3. **Employers grapple with new options and plan requirements.** While reports of the demise of employer-sponsored insurance coverage are premature, these plans still face many potential changes.
4. **What is the effect on early retirees?** The role of the employer in covering those between 55 and 65 may change under PPACA.
5. **Rate review scrutiny and no risk selection: Something’s got to give.** Keeping rate increases under 10% may become more challenging with many of the traditional cost-control mechanisms no longer available to insurers.
6. **Which states will get on the exchange bandwagon?** With the Court decision minimizing uncertainty, there may be increased incentive for states to fast-track exchange planning.
7. **Minimum loss ratios (MLR) pose an ongoing challenge for insurers.** Insurers have struggled to comply with the MLR requirements, and increased volatility in medical costs potentially brought on by adverse selection may compound the difficulty for insurers.
8. **Risk adjustment is essential.** A new reform calculus is required with traditional risk selection



techniques such as medical underwriting no longer allowed.

9. **Will cost shifting hold steady, increase, or decrease?** Subsidies, rating restrictions, and an effort to achieve universal coverage all introduce new cost dynamics for insurers, providers, and policyholders.
10. **The cost problem persists. What can be done about it?** Certain aspects of PPACA have the potential to affect costs, but this potential needs to be actualized in order to moderate annual cost increases that regularly exceed other consumer spending.

For more detail on each of these strategic considerations, go to <http://bit.ly/MDNErA>. To receive regular updates on Milliman's healthcare perspective, visit our healthcare reform library at www.milliman.com/hcr, visit our blog at www.healthcaredownhall.com or follow us on Twitter at www.twitter.com/millimanhealth.

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