

# GH – Design & Pricing Exam

## Segments C and A

Fall 2019

### Important Exam Information:

[Exam Registration](#)

Candidates may register online or with an application.

[Order Study Notes](#)

Study notes are part of the required syllabus and are not available electronically but may be purchased through the online store.

[Introductory Study Note](#)

The Introductory Study Note has a complete listing of all study notes as well as errata and other important information.

[Case Study](#)

A copy of the case study will be provided with the examination. Candidates will not be allowed to bring their copy of the case study into the examination room.

[Past Exams](#)

Past Exams from 2000-present are available on SOA website.

[Updates](#)

Candidates should be sure to check the Updates page on the exam home page periodically for additional corrections or notices.

## 1. Topic: Plan Provisions

### Learning Objectives

The candidate will understand how to describe plan provisions typically offered under:

- Group and Individual medical, dental and pharmacy plans.
- Group and Individual long-term disability plans.
- Group and Individual short-term disability plans.
- Supplementary plans, like Medicare Supplement.
- Group and Individual long-term care insurance.

### Learning Outcomes

The Candidate will be able to:

- a) Describe typical organizations offering these coverages
- b) Describe each of the coverages listed above
- c) Evaluate the potential moral hazard and financial and legal risks associated with each coverage

### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 5: Medical Benefits in the United States
  - Ch. 6: Dental Benefits in the United States
  - Ch. 7: Pharmacy Benefits in the United States
  - Ch. 10: Health Benefits in Canada
  - Ch. 11: Group Life Insurance Benefits
  - Ch. 12: Group Disability Income Benefits
  - Ch. 13: Group Long-Term Care Insurance
- *Essentials of Managed Health Care*, Kongstvedt, Peter R., 6<sup>th</sup> Edition, 2013
  - Ch. 2: Types of Health Insurers, Managed Health Care Organizations and Integrated Health Care Delivery Systems
- *Individual Health Insurance*, Bluhm, William and Leida, Hans, 2<sup>nd</sup> Edition, 2015
  - Ch. 2: The Products, pp. 39-83
- GHDP-126-19: Product Design of Critical Illness Insurance in Canada
- [Combo Long-term Care Products: A Solution to Address Market Needs](#), The Actuary, Oct/Nov 2013

## 2. Topic: Manual Rates

### Learning Objectives

The candidate will understand how to calculate and recommend a manual rate for each of the coverages described in Learning Objective 1.

### Learning Outcomes

The Candidate will be able to:

- a) Identify and evaluate sources of data needed for pricing, including the quality, appropriateness and limitations of each data source
- b) Develop a medical cost trend experience analysis
- c) Calculate and recommend assumptions
- d) Calculate and recommend a manual rate
- e) Identify critical metrics to evaluate actual vs. expected results
- f) Describe the product development process including risks and opportunities to be considered during the process
- g) Apply actuarial standard of practice in evaluating and projecting claim data

### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 3: Product Development
  - Ch. 20: Pricing of Group Insurance
  - Ch. 21: Estimating Medical Claim Costs (pp. 337-355)
  - Ch. 22: Estimating Dental Claim Costs
  - Ch. 23: Estimating Pharmacy Claim Costs
  - Ch. 24: Estimating Life Claim Costs
  - Ch. 25: Estimating Disability Claim Costs
  - Ch. 26: Pricing Group Long-Term Care Insurance
  - Ch. 34: Medical Claim Cost Trend Analysis
- *Essentials of Managed Health Care*, Kongstvedt, Peter R., 6<sup>th</sup> Edition, 2013
  - Ch. 22: Underwriting and Rating
- *Individual Health Insurance*, Bluhm, William and Leida, Hans, 2<sup>nd</sup> Edition, 2015
  - Ch. 5: Setting Premium Rates
- GHDP-101-13: Group Disability Insurance (sections 4 & 7)
- GHDP-105-17: Pricing Considerations for Drugs Covered under Pharmacy Benefit programs

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- GHDP-107-17: CIA Study on Canadian Group LTD Termination Experience (1988-1997), pp.6-17
- GHDP-127-19: Chapters 16 and 19 of *Disability Income Insurance: The Unique Risk*, 5<sup>th</sup> Edition, Soule
- GHDP-128-19: Pricing Medicare Supplement Benefits, sections IV & V
- GHDP-129-19: Pricing Critical Illness Insurance in Canada
- [ASOP 18: Long-Term Care Insurance](#) (excluding Appendix)
- [ASOP 23: Data Quality](#) (excluding Appendix)
- [ASOP 25: Credibility Procedures](#) (excluding Appendix)
- [ASOP 41: Actuarial Communications](#) (excluding Appendix)
- [Mechanics and Basics of Long-Term Care Rate Increases](#), Long-Term Care News, August 2014
- [Timing's Everything: The Impact of Benefit Rush](#), Health Watch, May 2008
- [Report on the Proposed 2016 Cancer Claim Cost Valuation Tables](#)

### 3. Topic: Employee Benefit Strategy

#### Learning Objectives

The candidate will understand how to evaluate and recommend an employee benefit strategy.

#### Learning Outcomes

The Candidate will be able to:

- a) Describe structure of employee benefit plans and products offered and the rationale for offering these structures
- b) Describe elements of flexible benefit design and management
- c) Recommend an employee benefit strategy in light of an employer's objectives

#### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 19: Health Benefit Exchanges (pp.319-321)
- *The Handbook of Employee Benefits*, Rosenbloom, Jerry, 7<sup>th</sup> Edition, 2011
  - Ch. 1: The Environment of Employee Benefit Plans
  - Ch. 2: Functional Approach to Designing and Evaluating Employee Benefits
  - Ch. 18: Selected Additional Benefits, (pp. 491-496)
  - Ch. 24: Strategic Benefit Plan Management
  - Ch. 25: Cafeteria Plan Design and Administration, (pp. 671-680, 686-699)
  - Ch. 32: Employee Benefit Plans for Small Companies (pp. 869-874)
- GHDP-106-16: Health Plan Payroll Contribution Strategies and Development for Employers
- GHDP-108-17: Post-Affordable Care Act Trends in Health Coverage for Small Business: Views from the Market
- GHDP-130-19: Recommend an Employee Benefits Strategy
- GHDP-132-19: Ch. 7 (sections 7.1-7.3, 7.5-7.7) & Ch. 16 of *Canadian Handbook of Flexible Benefits*, McKay, 3<sup>rd</sup> Edition, 2007
- [A Practical Guide to Private Exchanges](#), Health Watch, May 2015
- [Consumers to the Rescue? A Primer on HDHPs and HSAs](#)

<b>4. Topic: Provider Reimbursement</b>
<b>Learning Objectives</b>
The candidate will understand how to evaluate the effectiveness of different provider reimbursement methods from both a cost and quality point of view.
<b>Learning Outcomes</b>
The Candidate will be able to: <ul style="list-style-type: none"><li>a) Calculate provider payments under various reimbursement methods</li><li>b) Evaluate standard contracting methods from a cost-effective &amp; quality perspective</li><li>c) Understand contracts between providers and insurers</li><li>d) Understand accountable care organizations and medical patient home models and their impact on quality, utilization and costs</li></ul>
<b>Resources</b>
<ul style="list-style-type: none"><li>• <i>Essentials of Managed Health Care</i>, Kongstvedt, Peter R., 6<sup>th</sup> Edition, 2013<ul style="list-style-type: none"><li>○ Ch. 4: The Provider Network</li></ul></li><li>• GHDP-102-13: Evaluating Bundled Payment Contracting</li><li>• GHDP-110-15: Commonwealth Fund Paper – The Final Rule for the Medicare Shared Savings Program</li><li>• GHDP-119-18: Physician Remuneration Options (pp. 3-11)</li><li>• GHDP-120-18: Avoiding Unintended Consequences in ACO Payment Model</li><li>• GHDP-122-19: Episode-Based Physician Profiling: A Guide to the Perplexing</li><li>• GHDP-123-19: Physician Cost Profiling – Reliability and Risk of Misclassification</li><li>• GHDP-124- 19: Medicare Shared Savings Program in the Quality Payment Program</li><li>• GHDP-125-19: Ch. 22.6-22.7 of <i>Healthcare Risk Adjustment and Predictive Modeling</i>, Duncan, 2<sup>nd</sup> Edition</li><li>• <a href="#">Design and Pricing of Tiered Network Health Plans</a>, Health Watch, May 2009</li><li>• <a href="#">Provider Payment Arrangements, Provider Risk, and Their Relationship with Cost of Healthcare</a> (excluding Appendices)</li></ul>

## 5. Topic: Underwriting

### Learning Objectives

The candidate will understand how to apply principles of pricing, risk assessment and funding to an underwriting situation.

### Learning Outcomes

The Candidate will be able to:

- a) Understand the risks and opportunities associated with a given coverage, eligibility requirement or funding mechanism
- b) Understand, evaluate and apply various risk adjustment mechanisms
- c) Recommend strategies for minimizing or properly pricing for risks
- d) Describe and apply approaches to claim credibility and pooling
- e) Apply applicable Actuarial Standards of Practice

### Resources

- *Group Insurance*, Skwire, Daniel D., 7<sup>th</sup> Edition, 2016
  - Ch. 21: Estimating Medical Claim Costs (pp. 356-361)
  - Ch. 27: Experience Rating and Funding Methods
  - Ch. 30: Group Insurance Underwriting
  - Ch. 31: Managing Selection in a Multiple-Choice Environment
  - Ch. 33: Health Risk Adjustment (pp. 571-577)
- *Individual Health Insurance*, Bluhm, William and Leida, Hans, 2<sup>nd</sup> Edition, 2015
  - Ch. 4: Managing Antiselection (pp. 109-148)
- GHDP-118-17: Issues to Consider in Self-Funding Long-Term Disability Insurance
- [Level Funding: An Alternative to ACA for Small Groups, Health Watch](#), May 2016
- [Issues In Applying Credibility to Group Long-Term Disability Insurance](#), pp. 5-15
- [A Practical Approach to Assigning Credibility for Group Medical Insurance Pricing](#)
- [The Role of the Actuary in Self-Insurance](#), May 2018, sections 4, 5 & Appendices (excluding 4.4, 4.6.1, 4.6.2 & 4.6.3)