

Memo



State of Oklahoma SB 14

To: Joe McCoy, CPA
Dana Webb

From: Trey Sarsfield, ASA, MAAA

cc: Kelly Wilson, CPA
Frank Wilson, CPA
Timothy Nimmer, FSA, MAAA
Justin Kindy, FSA, MAAA
Colleen Huber, FSA, MAAA
Jennifer Becker

Date: February 9, 2009

Re: SB 14 - Cover All Medically Necessary Services

Dear Mr. McCoy and Ms. Webb,

Per your request, Aon reviewed the proposed Senate Bill 14. Section 1A would cover any health care service that is deemed to be medically necessary; Section 1B amends 1A to exclude elective pregnancy termination. Under the current plan, the services that are not covered are typically high dollar claims. This bill could lead to a severe, negative fiscal impact dependent on the types of services deemed medically necessary.

Based on the above this bill will likely lead to the expansion of current benefit levels. Subsequently, Aon would expect to see a substantial increase in claims. Aon estimates this will have a material impact on the needed funding for the plan. If monthly funding rates are adjusted to account for the additional services covered, the affordability of the plan to participants may be jeopardized. However, if no action is taken on monthly funding rates to account for the increased services, the solvency of the plan may be jeopardized within the next 5-10 years. As this bill introduces the possibility of significant increases to claims liability of the plan, the cost will necessarily be supported by the member or the plan, or a combination thereof.

Additionally, the Bill's language states that the plan must "...fully cover any health care services..." without adding that standard deductibles and coinsurance will still apply. As written, this bill can be interpreted as eliminating this cost shifting. If the plans were required to be amended to offer first-dollar coverage for all services, the impact to utilization would be extraordinarily large. The added impact of this provision could accelerate the insolvency of the plan to the next 1-2 years.

Based on substantial volatility, the financial impact of this bill can not be actuarially measured with a sufficient degree of statistical confidence, but the effect could be catastrophic. If you need further information or have any questions, please do not hesitate to contact us.



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Thank you,

A handwritten signature in black ink, reading 'LCSA III'. The signature is written in a cursive style with a distinct 'L' and 'S'.

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