

# Underwriting with On-Line Prescription Histories

Actuaries Club of the Southwest – Annual Meeting  
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**IntelliScript**

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# Underwriting with Prescription Histories

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- How Does it Work?
- Where / How Insurers Use Rx Histories
- Insurer Results



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## The concept...

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The delivery of prescription profiles,

As authorized by your Applicants,

In a few seconds via the internet,

Current within 24 hours,

To uncover critical medical information.



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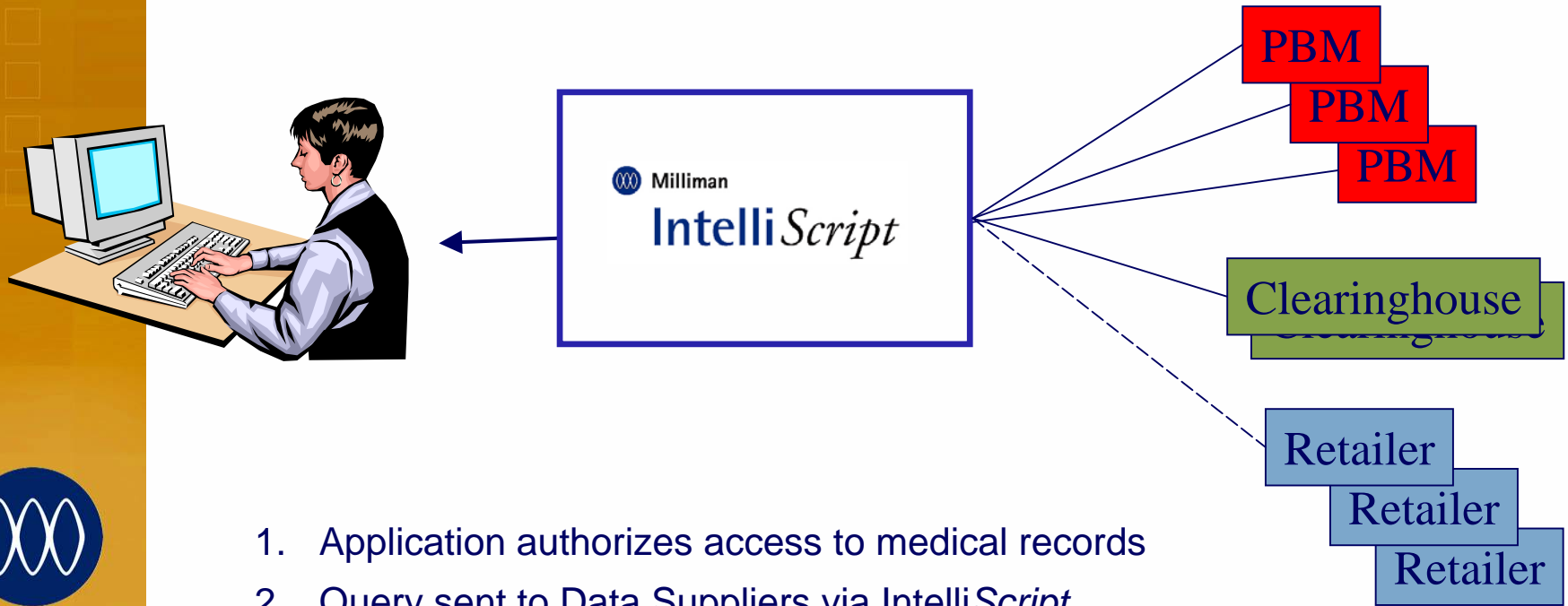
# Why would insurers use Rx histories?

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Better Information means...

- Quicker decisions
- Improved Risk Selection
- Increased Profitability
- Happier brokers, agents, applicants

# How does it work?



1. Application authorizes access to medical records
2. Query sent to Data Suppliers via IntelliScript
3. Results returned via interpretive software

# What's included in an Rx history?

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- Prescription Information
  - Brand, generic name
  - Date of fill, dosage
  - Quantity and days supply
- Physician Information
  - Name, specialty, contact info
- Risk Evaluation Elements
  - Implied Diagnosis
  - Risk Scoring

# Process is fully compliant with letter and spirit of HIPAA...

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- Applicants authorize access to their records
- Privacy and security measures in contract
- Audit provisions



# Where are Insurers using Rx Histories?

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- Anywhere they use medical underwriting....
  - Individual Medical
  - Small-group Medical
  - Long Term Care
  - Individual Life
  - Workers Comp





# Individual Medical

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- Ways IM underwriters are using Rx histories:
  - On “clean” or “jet-issue” applications
  - In conjunction with a tele-interview
  - With online / paper / phone applications
- Objectives vary:
  - To identify undisclosed conditions
  - To avoid APS or other requirements
  - To speed up the underwriting process

# Small-group Medical

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Two ways SG underwriters are using Rx histories:

- In conjunction with medical questions
  - To identify undisclosed conditions
  - Often the only tool other than the application
  
- To replace medical questions
  - Use auth-only short form
  - Brokers like faster decisions
  - Challenges:
    - Spouse authorization
    - Broker expectations & hit-rate fluctuation

# Insurer Results

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Two ways insurers determine value:

- Retrospective Study
  - Select sample of recently issued cases
  - “Re-underwrite” using Rx histories
  - Track decision changes
- Concurrent study
  - Underwriters track decision changes while using Rx history tool

In either case:

Value of Rx tool = Sum of actuarial value of decision changes

# Actual Study Results – Health Insurer

## Cost Summary

Total Hits	Cost
16,987	\$ 178,360

## Assumptions

Average Annual Premium	\$2,500
Average Duration (Years)	2.0
Decline Multiplier	200%
Rate-up Multiplier	50%
Rider Multiplier	50%

Benefit = Premium X Average Duration X Multiplier

## Benefit Detail

Decision	Count of Decision Changes	Benefit per Decision Change	Total Benefit
Decline	233	\$10,000	\$2,330,000
Rate-up	172	\$2,500	\$430,000
Rider	168	\$2,500	\$420,000
	573		\$3,180,000

Decision Changes as % of Rx Hits
1.7%
1.3%
1.3%
4.3%

Benefit-to-Cost Ratio

18 to 1



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# Considering Prescription Histories?

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- Know the limitations
  - Hit Rate
  - Drugs not on Rx History
- Augment or replace current underwriting tools?
- Think through new work flow
- Provide plenty of training
- Consider impact on agents / brokers
- Pilot before full implementation

**Thank you!**

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**Questions?**



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