

9. (1.5 points)

a. (0.5 point)

Describe the interaction between workers compensation insurance and Medicare for a 70-year-old worker who is injured in the course of employment.

b. (0.5 point)

Describe the rationale for the creation of the Medicare Set-Aside Allocations (MSAs).

c. (0.5 point)

Describe one potential impact to estimates of unpaid losses for workers compensation resulting from changes made by the federal government to MSAs.

**SPRING 2017 EXAM 6U SAMPLE ANSWERS AND EXAMINER'S REPORT**

<b>QUESTION 9</b>	
<b>TOTAL POINT VALUE: 1.5</b>	<b>LEARNING OBJECTIVE(S): B1, B2</b>
<b>SAMPLE ANSWERS</b>	
<b>Part a: 0.5 point</b>	
Sample answers include: <ul style="list-style-type: none"> <li>Workers compensation insurance is primary and Medicare is secondary.</li> <li>Workers compensation is primary over Medicare.</li> <li>Medicare will pay the medical expenses first, and then will seek reimbursement from workers compensation since it provides primary coverage.</li> </ul>	
<b>Part b: 0.5 point</b>	
<ul style="list-style-type: none"> <li>All parties are in a WC settlement are required to set aside money for medical expenses related to the injury. The MSA will ensure that the amount paid by the WC insurer will still be sufficient to offer primary coverage when the insured is Medicare eligible.</li> </ul>	
<b>Part c: 0.5 point</b>	
Sample answers include: <ul style="list-style-type: none"> <li>Unpaid loss estimates for WC will increase with strengthening of the MSA because now the WC insurer is responsible for payments that were paid by Medicare prior to the change.</li> <li>It was expected to see a spike in claim closures before MSAs were put into effect since insurers were trying to settle the claims before new requirements became effective. This one-time effect could distort estimates of ultimate loss using traditional actuarial methods.</li> <li>Losses may now take longer to settle since the MSA will require approval. Estimates of unpaid losses could be understated if the slowdown in the closure pattern is not recognized.</li> <li>There will likely be an increase due to MSAs having to be approved beforehand. A company has to submit their MSA and have it approved or else the claim cannot be settled. This will likely have insurers setting aside larger amounts so they don't risk needing to resubmit the MSA.</li> <li>The additional MSA filing requirements are costlier and make claims settlement slower. This would increase the unpaid losses for WC.</li> </ul>	
<b>EXAMINER'S REPORT</b>	
Candidates were expected to demonstrate an understanding of the interaction between workers compensation insurance and Medicare. Also, candidates were expected to demonstrate knowledge of how Medicare Set-Asides (MSAs) are used to ensure that medical portions of workers comp settlements are appropriately spent on medical expenses during Medicare eligibility.	
<b>Part a</b>	
Candidates were expected to identify the workers compensation coverage as primary and the Medicare coverage as secondary.	
Common errors include: <ul style="list-style-type: none"> <li>Not addressing which coverage was primary and which was secondary.</li> <li>Omitting commentary on one of the coverages</li> </ul>	

SPRING 2017 EXAM 6U SAMPLE ANSWERS AND EXAMINER'S REPORT

<b>Part b</b>
Candidates were expected to know why MSAs were created and how the MSA addressed that issue.
Common errors include: <ul style="list-style-type: none"><li>• Not addressing the funding source of the MSAs</li><li>• Identifying Medicare as the party that sets aside funds for the MSA</li><li>• Not identifying that the workers compensation funds should pay before Medicare</li></ul>
<b>Part c</b>
Candidates were expected to identify a change associated with MSAs and then relating that to an impact to estimates of unpaid losses.
Common errors include: <ul style="list-style-type: none"><li>• Identifying an impact to unpaid loss estimates without relating it to a change to MSAs</li><li>• Listing medical versus indemnity split having an impact on unpaid loss estimation. The syllabus material explicitly states that there are no publicly available studies to quantify the impact on overall costs or severity trends.</li></ul>