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LENDING EXPERTISE TO HELP NONPROFIT AGENCY

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FOR A FEW YEARS NOW, there has been a push for actuaries to venture into nontraditional roles, especially with the new CERA credential. Industries all over the world are developing metrics to analyze risk. These range from health care to the airline industry to sports analytics to retail. This is a great opportunity for actuaries to showcase their expertise. Actuaries have been trained rigorously in risk management. What makes our profession unique is that we can take our technical expertise and turn our analysis into recommended business actions. This article sheds light on one successful example.

BACKGROUND

As part of my business leadership program, I embarked on a project to help a local nonprofit agency. I chose a behavioral health organization. The vision of this organization was to create a healthy community by providing mental health, addictions and supportive housing services. Its clients were typically low-income, un- or underinsured individuals, and who may also be homeless.

There were two main issues facing the organization. First, the net income on its income statement had been deteriorating since 2010. Management did not have the necessary

tools to analyze the situation. Second, the organization faced a customer service issue. There was often a four-week lag time between the time of initial contact and the first available assessment intake appointment.

THE ACTUARY STEPS IN

I made sure to review the SOA's Code of Conduct before committing to this nontraditional work. I knew I would represent our profession well by showing integrity, courtesy and cooperation, and exhibiting strong communication skills. I did spend the most time reviewing Precept 2 on Qualification Standards, but ultimately I felt I was qualified due to my actuarial credentials and my years of health work experience. If I felt I was unqualified to analyze a certain question, I would decline or delegate to another professional. You'll get to know Marian in the next paragraph.

With any project like this, it is important to interview the key stakeholders in the organization. I met with the executive director and the staff accountant to understand their successes and their failures. After gathering this information, I had to be honest with myself on how my actuarial skills could solve their problems. I knew I could definitely help with the financial piece because of my

work experience and through my actuarial exam knowledge. But I wasn't an expert in alleviating their customer service problems. There were "bottlenecks" throughout the intake process for the organization's clients. Those bottlenecks had to be identified and then had to be fixed. I scanned my network and called on a process improvement expert, Marian, to help on this project.

Lesson #1: Hold the initial interview, know your network, and don't be afraid to call on other experts to support you.

SOLVING THE PROBLEMS

The Income Statement Problem

In order for us to do analysis, actuaries need the data. Data is a very precious and sensitive asset for organizations. For us to get the data, we need to establish trust with the owners of that data. This is a very crucial step. I chose this organization because I already had a relationship with the executive director. This is why it is important for actuaries **to network outside our industry** and build those relationships. I was provided access to the organization's system and data. Getting the data is one thing, but understanding what the data means is another. I had to understand the terminology used in their world. Words such as *intake* and *assessment*



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were somewhat new to me. Then I held more interviews with the staff to further understand the billing system and how the data flowed through it.

After analyzing the past few years of the income statement, I realized revenues were the cause of the deterioration. What drives revenue up or down? One factor was simply the number of appointments and quality of those appointments. I developed a metric using the data and analyzed that metric by various categories. I discovered a few key trends, and the staff was able to capitalize on that new knowledge. In addition, the team now had a tool to manage a crucial part of the business.

The Customer Service Problem

In order to identify bottlenecks in any process, the entire process needs to be mapped. The process improvement expert, Marian, created a diagram for every step in the process. She then held interviews asking the time it took to complete each step. After creating the process map, Marian and I took a step back and analyzed where the bottlenecks were. We also identified if there were any inefficiencies in the process. Inefficiency costs any organization money and time. It is important to know where your inefficiencies are.

Lesson #2: Network outside the actuarial industry. Establish trust with the owners of the data.

THE DELIVERY

After all the analysis was complete, it was now time to communicate the results. A report was presented to the organization's leaders that included charts, data tables, process maps and a list of recommendations. The tool I developed was also left with the organization in order

for the leaders to refresh the analysis. The key recommendations included:

- Putting contingency plans in place if a client or the agency has to cancel the appointment
- Creating a new process to remind clients of their appointments following a weekend
- Adding a new program for drop-in appointments
- Creating new tools to help staff be more efficient when serving clients.

The communication of the findings and the recommendations is just as crucial as the analysis. Actuaries need to be able to communicate their technical analysis and get buy-in from the decision-makers. This is what the executive director had to say:

Roger and Marian's purpose was to analyze our service model to identify areas for improvement. I have been extremely impressed with the results of their work as well as their professionalism. They were successful in identifying several key areas for improvement as well as data points by which to measure against to ascertain our progress. We've already begun to see improvements in our model. Perhaps more importantly, Roger/Marian interacted with my staff in an extremely professional and effective manner. I am very grateful for the time and effort that they put into the project and I am only left with one regret—that it cannot continue.

Lesson #3: Continue to work on your communication skills to become an effective actuary.

MOVING FORWARD AND LESSONS LEARNED

It comes with great pleasure to announce that the organization's financial results have

greatly improved during the past few months. They are no longer seeing a deterioration but an increasing trend upward. For any actuaries out there looking to venture out into nontraditional roles, here are some key lessons:

- Review the Code of Conduct before committing to nontraditional actuarial work.
- Establish trust with the key decision-makers and the owners of the data.
- Hold those initial interviews to understand the needs of the situation.
- Self-regulate yourself on what you can do vs. calling on other experts to help you. Consider working in a group vs. just yourself.
- Simple metrics can go a long way and can be very effective.
- Actuaries are trained professionals, and our professionalism is a key strength.
- Understand the differences between a corporate, for-profit organization vs. a nonprofit organization. There is a different set of needs, but both types need to be financially sound.

Actuaries do have a unique skill set to offer our evolving, data-driven world. It is up to us to identify those opportunities and capitalize on them. Continue to build your actuarial brand, expand your network, and showcase what you as an actuary can do. I believe this will push our profession forward into new frontiers. ▣

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