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ACTUARIES IN THE PUBLIC FORUM: THE HEALTH CARE DEBATE

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The 1994 debate on health care brought the actuarial profession into a significant role in the public eye. This session will recap the history of our involvement. What improvements could be made in the way we responded? Has the AAA been effective in utilizing the SOA resources in the process? This session will also cover state and local government activities.

MR. ROLAND E. KING: The 1994 debate on health care reform probably thrust actuaries into the spotlight and into the public forum in a way that we haven't had in years. There may have been a similar spotlight on the actuaries back in 1974 when ERISA was passed, but I was just getting started in the actuarial profession then, so it wasn't so evident to me. Health is an area in which I specialize, so I was very conscious of it. It really started back at the beginning of the Clinton administration when Donna Shalala, who was the Secretary-Designate for the Department of Health and Human Services, commented at her confirmation hearings with the Senate that she could hardly wait to get access to the actuaries so that they could begin getting a formal, analytical take on the Clinton health care reform plan. Ira Magaziner, who really ran the Clinton administration's Health Care Reform Task Force, recruited a team, composed mostly of actuaries, to audit the work of the Clinton health care reform plan.

Many of the actuaries who participated in that audit were quoted, and in some cases misquoted, or quoted out of context, on what their opinion was of the Clinton health care reform plan. One of the things that we're going to learn is that politicians always—and the press to a lesser extent—end up putting their own spin on things that you say, and that's something you have to be very conscious of. Also, actuaries' opinions on health care reform during this great debate were being quoted in newspapers such as *The New York Times* and *The Wall Street Journal*. There was a period of time when every week there was a quote from one actuary or another on some aspect of the Clinton health care reform plan.

We have three panelists here who played a central role in that debate. First, Howard Bolnick organized and managed the AAA involvement in the debate because he was the head of the Health Practice Council at the time. Howard did a great job of managing and directing the AAA, very extensive involvement, and Howard's efforts and the efforts of all the volunteers whom he recruited ended up in the publication of several monographs related to health care reform. These monographs were viewed by people on Capitol Hill as being an objective look at some of the basic issues underlying health care reform.

Alice Rosenblatt chaired the AAA work group on risk adjusters, and she testified several times on risk adjusters before Congress. She also was a member of the AAA cost estimates work group, which developed probably the most important monograph that the Academy issued on the Clinton health care reform plan.

Ron Bachman played a very important role in exposing the true cost of the mental health benefit in the health care reform plan, and I think he came to find out that his important role was even more visible than he had hoped it to be. He became the subject of several disparaging articles in the mental health trade press dealing with his involvement in that debate. Today Ron has become accustomed to being in the public eye. He advises speaker Newt Gingrich on Medicare reform.

So what we'd like to do is just share this panel's experience with you. We're going to tell you about our mistakes. We're going to tell you about the positive things that happened. We're going to try to profit from the experience. But I know that you all have plenty of experience in this area, too. Perhaps it isn't in the area of health care reform. Perhaps it's in other areas. But the purpose of this session really is to get the people here to profit from each other's experience. Sometime, because of the position of responsibility that you're in, you're going to be thrust into the public forum without having asked for it or without really being aware that you're doing it, simply because of the importance of some of the cost estimates and projections that you're doing. We hope this will help you to better deal with what you have to deal with when you are being quoted or misquoted in the press.

We'll start with Howard telling us a little bit about what it was like to orchestrate this massive effort that the AAA was involved in. Once again, I will tell you to please feel free to interrupt if you have your own experiences that you would like to relate throughout the session.

MR. HOWARD J. BOLNICK: I'd like to give you a little overview of how we organized and what some of the problems were that we thought about with actuaries influencing public policy. Some of these will sound very familiar to you, and I think that their timelessness is important. In other words, these are not just things that happened with the Clinton debate and will never happen again. These are permanent problems that we have, I think, in terms of influencing public policy. As you'll see, we did many things right, we did some things wrong, and we must do some things better. We're still working on it with respect to what is going on in Washington today and in working with the NAIC and building our influence in public policy issues or debates in the health area.

Let me start off by saying that the first introduction I had to this whole problem was about ten years ago when the AAA formed a committee on national health insurance. This was before there were sections, and this was the first time people began to realize something might be happening in Washington, and they got an August group together. I don't know how I got on it at that time, but I went to Washington, and I remember being in a room where one of our members, who had been around the political side of things for quite a while, stood up at the beginning of the meeting and said, "I want you to know those people out there are just waiting to hear from us. They're dying to hear from actuaries. We just have to decide what we're going to say." Well, I was somewhat skeptical then, and it was probably good that I was skeptical because when I was faced with the problem of thinking through what were going to do when the Clinton proposal came out, it turned out there were three significant problems that were there ten years ago when we didn't think they were and which were certainly there when the Clinton proposal came up. The first one is suspicion. The second one is credibility. And the third one is competition for attention. Let me explain each of them.

If you go to the policymakers and perhaps the legislators or bureaucrats and you are a technocrat (technocrats don't regulate anything), not a bureaucrat, the first thing you will notice is that they're a little bit suspicious of who you are. Many people show up in a congressional representative's office or at a bureaucrat's desk (never look for technocrats but you might run across them in the hall) and they wonder who you are, where you're from, and what your angle is, because everybody's trying to sell them something. So that's a problem that we have to overcome. When we did the Clinton proposal, we were Johnny-come-latelies. A lot of people had been bellying up to the technocrats, bureaucrats, and legislators, and all of a sudden were showing up trying to say that we had something to say. We saw antennas going up. "Who are you? What do you want?" We had to overcome the suspicion.

Second, and this may or may not come as a surprise, but you need to be aware of it, we have a credibility problem. We know who we are. We know how good we are. We know what we have to say. But guess what? Our audiences don't generally have the foggiest notion of who we are. Worse yet, many of them, when you sit down with them, and I've had this experience, look at you and say, "Well, tell me what the difference is between what you're going to tell me and what the Health Insurance Association of America (HIAA) is going to tell me. Don't you work for the insurance industry? I can see that your little card says AAA, but I'm suspicious. You sound just like the HIAA to me." So we have a credibility problem that we must overcome. Some of the staffers in Congress and bureaucrats are very straightforward with you. If they have some suspicions or they don't trust you, they're not likely to be nice to you and not tell you. They will just lambast you and lay you out and ask what the difference is between you and the HIAA.

Last, and this was an important and a difficult issue that we're still struggling with, is this concept of competition for attention. As I say, the legislators, the bureaucrats, and technocrats hear from many people. They hear from many people who have, as I will tell you here, Ph.D. after their names. They hear from many people who are lobbyists. They just hear from many, many people. So we have competition. Why is our voice to be heard and be more important than some of these other people's voices?

I have a couple anecdotes here that can, I think, capsulize this problem. By the way, it ends up with us having limits to the access that we can get because they want to hear from all these other people. But one of our members, who is well regarded among our circles, tells a story about being called by a congressional committee to testify on a subject that our member is extremely well qualified on. About a week later, he got a call back, asking if he had a Ph.D. in economics. The answer in this case was no. He said he was uninvited right on the spot. So we get competition, and in this particular situation, economists had taken over as the experts in the area, and we were squeezed out. Another example, which I'm sure Guy could tell us a little bit more about, was a little economist-versus-actuary fight that went on over the Medicare Catastrophic Act back in 1988. It was between Guy and a very nice economist, Steve Long, who's now with the Rand Corporation. Much of the disagreement revolved—as I recall Guy telling the story and Steve Long telling the story—around whether an economist or an actuary has the better credentials to comment on Medicare. We all know the answer and, of course, we're right. So we have some competition here.

I think it's good that when Hillary and Bill showed up at the door with their proposal we had a sense of these issues. It's a lot easier in retrospect to articulate them, but we were struggling with these issues about all these things that we wanted to say. We knew people out there who were trying to say them. How would we get our foot in the door? So, as we went about with our business with the Clinton reform proposal, we tried to overcome these through various means, and I'd like to try and give you some sense of what they were.

With respect to overcoming the suspicion, we recognized that the best of all worlds is building relationships over time. We were in trouble at that point. Yes, we did have relationships because the Academy had been doing business with people over time, but we didn't have the breadth or depth of relationships that we really would have ideally liked. So, we were in trouble. We tried to be very careful about how we opened the door. We tended to turn to our members who had contacts, and perhaps the best source of contacts in the administration was my friend, Guy King, who had a great deal of credibility. So, Guy introduced us to people like Ira Magaziner and Ken Thorpe and Judy Feder. There were others who had contact at the political level, and the Academy had a lot of contact at the staff level. So we just tried to be sure that when we showed up, we showed up at the door having had someone give our calling card for us, and I think that's a good idea. It's very difficult to make cold calls on people you want to influence in the heat of a debate because, as I say, they're very suspicious about why you're there.

We must be very careful, and this is a major theme, about who we choose to go and what they have to say. I'll touch on this a little bit more, but that's a major theme. We must be careful. Everybody who has something to say is not prepared to get in front of policymakers, bureaucrats and technocrats. Many of us, because we work in industry and know industry, have political ideas of our own. It's very easy to present yourself in a way that will make certain that you won't be heard. So we must be careful about who goes and what they have to say.

We found that, if you want to start influencing the legislators who are ultimately going to vote, a good place to go is to the people who are doing the work for them—the staff. I think a lot more of our time and effort has been spent with the staff and talking with these gnomes walking around the halls of Washington who look like they just got out of college—because most of them did—than sitting down with the legislators. A lot more fruit is to be borne, I think, by spending the time cultivating the staff who are interested in a lot of the detail. You won't get a whole lot done by sitting down with the legislator who has about 10 or 15 minutes. When you're talking to them, you can tell they have five different things on their mind and are barely listening.

There is one last thing we must do to overcome the suspicion. When we got in the door and sat down, they would tend to ask us to do something. Now, it was never what we wanted to do, and it never was very important, but we had to deliver the goods or they weren't going to ask us to be there when important things were to be looked at.

I have two examples: one good, one bad. Guy introduced us to Ken Thorpe, who was working for Donna Shalala and Judy Feder and was quarterbacking the cost estimates for the politicians. At our first meeting with Ken, he asked us if we'd help figure out the impact of community rating. Well, I boldly said, "Yes, of course we'll do that." Then we got back to the office. How are we going to do this? Where are the data? Well, we found it, and we delivered something, and they liked it. Ken liked it. The others liked it. It was meaningful. It was good work. So we were asked to do other things, which ended up with the infamous cost estimate work groups. I'm sure Alice will talk about that interesting story. So Ken Thorpe is a good example. A bad example of where we dropped the ball and of how easy it is to do—we went in to see Congressman Jim Cooper (D-TN), who had put together a managed competition bill. Congressman Cooper threw an idea out at us. He said he had a constituency in the tobacco districts who just did not understand him. "Can you give me something on the cost of tobacco, the cost to the society of tobacco. That will help me explain to my constituents why I'm doing this thing that looks like it's antitobacco." We said yes, but we never got around to it. I don't know of any other contacts that we had with Congressman Cooper's staff.

The second issue is this concept of building credibility. We have to be aware of a number of things. There's a real need to first understand, but then to articulate what our value-added is to the debate. Virtually everybody whom we sat down with wanted to know what we were doing differently than what this economist or that health policy person was doing. "What are you actuaries all about? Are you doing the same thing? If you are, you don't have a Ph.D., and you're not coming from a university setting. What do you do differently?" I don't want to let you in on the answer to that right now, but it's a good question. I hope you all have an answer because, if you sit down with some of these people, they're going to want to know the answer to that question. There are some answers, but they may not be as obvious as what you think. I want to hear from you in the open forum. What do you think it is that we do different.

Second, we must be careful with the competitors out there—the economists, the health policy people. We don't want to go in and assert that we know better or, worse yet, that we have the right answer and that they have the wrong answer. These people have been going to Capitol Hill for years and have been in the debate and are well respected. Here we are, showing up saying that they're wrong and we're right. That doesn't fly. That undermines our credibility right off the bat, even if it's true. By the way, it really isn't true in this case. Economists and health policy people have very significant things that they do and they do well. So, don't go shooting at them.

A third point about building credibility. I think I touched on it before, but it is extremely important. You have to be able to separate your personal politics from your actuarial science or actuarial art. You really need to know what we know because we're actuaries and what to do with that. You have a political opinion on things, and if there's one area where not only actuaries but anybody who goes to Washington are likely to fall down, it's in this area. So I want to emphasize it, and perhaps each of you has some anecdotes on it. If not, perhaps I can think of some. But I can tell you—and this is the real key in choosing people to represent the profession—we have to be fairly confident that they understand the difference and don't go out there and say that this bill is a good bill and forget the fact that they're giving a political, not an actuarial, statement.

I think we're seeing the results of building credibility now. Success builds upon itself. Going and doing good work is appreciated on the Hill, and not only do the people you did the good work for come back and ask you to do more good work, but also they'll tell their friends, and it's a small crowd. It really is a very small crowd. On the Hill, in the Washington area, and across the country, a limited number of people are interested in health policy. You can get a reputation among them, and you can grow in terms of influence among that group if you do good work.

The last piece is this idea of the competitors, the health policy people and the economists who are out there. We have done less work in this area as a profession. We are in the process of doing it. I'm going to stop after I go through this and leave this once again to something we can talk about. But I put it under the heading of influencing the people who influence the bureaucrats, technocrats, and legislators. This is an opportunity for us with these competitors to work together on many different things and thereby influence their thinking, get them to know us, get in under the tent. When we did the monograph series a few years ago, we had the good sense to add outside experts to our work group. Many, but not most of the work groups, were not composed solely of actuaries, even though they were Academy work groups and the output came out under the Academy name. Many had economists, or MDs on them. Health policy people tried to get congressional staff, and in some cases congressional staff didn't want their name on it, but they were at the meetings. We wanted to bring them into our work process so that we could get their input but, even more importantly, so that they could learn who we were and overcome that suspicion, overcome that credibility problem.

We're also working with the people who influence the people whom we want to influence by doing some of these joint, collaborative efforts. Alice will talk about our showcase effort, the risk adjusters. As you may know, we've been following on the initial work that was done by the Academy with a very well-constructed research project that is being done jointly by Harvard University and Coopers & Lybrand. That project is done, and good things are going to happen as a result of that joint, collaborative effort, not the least of which is now people at Harvard University have a much better sense of who we are. I think and believe that there is a much greater opportunity the next time something comes up to—as Walt Rugland would say—ask an actuary.

What is it that we do special? One of the keys here is, when we work with these outside people, we have to understand very clearly the skills we have that complement their skill set. That's the same question I brought up before, what is it that we do special? I refuse to give you an answer until I get some response from you.

Anyway, that's kind of an overview of the issues that we dealt with. With that overview you can see many things that were done in this context, and I can tell you that it was a real struggle. We spent the better part of a year trying to figure out the problems and how to address them. We had that year in advance of the Clinton proposal and then spent a year and now a follow-on extra year taking some of the thoughts that came to us from analyzing this problem and implementing them mainly in the Academy setting and, to a lesser extent, in the SOA setting. Now the Academy and the Society are working even more closely to be sure that we have all pieces of this puzzle cooking away as fast as we can.

MR. KING: I'd just like to respond to the question, what is special about actuaries? What gives us special expertise or entry into the process? I think that the two-word answer to that is *street smarts*. I know that many times in all the disagreements that I had with academics when I was working at the Health Care Finance Administration (HCFA), probably one of the most significant advantages I had was that I could call up many actuaries in the private sector and compare notes and talk and get information. In fact, they were much freer with their information then than they are now because I wasn't considered a competitor back then. But I did get a lot of free advice, and it's not true that free advice is worth exactly what you pay for it because it was very valuable advice. When we were having the debate over the prescription drug estimates, and our prescription drug estimates were eight times what the Congressional Budget Office (CBO) estimates were for the Medicare Catastrophic Coverage Act of 1988, I felt fairly confident that those drug estimates, if anybody ever asked what the actuarial profession thought of them, would be supported. I had talked to enough actuaries to know what kind of data they had and what kind of opinions they had. Strangely enough, Congress never did ask the actuarial profession for an opinion, but the administration did, and it actually did hire an actuary to review our estimates. That actuary gave our estimates a clean bill of health. In fact, he hinted that, if anything, our estimates were too low, rather than too high. So one of the reasons, I'd say it in two words, is street smarts.

Howard talked quite a bit about influencing public policy. Why do we want to influence public policy? One of the biggest mistakes you can make is trying to influence public policy for the sake of looking out for the best interest of your own company. The staffers on the Hill can see through that quickly. The best thing to do is stick to substantive arguments. Don't resort to ad hominem attacks on members of the profession with whom you disagree.

Another thing I might add is that when Howard said that the administration was stuck with us in doing estimates on health care reform, that really wasn't the case. The administration had an organization called the Agency for Health Care Policy Research (AHCPR) that had 28 full-time-equivalent people devoted to just doing estimates on health care reform. It took us a long time, working through Ira Magaziner's task force, to develop credibility with Ira Magaziner to the point where he would rather rely on us for numbers than he would rely on the AHCPR for numbers. The reason for that is because I would say, once again, we had what is called street smarts. We checked our numbers and made sure they made sense, and we could produce a table in which all the numbers added up to the totals, and the AHCPR couldn't. Alice Rosenblatt was probably one of the first volunteers to be recruited by Howard, perhaps because I think she was already the head of the risk adjusters' task force before all this began. But risk adjusters were very central to the Clinton administration's proposal, and perhaps you'd like to talk a little bit about the problems of organizing that effort and also making sure that it got the kind of attention that it deserved.

MS. ALICE ROSENBLATT: Well, actually let me just correct history there because that's a funny story. I was working for Blue Cross/Blue Shield of Massachusetts at the time as chief actuary, and many of you have probably heard me speak before about some of the adverse selection problems that the Blues plan in Massachusetts has. We were talking about small-group reform and nongroup reform and Medicare Supplement reform, and in all those areas, Blue Cross/Blue Shield of Massachusetts had an adverse risk pool. Some of the commercial competitors were doing medical underwriting such as that, and the Blues weren't, and I started hearing the words *risk adjustment* being talked about. This was before the days of the Clinton plan, and I decided to call around, the Academy and the Society, to find out if anybody in the actuarial profession was doing anything on risk adjustment. Because of these phone calls asking for help, my name got connected with risk adjustment. About a week later I got a call from Howard who asked if I would please be chairperson of the work group. So I agreed to do that. We were one of the first work groups formed. If you think back to the days of the Clinton reform, there were two work groups. There was one on the benefit design issue, and then there was the risk-adjustment work group. We started our group in about January, and this was at the time when President Clinton had made a promise to deliver his health care solution in about a 100 days, and we were working with an early May date. The plan actually ended up being delivered in September, but we met the May delivery. Our goal was to have a monograph that would give advice to the policymakers, and several things worked well and several things that didn't work well.

What did work well, as Howard mentioned, was having some nonactuaries on the work group. We had Bruce Bowen who's a health economist from Kaiser Health Plan. He had issued some publication on risk adjustment, and he also knew some of the unique issues of HMOs. We had Sue Palsbo who was a health economist working for the Group Health Association of American (GHAA) at the time. Again, she knew the issues that the HMOs had and also had done some previous work on risk adjustment. This was almost an accident, but I was called by someone who had heard that the AAA had started this group. The person who called me was Dr. Michael Moore, a physician for the Jackson Hole group. If you again think back to the Clinton health plan days, the Jackson Hole group was providing this whole idea of alliances and things such as that, and when he called me and started asking questions about risk adjustment, I did the same thing to him that had been done to me, and I told him he was recruited. "Are you willing to work on our work group?" He was thrilled, and it worked out very well because it gave us the connection to the Jackson Hole group.

The second thing that worked well is that we had this externally imposed deadline and a great deal of interest in what we were doing, so the entire work group was very motivated. Every one of us gave a great deal of time to the effort.

The third thing was that at an early meeting of the work group, we sketched out what the first monograph would look like—what it would cover, what chapters it would have. We were then able to divide up the tasks so that a different subgroup was working on each chapter. Then we pulled it all together, and that worked very well also.

Some things didn't work well. Luckily, there weren't too many. We were frustrated with a time delay. We were shooting for this May date, and it was a real crunch effort at the last minute, as is typical, and then minor editing seemed to just drag us down at the end and took more time than we thought it would. There was also a delay for higher-ups in the Academy to review it. I think is a necessary step but again, from the point of view of the work group, it was a delay. At the time, because we were one of the first two work groups, we did not have the assistance of technical writers, which is something that has since been corrected by the Academy. We were involved in, what I would call, a lot of administrative trivia kinds of tasks in terms of the editing, which would have gone much smoother had we had a technical writer.

Other things went well with the risk adjustment work group. Because we were so timely, and this gets into many of the things that Howard was talking about in terms of suspicion and competition, we got on the lists of what came to be called the usual suspects. When something was going on with risk adjustment, it was "round up the usual suspects." Generally, I or somebody else from the Academy work group was actually on that list of the usual suspects. That was a big breakthrough for us, and one of the first times that occurred was at a meeting with Ira Magaziner's task force. Again, if you recall, meetings of the task forces were closed. Industry representatives were not allowed in, and this meeting was a special meeting of a task force dealing with risk adjustment. Ira Magaziner showed up for a brief part of the meeting, but there were about 25–30 people in the room. Gordon Trapnell was there, and I was there. There were, let's say, three or four actuaries in a room of 30. Everybody else in the room, in my opinion—I didn't know all of them by name or what they did—were either in the policy arena or were academics. Some of you may have gone to the session on risk adjustment. One of the big issues that arises when you start talking about risk adjustment is the data issue. That's where the issue of street smarts that Guy was talking about really comes in. How many of you have worked with claims data and have been frustrated over the lack of accuracy of claims data? (I see many nods.) Well, I had those street smarts. I knew that some carriers didn't even have eligibility information on that database, that all they had were claims data and that they were estimating eligibility information. But the others in the room did not know that because they didn't have the street smarts. So it was kind of frightening. I knew these were the people who were going to be drafting policy, and we were very glad that we were invited and were able to speak about some of those issues that were going to come up. We were also invited to give testimony on the subject of risk adjustment. Several organizations, such as the Robert Wood Johnson Foundation, ran educational sessions, and again we made the list and we were asked to contribute.

All these efforts also helped us establish links to researchers that Howard mentioned. The usual suspects on risk adjustment started to bond. We would all meet in Washington, and for me it was interesting because several of the key researchers on risk adjustment, Joe Newhouse and Arlene Ash and Randy Ellis, are actually in Boston and I had not met them. I met them for the first time in Washington, D.C.—I think at the Ira Magaziner task force meeting—and then we'd see each other at the airport and on the plane and we started bonding and calling each other. I think that has worked well. Some researchers started wondering how all these actuaries could be of help. We volunteered the AAA, for example, to review some research being done by a group of researchers at the Park Nicolette Medical Group. That, again, just cemented that bond.

In the first monograph that we produced—now this is an Academy monograph dealing with a public policy issue—we identified research that needed to be done on risk adjustment. That led to the creation of an SOA research group on risk adjustment. That led to a request for proposal (RFP) by the Society for a research paper, and that led to the research report that was talked about at the risk adjustment session. So a very good cycle of events led to the research. And, continuing those links, some of those researchers served as advisors to the project that was funded by the SOA. Joe Newhouse was on the advisory team, and Arlene Ash was one of the people who reviewed the paper.

Also, the usual suspects were rounded up to give testimony on the subject of risk adjustment. I was asked to testify for the AAA and ended up testifying three times. The first time was before Pete Stark (D-CA), the Ways and Means Committee, in November 1993, soon after the Clinton plan came out. I testified again before the Energy and Commerce Subcommittee in November or December. I remember some very interesting things about that testimony. The thing that sticks out most in my mind are these red lights. There was a witness table similar to this, and congressional people sit on a raised platform above you. A little thing with lights is sitting there, and luckily somebody on the Academy staff warned me that generally the chair of the committee would say, you have five minutes to testify. The red light would go on when the five minutes was up, and depending on whom the chair was, you could be stopped midsentence. So you really had to watch the time there.

This is another little anecdote, but the day was planned, some HCFA staff were testifying on risk adjustment before we were due to testify, and we sat in on that. They ran way over on it. We were supposed to testify at say, 11:00, we got there at around 10:00, and we ended up sitting there from 10 a.m. until 2 p.m. We couldn't go out and grab a sandwich or anything because we didn't know when this other testimony was going to end. So we just sat there.

Another interesting thing is that the committee members were being pulled in all different directions because a lot was going on. At certain times during that four-hour interval the only person in the room who was asking us questions—or asking the people testifying at the time of questions—was Pete Stark. He had a staffer come in and bring him a sandwich. He sat there and ate a sandwich.

Anyone interested in the risk adjustment subject should get hold of the research paper.

MR. KING: As I said earlier, I don't want to steal any of his thunder, but Ron was very instrumental in bringing to the attention both of the public, perhaps inadvertently, and of the task force, the true cost of the mental health benefit. Ron, perhaps you could talk a little bit about your experience there.

MR. RONALD E. BACHMAN: I'd like to bring a little different flavor. Perhaps I could talk about some of the activities of the Clinton proposal and the Academy's efforts there, and some of the effects that we're seeing today. I've also been fortunate to be involved in the current Medicare discussions that are going on, both as a member of Guy's Academy task force and as chair of Newt Gingrich's Medicare task force. A lot of play is working today for actuarial involvement that is based on the credibility that was gathered during the earlier work.

First, I'd like to say to anybody who wants to get involved, when you feel like saying no, say yes; it's amazing what will happen. You'll get involved in new experiences and new opportunities. You need to sort of break through those boundaries we all put around ourselves at times. I'm not even sure who asked me to say yes at one point. I think it might have been one of my partners in San Francisco, John Bertko. He's very involved and through one of his staff, he asked me to participate. The Academy has some people who have been very good in helping out as well. Mike Anzeck and Gary Hendricks have been really very helpful in the process, both to help sometimes with logistics and the technical aspects as well as when you're putting together committees and times, and workshops to get together. So the Academy has been very good about supporting our efforts, especially us consultants who have a billable hour as a requirement to keep working. Pro bono work is not always the easiest thing to find time for. But I can assure you it's very exciting when you're involved in something that you know will have an impact in the public arena. If you're like me, sort of a C-Span junkie in keeping up with politics, it's kind of fun to be able to participate.

I would agree and comment first that Washington is typically an economist/academic environment. If you don't have a Ph.D. after your name, they don't even want to hear you. You have to have the credentials. I think one of the big issues that came out of the discussions and the involvements of the Academy is the value of FSA behind your name. I think that has become more parallel with having a Ph.D. and those are the only people whom the policymakers seem to want to hear. Instead of an economic model, actuaries bring an actuarial model. Instead of an academic environment, they tend to bring a market environment experience. So street smarts includes, I would say, the market understanding. They really don't have that in Washington. They don't understand the marketplace in many cases. The mention of what's happening in the real world can be a powerful influence. I think if as a group we tie that in more with the academic type of an analysis, the things that Alice has been working on with Harvard, for example, we really will solidify the position of the actuaries when we can bring more than just street smarts. At the moment, that perhaps is our wedge to get in. It's very important.

The first involvement I had was really as sort of a backroom support on mental health to one of Guy's people over at HCFA. I was providing information and support to Wayne Ferguson. I was sort of an anonymous backroom provider of data and information. I contacted other actuaries around the country to get information and give leads to his staff. At the time mental health was being used in many ways as a wedge to do a lot of social programs. Maybe they were very good, well-intentioned social programs, but really they were outside the traditional insurance product benefits of mental health. I was asked by HCFA to provide some estimates on a proposal that was being made. It was a very, very broad benefit, and I gave them some very large numbers for what my estimates of the costs were. I got a call later from a person on Guy's staff. "Ron, we went over to the White House and shared your numbers with them. They were very upset." I said that I could explain how I got them. The person said, "Well, they were so upset that they demanded to know who gave these numbers and what the person's credentials were. We know that you're supposed to be sort of backroom and anonymous, but we let your name slip, and they said you will probably get a call from the White House." I said that would be fine.

I did get a call from Mr. Bernie Arens who was working with Al Gore's office. Al was in charge of the mental health benefit thrust at the time and, sure enough, he challenged the numbers. I explained to him that I was addressing the issues of the commercial market, which was my particular background at that point, and he ultimately said he agreed. "Your numbers are fine, we don't disagree with the commercial numbers, but will save so much on the Medicare and Medicaid side that it will offset all that." I said that was fine, that I really hadn't worked in those marketplaces and didn't know that much about those public programs. I know a whole lot more today, but I didn't at the time. He insisted that I come to Washington to take a look at his numbers. I kept saying that I really didn't know about those areas all that much. "We've agreed that my numbers are reasonable in the commercial area." Well, he repeatedly asked me to come to Washington, and I went. I was going to be there the next week anyhow on another assignment. So I thought, well, I'll go to the White House. That sounds kind of interesting. I'll go and see what's going on.

I got together all my background information to get me approved at the front gate, and I went and checked in. Sure enough, I wasn't on the computer. They had to call Al's office. It took about 45 minutes to get all that approved, and I ultimately got in and went up to a meeting. About 20 people were in the room waiting for me. They did challenge the credentials of actuaries at the meeting. That was something that I learned early on.

Who were we and what we were about? I was very fortunate to sort of get through the process because I had come prepared to explain what I had done. Right after the Secret 500, the Ira Magaziner group finished up in the spring, and they started bringing in some outside experts, and that's when I was brought into this process.

At another meeting I was asked to attend, they asked many outside actuaries to come in from the industry, and they wouldn't send us the information in advance. They wouldn't fax us anything. They wouldn't send us any data. They wouldn't even tell us what we were going to do. They just said to come to Washington. "We'd like your opinion." They sounded important, so I said sure. So, I went, and they actually paid the travel expenses for this one. When I got to the hotel I got this package of information that I was supposed to look at. Well, I had sort of anticipated what was going on, through my contacts at HCFA, and I took a computer and worked a long time on developing some pricing numbers for them on what they were proposing.

We showed up the next day, and eight or ten actuaries from around the country were in the meeting. Most of them hadn't gotten the information, or didn't bring a computer or their modeling or anything else, and so we spent the day just going around and around and talking about issues. Nobody could give them any substantial numbers except myself. An actuary from M&R had some of M&R's modeling. At the end of the day, we really didn't do much, but the administration then went out and said they met with the experts. So be careful, when you're involved in this, about how you might also be used. I think at times that we were definitely used in the process. They met with the experts and, in fact, that's all they did; they didn't do anything else but meet with the experts.

I was fortunate in that I started working with the White House, and I was also working with HCFA as part of that original background, and so I was sort of able to see two sides of things that were developing and how the process was working. I was also working with a few members of Congress who, because of the Academy work, said that they didn't want to support the bill until they felt comfortable with the numbers. One was a representative, Ted Strickland, who's no longer in Congress. He lost the last election, but he truly wanted to know what the numbers were. Well, as it turns out, that with all the social programs that were being forced through the area of mental health, the costs of the mental health were extremely high. They were basically going to take over the foster care industry. They had therapeutic home benefits, and they were paying parents to take care of their own troubled kids at times. I mean a lot of it might be good social policy, but, it was very difficult to price and to put into an insurance program. Well, I got a letter from Ted Strickland, who was writing to Ira Magaziner, and he said that he thought that they should have outside experts. He said people such as Ron Bachman, at the AAA, ought to be looking at the material and be giving us some real numbers. He said that, unfortunately, it appeared, from discussions that I had with somebody on Al Gore's staff, that Ira had decided just to go ahead with the program that he wanted and ignore the actuarial estimates and take the original actuarial estimates that were developed by the mental health experts on the task force. So that made it even worse.

But they had an amount of money they were going to spend in the budget, if you will, for that area, but the cost of what they were proposing was much, much higher, and they got into an issue that was what I call don't-ask-don't-tell pricing. The administration wasn't going to ask HCFA because it knew what the answer was going to be: increased cost. HCFA can't give a number, I guess, without being asked. It was sort of the mode that they were in, and I'm not sure that they even knew what was going on. So I was sort of seeing both sides here. There's a fence in the middle, and I could see both parties. Guy has a tremendous reputation of credibility, and nobody questions that Guy's going to stand up for what's right. I knew that background, although I had not really worked with him personally that much. So I felt comfortable in calling a fellow actuary, somebody with that kind of reputation, and I said, "Guy, do you know what's going on? I'm sure you don't. I mean your reputation is such that I know that you're not going to sit there quietly while something is being done." I had the letter that I sent over that said that Magaziner was going to ignore the actuaries.

Well, as I expected, Guy was not one to say he was going to be ignored, and the whole mental health issue changed substantially. We got involved in changing the benefit and bringing it back in line with the cost, and we had a substantial impact through that process of both saving, I don't know, the potential of $30–50 billion difference in the programs and developing a policy that made a little bit more sense. Where I got attacked from that is that there were obviously some people who had a lot of self-interest in those extra $30–50 billion that was going to be spent. An article was written in the paper with a headline, "Actuary Has Undue Influence On HCFA." To told how I had called Guy and had explained to him the problem, and then he went ahead and sort of reigned in the excesses. So it was an interesting activity; there are many stories. I've often thought that maybe I should really write these down for my kids someday. I'll tell you the scariest moment, and then I'll move on to the Gingrich committee.

You have to leave your politics at the Beltway when you go in. You're an expert providing technical advice, and that was real hard for me because I was working, at that time, with the most liberal of Democrats who were in control of the committee. Again, as you mentioned earlier, you kind of have to set all that aside, otherwise you ruin your own credibility. At the time it was, I guess late June or early July. The Senate Labor and Human Relations Committee was a key committee at that time. They were getting beat up real bad with these spaghetti charts on all the bureaucratic organizations that were going to be set up and structured under this health care reform. They were starting to feel the heat of the press, and I was in a meeting providing some technical advice and some pricing, again, on the mental health area. They asked me questions, and they were frustrated. They said, "Ron, how do we get people to do what we want them to do without all this?" So, they kind of got me out of my technical box, and so I jumped at the moment. I said, "Well, if you're really asking me, I think there's a role for government that's more of the regulatory role, such as exists for the SEC or the Federal Reserve Board. The problem that you have is you're constantly fighting the marketplace. In fact, I thought if I really didn't want to influence any sort of thought, I'd always say, do you realize how much money somebody's going to make off of that?" They immediately tried to close it down, and they didn't want anybody making any profit, because they didn't like the word when you started talking about the marketplace. So I said, "Stop fighting the marketplace and get it to work for you. You can get better prices and better quality if you let the marketplace work for you rather than constantly against you." Then one of the staffers turned to me and said, "and when has the marketplace ever worked?" Honest. I immediately jumped back in my box and said, "OK, this is a different world. I don't understand you guys." They don't understand the marketplace. They live in a different world, and we do bring that value to those who want to listen, but there are those who really don't trust the marketplace or trust what we do with our insurance carrier or HMO employers or clients. It's scary for them to think in terms of somebody making money.

MR. BOLNICK: You might not want me to interrupt, but I will because I think that's an exceptionally important point. When you go up there, there is the idea of whether it's a market solution or a government solution. Please think about this; it's a political decision. We, as actuaries, are trained in the market. That's where most of our jobs are. Guy working in government was the exception rather than the rule. But we bring a lot of implicit political ideology to the table. That was a beautiful example of watch it, because the people on the other side are very sensitive to that, and you don't have to promote a market solution to do your job. That's ideology. That's not actuarial science or actuarial art. So I think that's very important.

MR. KING: Before Ron goes into the experiences of advising Newt Gingrich, I think a very important point was what he said about getting out of his technical box and then jumping back in. One of the best pieces of advice that you can follow when dealing in the public forum and dealing with public policy is to make sure that you deal strictly with the substance and stay within your areas of expertise. Don't get outside your areas of expertise, because you lose credibility very rapidly that way. I'd say, in my years in the federal government, the times that I got in trouble were the times when I got a little bit out of my box and started talking about issues that were just a little bit outside of my area of technical expertise. I can remember one time in particular when Ira Magaziner was trying to get us to give savings estimates for managed competition. He was getting rather frustrated that we wouldn't give him any savings for managed competition. He said, "Well, Guy, what are we going to have to do? Are we going to have to start taking doctors aside one by one and shoot them to get any savings out of you?" So I always like to joke whenever I speak to doctors now, that I saved their lives in health care reform. What happened was that he started sort of getting me into the mode of thinking with him, what kind of policies could we invoke that would really result in savings in the Clinton plan? Eventually, the premium caps evolved from that. I know that the premium caps were airtight and insurance companies are really very accustomed to being regulated and, believe it or not, insurance companies are very easy to regulate because they respond to regulation and they follow the rules, and so those premium caps would have been effective if the legislation had been enacted. The real problem with the premium caps is what would have happened to quality of care if those premium caps had gone into effect. Staying in your box is very good advice.

FROM THE FLOOR: Guy, let me ask a question about that because it seems that one of the things that actuaries can bring to the process is our experience in designing health insurance policies. Our work on Medical Savings Accounts (MSAs) has been misused by politicians.

MR. KING: Yes. That's a very difficult line to walk. How do you make sure that you stay within the limits of what is traditionally considered actuarial expertise and then not have your work misconstrued? That's probably the quintessential example of how something is misused. Theoretically, if used properly and done properly, MSAs will definitely save money. But with regard to the way MSAs were included in the Republican plan, the CBO has said that there will be a cost associated with them. It's not a large cost. I think it's a billion dollars over seven years, or maybe a billion-point-something dollars over several years, but they don't save money. They cost money because of the way they're put into the Medicare reform proposal, and that's something that I think is very political. I don't know if any of the audience has any way to respond to that.

MR. BOLNICK: I think that gets not only to the street smarts but also to the political smarts. If you look at many of the monographs that were written, you'll see us trying to very explicitly explain our assumptions. For instance, in the MSA monograph, and I haven't read it, but it should say, if it's voluntary, this happens. If it's mandatory, such and such happens differently. That's the exact kind of thing that I call street smarts. We know that, and it behooves us to state that explicitly if it's not stated, and it's not stated in the documents, and then it can get misused. If it is stated and stated explicitly, it can still get misused, but it's less likely to be misused because someone on the other side of the issue then will have that information and be able to call whoever's misusing it on it. So being explicit about the assumptions, being explicit about the consequences of various proposals and the consequences of variations on proposals, is part of that whole idea of street smarts. Combined with political smarts, I think that helps avoid that issue.

FROM THE FLOOR: How do we get involved in the process and make sure our work is not misconstrued?

MR. BOLNICK: There's no bulletproof way. You can just anticipate, and Ron's story about being there is absolutely true. If you do a good job of this formative work, then you end up being there. And if you're there, then you can avoid some of the problems that subsequently are going to happen in the political environment.

FROM THE FLOOR: Some reports have been used by both sides to support their political views.

MR. BOLNICK: Maybe the lesson there is you can't write something and expect to walk away from it and have it have the desired effect. The continuity is important.

MR. BACHMAN: Let me finish up and then touch briefly on the current activity in Washington. I have an example also of the difference between an actuary and an economist. I found that if you're not alert to the logic of some of the economic models versus actuarial models, it can really catch you, as it caught me, off guard quite a bit. Maybe it is not a perfect example, but in many of the areas of health care today we're finding lower costs because of substitution of a lower-cost provider. I happen to do a lot of work with the psychology group, and they would like to substitute for psychiatrists because they charge less. They think that they can do it more cost-effectively. Many managed care programs that we work with, managed behavioral health care companies, etc., find that is an acceptable alternative for the things that they're licensed and qualified to do.

One of the bills that Senator Conrad has put before Congress is the ability to substitute in a partial hospitalization setting a downscaling from inpatient to a setting that would not require intensive care. I had a discussion with one of the CBO economists, and he said he didn't like the idea of substituting a lower-cost provider for a higher-cost provider. The reason was that in its economic models, if you do that, the higher-cost provider will simply create more business with somebody else. Therefore, you have what they call induced demand, which increases overall costs, as opposed to creating competition in which the higher-priced person might come down in his price, as we see in negotiated rates and managed care systems, or that higher-priced person may go to the commercial market where he or she gets more for his time than in a Medicare marketplace. Maybe he will go and become a plumber because there's not much business out there. So the idea, taking it to extreme almost, would indicate that you should never have lower-cost providers. You pay all the high-cost providers as much as possible to use up their billing time so that you lower overall costs in that way. It's really sort of a different type of view of the world, and you need to be prepared and understand that they have some reason and logic behind it. Clearly, in parts of the marketplace—as you and I both know has historically happened—often physicians move into an area and create their own business. That's the induced demand that their current models see, although it may not be applicable in all areas and in today's marketplace.

Policymakers really are fascinated by actuaries. The Academy, and the work that Howard and others have done, and the reputation of Guy King as an actuary really open up a lot of doors, I find, and people do want to hear and listen. The fact that I was working both for the Clinton administration and for Newt Gingrich ought to prove the point that I'll work for anybody, anywhere on the political spectrum. But Newt happens to represent my area, and I've known him for quite some time, and I volunteered to help out with the Medicare debate because I knew that was going to be a hot topic. It turned out that I wound up being chairman of his advisory committee for Medicare. We put together a report that gave him some thoughts and ideas to take back to Washington on how all this reform should work. Now I can't say that he took into account all the things that we suggested, but it was nice having the input. In fact, he was so impressed with it that he kind of put us all on cloud nine. After we prepared a report, we presented it to him at a two-hour session one Saturday. The next Sunday he was on *Meet the Press*, and he held up the report as an example of great public grassroots efforts to help with inputting ideas to Medicare. Some of the ideas did get into the process, although some significant ones in the area of competition and market forces have yet to make their full way into the plans.

I think that our discussions on MSAs continue to go on with Newt Gingrich and the Republican proposal. One of the areas that he liked most out of this was our last suggestion—that the Republicans use an outside, independent organization to look at some of the programs and the prices. We suggested organizations such as the AAA, and in our two-hour presentation to him on the ideas we had, when we got to that last one, he grabbed onto that and said that to bring in outside people and experts was a bolder approach than we've ever thought of before in our review of the program. He has actually written into the bill a role for the AAA. He names it as an organization that he wanted to see involved in looking at this new animal called a provider-sponsored organization (PSO) that will be created. Hospital systems will be able to take on Medicare risk directly, sort of bypassing the insurance and HMO industry, and he has asked the Academy to be one of the groups to participate in looking at the solvency requirements and at the way those organizations will develop. We have met with his legislative writers in Washington to lay out that rule, and they've asked us for a number of other tasks. Just as Howard was saying, we need to respond, and the Academy is in the process of responding, and Guy is the chairperson of the committee putting together a response.

One of the areas, for example, that they're very interested in is if they are to be successful at all in these Medicare savings that they have proposed, $270 billion, one of the critical aspects is the migration of people from fee for service into the options they propose. If nobody chooses the options, they're not going to save the money that they expect, or they just have to ratchet down the fees, which are already low in the marketplace. So the idea is this migration. What's going to happen? How many people are going to choose them? The key question that they have asked the Academy to comment on is, do you think the migration is going to occur in sufficient quantity to create the savings that we're expecting? It's a difficult question. MSAs do seem to be very attractive to people as a new idea and concept. Right now MSAs are only in the bill for high-deductible catastrophic plans. Well, why aren't they available for all plans? For example, if I have a regular HMO risk contract today, I may not have all my bills covered. Prescription drugs may or may not be included in that managed care option, or there might be some other deductibles or copayments. MSAs today are not allowed as an option on all plans. They're looking very closely at that, and I suspect and was told Monday that's likely to be added to the bill when it gets to conference. So the broader use of MSAs, I think, is one area that they're looking for help and input from the Academy on.

Two examples of street smarts are also on the table that they really didn't think about before. One is if they're going to encourage movement into these managed care options, MSAs is a possible avenue to encourage that; many people get their retiree coverage from employer programs. Well, if an employer gets its people to move into managed care, there's a tremendous benefit because *Financial Accounting Standard (FAS) 106* liability can drop a lot. For those of you involved in that area and knowledgeable about that, additional benefits are being picked up under the managed care program. Today employers can't contribute to an MSA because they don't exist for anything but the catastrophic program. So if it is made available, and employers are allowed to contribute, and there may be a whole lot more migration into the managed care programs. But they hadn't thought about employers wanting to contribute and employers benefiting by contributing and moving their people into MSAs.

Another street smarts idea that they hadn't really thought through fully is the idea of letting people try managed care. They said, "Let them try it, and if they don't like it, they can go back to fee for service because we're going to retain fee for service." One of the problems with that is 70–75% of the people have Medigap coverage of one type of another, and many are individually purchased. If they move to a managed care option, they technically, in many cases, wouldn't need Medigap policies and they might drop them. But if they don't like managed care, and they go back to fee for service, they don't have the Medigap policy anymore. So there's no guarantee that person could pick it up or retain a Medigap policy other than to just sort of double-pay for overlapping coverage. They hadn't thought through that. They don't understand the marketplace and the dynamics of what people have. In 1989, when the Medicare was changed to so-called catastrophic coverage, in large part the Medigap policies were duplicative, but people didn't drop them. I was selling those policies at the time I was developing them, and people didn't drop them. They wanted to double-pay them because they didn't trust the government to actually follow through on the program that it was proposing. In fact, a year later the government reversed itself, and so there's a history already there of people's concern about their Medigap coverage and what the government program is going to provide.

That concludes my remarks and I'll be glad to answer any questions. You ought to be concerned about one final area as an actuary working with the public policy people.

When you are asked to or naturally go toward the areas of problems and things we think aren't working, we tend to be negative in our approach. "Here's what's not working, here's what you did wrong." They never hear what they did right. Maybe these people need to be stroked a little bit before you tell them what's wrong. Tell them what they're doing right, what's working, what they've done that makes sense. "Let's help them transition into something better." But if you go in there with guns blazing, saying we just don't think you're doing it right at all, then you're not going to be at the table unless you're at the table for the opposition. Most of what I find in this discussion, both under the Clinton proposal and under the current proposal, to be honest with you, doesn't have a whole lot to do with health care. It has more to do with power. It has to do with the ability to take billions of dollars and redistribute them around, put them in the programs, say the government's going to take it or the government's not going to take it. It's a very high-level power struggle in many ways. Mainly this has very little to do with health care, and so you have to, I think, also understand that dimension. What's going on is a lot of politics, not just health care policy that's being made here, and I think we need to be sensitive and understanding of that as we approach these people and try to get them to listen to some logic that we might bring to the table.

FROM THE FLOOR: How do you deal with the accusation that, as an actuary, you represent the insurance industry?

MR. BOLNICK: That question comes up just from the start of every bit of work that we do, and it has been addressed in the past. It was certainly addressed during the time when we were dealing with the Clinton task force, and it's one of those things that you just know implicitly or explicitly you're dealing with in every particular situation, and I think that our credibility is very high. I think that for the most part, people understand that we're not just representing the insurance industry and, in fact, they're coming to us because we don't represent the insurance industry. So, there's never enough work that you can do on that subject, but it hasn't been overlooked, and I think there's a lot of formative work that has been done.

MR. BACHMAN: Let me answer directly on the provider sponsored network (PSNs) and provider sponsored organization (PSOs). We were asked directly about that in a meeting with a fellow named Ed Cutler, who is chief legislative writer for Gingrich's staff. He's getting hit hard from the HMO industry and the insurance industry. They would rather not allow that to occur because obviously it creates more competition for them. They asked that question, they kind of outlined to us at a meeting, and said that, does this really make any sense to allow this? Their concern was allowing organizations to take on substantial risk without the kind of capital requirements that insurance companies have, and should they continue with it? My response to them was one word. Competition is why you ought to do it. It will lower cost. But the Academy's role is sort of a political role, again, of saying, yes, competition. That's our market influence that I don't think we should hide behind or not share. The fact that I work in the industry and I have clients that are HMOs and insurance carriers and hospitals and physicians, I think, helped sort of explain, from my perspective, why the competition would be created there. But the Academy's role is, I think, even more defined and that is, what are the solvency requirements that ought to be allowed? What kind of risk-based capital formulas should be utilized equally across the board? There are those who would say there's a difference between providers and carriers. Providers would be at risk for their time. They take on risk, and if you don't have enough money to cover their bills, they still deliver the service, but it's their time as opposed to, say, an insurance carrier that is paying providers to provide the services. I think the Academy may very well come down by saying there's a lot of overlap. Maybe there's not a lot of difference, and let's be sure we don't get into a savings and loans (S&L) scandal type of situation with people taking risk or doing things that are imprudent. So I think that the solvency issue is the one that they are now most interested in focusing on, but I don't think PSOs or PSNs are going to go away, although I don't believe they're on the senate side unless they're going to be put in later. They're more on the house side. But it's such a cornerstone of where Gingrich is going that they're just going to be in the bill, I'm convinced, in the final analysis.

FROM THE FLOOR: How can we have more input into the process on solvency standards for PSNs and PSOs?

MR. BOLNICK: If you have any concerns, you might want to get in touch with Bill Bluhm who has headed up the health organization risk-based capital work group. You'll see that they've already considered those types of issues that Ron has been talking about. So there has been a lot of formative thinking. It may not be as robust in the formula in large part because of the complexity it's going to end up with as a result of this scrutiny but, rest assured, the issue is a level playing field and a fair shot at trying to figure out what capital is needed. You have to also keep in mind, I think, that some of the people who would like to promote these types of organizations would love to see no capital involved. That's not fair either, but I think we can be the voice of reason on this issue. Speaker Gingrich is turning to the right people to ask how to get an answer to it.

FROM THE FLOOR: How do we overcome the problem of being perceived as an arm of the insurance industry?

MR. BACHMAN: Yes. I don't know how everybody that you talk to—you never know what their backgrounds are—would perceive the work that the Academy is doing. I have never sensed that they thought that we were an arm of the insurance industry. Maybe that's because my background is broader as a consultant and I work with all those players who sit around the health care table. I've sensed more confusion between the AAA and the SOA. They don't understand the difference there, and they call one the other, and they get them confused, and it doesn't really matter so much.

MR. KING: A final comment on the issue of having our credentials attacked. I think this is an old legal proverb. If you can't win the argument on substance, then make ad hominem attacks on your opponent. Or credentials are being attacked, it's a good sign because it means that the opponent is not able to make a good substantive response to your substantive arguments, and he or she is resorting to attacking your credentials.

MR. BOLNICK: I just to clarify, when I used the term *level playing field* it meant that there's a logical formula that reflects the differences. It doesn't mean that it's the same standard for PSNs that it is for an insurance company. There will be differences because of the nature of their organization, and a level playing field would recognize those differences. That gets you something else you must watch out for: words or jargon that you tend to use within the insurance industry can easily be misconstrued by others. You must have your ears and your antenna up to be sure you're being understood because you often find out that you're not.