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CONSUMERISM

by Fred de Bartolo

Ernest J. Moorhead, Chairman of the Joint Special Committee on Life Insurance Costs,* spoke to the Actuaries Club of Philadelphia, September 22, 1970 on Consumerism.

He prefaced his talk by quoting a wise observer: "Failure is not necessarily just arriving at the wrong answer. It may just as easily be failure to recognize the right question." In this matter of Consumerism, our first problem is to recognize the right question. By replacing the word "consumerism" with "Intelligent Choice," we might better recognize the right questions.

"Intelligent Choice" is concerned with both price and quality of the product. The buyer, not the seller, must be the one to measure the extra price he will pay for higher quality. Possibly a consumers' organization may attempt to measure the value of quality for the buyer.

As pressure of public demand for the tools of "Intelligent Choice" began to be felt by each segment of American industry, the first cry in each case has been "Who? Me?" However, the life insurance industry is uncomfortably aware that it could have done better in supplying the right kind of information.

The following hypothesis was offered by the speaker: that our failure to provide clear-cut information is genuine and stems from some mixture of the following three causes:

First, we have too often embraced the following syllogism:

a) Life insurance is good medicine.

*Editor's Note: Any resemblance to the immediate Past President of the Society is purely coincidental.

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New Editor

We are glad to announce the appointment of Kenneth T. Clark to the Editorial Staff.

WHAT PRICE MEDICARE?

Robert J. Myers, *Medicare*, Richard D. Irwin, Inc., Homewood, Ill., 1970.

by Milton F. Chauner

Rarely on so vital a subject have we had so much valuable information from so recognized an expert as we have in *Medicare* by Robert J. Myers. Actuaries should welcome his description of Medicare and Medicaid not only because it is written from an actuary's perspective but also because it covers many facets not strictly actuarial.

Mr. Myers's estimating and forecasting techniques deserve in view of their importance a detailed technical scrutiny.

Medicare is a good single source for the basic benefit provisions of both Medicare and Medicaid. The labyrinth of changes proposed, rejected, or altered through regulatory interpretation cannot be expected to appear in up-to-date detail. The author's explanation of reimbursement principles, eligibility provisions, and financing principles is necessarily quite involved but summarizes these concepts which are subject to continual change in practical application.

The development of Medicare and Medicaid is followed from the earliest movements for them through successive legislative proposals leading to current enactments. Many points likely to have escaped the attention of most any of us are set forth in an orderly manner, sometimes in almost overpowering detail, but

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ACTUARIAL HEAD START

by David Langer and Louis Weinstein

In October 1968 and October 1969, the Actuaries' Club of New York held day long meetings, each containing a morning session devoted to social issues. Some members of the club felt we might be accumulating social concerns during the year to discharge them during the three hour session. As a result, a small ad hoc group was formed to find ways to convert concern into positive action. Certain principles emerged early:

1. Although ample opportunity existed for individual effort, a group approach along professional lines was preferred since it provided the spirit and cooperation most conducive to success.
2. It was preferable that the unique abilities and training of actuaries be brought to bear whenever possible.
3. All actuaries would be welcome.
4. The group would attempt to use and support the efforts of non-actuaries.

There was an initial disposition to start by coming to grips as quickly as possible with a concrete social problem. After some search, the group discovered an existing relationship between James Monroe High School located in an East Bronx poverty area and a multi-industry group called the Economic Development Council (EDC) which has similar goals and whose members included one of the local insurers. Because we were able to take advantage of the existing organization and personnel within the school, we were able to quickly institute a math tutoring program and a dozen actuaries quickly came to the fore to serve as tutors, a number at times in excess of the students requesting aid.

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NEWSLETTER OF CBMS

by Cecil J. Nesbitt

CBMS is the abbreviation for the Conference Board of the Mathematical Sciences of which the Society of Actuaries is an affiliate member. The Conference Board maintains a Washington office, publishes reports and surveys concerning mathematics and mathematical education, is studying computer education in high schools and a national information system for the mathematics sciences, and is developing a Newsletter which it proposes to issue quarterly.

The May 1970 issue of this Newsletter is in booklet form and contains 28 articles in its 28 pages. One of these concerns the changing job market for new Ph.D.'s and may indicate a source for some future actuaries broadly educated in mathematics. Another article, "The Mathematical Community and Its Professional Societies," gives capsule information concerning the ten professional societies in CBMS. The article, "Graduate Education and the Draft," may be of interest to actuarial recruiters. A review of Aspects of Professional Work in the Mathematical Sciences (Volume III of the Report of the CBMS Survey Committee) outlines the studies made of the supply and demand for mathematical manpower. Mathematics Education (69th Yearbook of the National Society for the Study of Education, University of Chicago Press 1970) is reviewed in an article, "A New Survey of the New Math." Another piece, "Accreditation and Certification in Mathematics" discusses some steps being considered in those matters.

Copies of the May Newsletter were sent to the officers of the Society, members of the Board of Governors and to various Committee members who might have interest in what is going on in the mathematical community. Copies of the May and future issues will be sent to the Society Library. Individual subscriptions at \$2 for Society members, and at \$4 for persons not belonging to any of the ten CBMS organizations will be available through the CBMS office, 834 Joseph Building, 2100 Pennsylvania Avenue, N.W., Washington, D.C. 20037. The October issue will contain an article about the Society of Actuaries.

AMERICAN STATISTICAL ASSOCIATION MEETING

Two sessions will be devoted to actuarial subjects at the forthcoming 130th annual meeting of the American Statistical Association, to be held in Detroit, December 27-30, 1970. Both of these sessions are programmed for the morning of December 30. The first session, scheduled for 8:30-10:30 a.m., will deal with *Life Table Construction* and will be chaired by Professor Donald A. Jones of the University of Michigan. Three papers will be presented:

1. "Some Actuarial Views of Life Table Construction" by James C. Hickman of the University of Iowa.
2. "Inferring Probabilities from Rates: the Multiple Decrement Case" by Nathan Keyfitz of the University of California, Berkeley and East-West Center, Honolulu.
3. "Construction of the U. S. Life Tables" by Thomas N. E. Greville of the Mathematics Research Center, U. S. Army, University of Wisconsin.

The discussion will be led by Frank A. Weck of the Metropolitan Life Insurance Company.

The second session on the *Present Status of the Stochastic Theory of Risk* is scheduled for 10:30 a.m.-12:20 p.m. It will be chaired by Professor Cecil J. Nesbitt of the University of Michigan, and the following papers will be presented:

1. "Some Comments on Risk Theory" by Professor Hilary L. Seal of Yale University.
2. "Ruin Function Approximations" by Professor John A. Beekman of Ball State University.
3. "New Directions in Risk Theory" by Dr. Paul M. Kahn of the Equitable Life Assurance Society.

The discussion will be led by Professor Newton L. Bowers, Jr., of Drake University.

Those desiring to participate in these sessions should get in touch with the office of the American Statistical Association, 806 Fifteenth Street, N.W., Washington, D. C. 20005.

Medicare

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in this program details are pertinent. To assemble so much information in a single readable volume is a significant achievement. While the book is quite long and might be considered heavy reading, each section is not. It is a handy reference for anyone with a professional interest in the field.

The actuarial cost estimates of Medicare treated in Chapter 10 illustrate to actuaries not deeply involved in health insurance, how the basic elements of estimating costs of social insurances need to be continually reviewed and revised. Costing hospital benefits in 1952 proposals compared to the revised estimates of 1967, 1968, and 1969 reveal what a changing base of factors must be dealt with. Hospital utilization rates and average daily costs, which might appear to be two determinable basic elements, are neither precise nor static. In fact, the author's description of them shows that they become quite conjectural because expanded coverage was suddenly made available to older people for the first time. The taxable wages "premium base" was once naively expected to offset the effect of future hospital cost trends. The author's description of using these parameters for estimating indicates how intricate such forecasting can be for the actuary estimating health benefit costs.

Current developments and possible trends with respect to both of these massive programs call for much more attention by many more actuaries. Even though the viewpoint of the insurance industry is better expressed these days, the relative effectiveness of health insurers' techniques of estimating, administering, and revising benefits is far from being fully understood. *Medicare* gives important background information for putting the insurance industry's role in proper perspective. In Mr. Myers's words—"It remains to be seen whether, in the medical-care costs field, the private sector will be the first line of financial defense for the working, self-supporting population or whether social insurance will take over the role, with public assistance being the second line of defense in either case . . ."