



SOCIETY OF ACTUARIES

Article from:

Health Section News

October 2004 – Issue No. 48

What's New in Disease Management?

by Ian Duncan

Disease Management (DM) is a relatively new, but rapidly growing form of care management. As Jaan Sidorov, MD, chairman of the Disease Management Association of America (DMAA's) Quality and Research Committee reminded us during his presentation at the Anaheim Spring Meeting, managed care began by classifying reimbursement dollars into categories of providers (hospitals, physicians, durable medical equipment, etc.). DM changes the paradigm by aggregating these costs on an individual basis, classifying individuals according to their diagnostic categories, and then attempting to manage the care of the patient holistically.

This is turning out to be a big year for the growth and development of DM. The biggest endorsement ever for the industry came when DM was included in the Medicare Modernization Act. Medicare will be rolling out DM services to about 300,000 Medicare beneficiaries with heart failure, diabetes and chronic pulmonary diagnoses, beginning in April 2005. The proposed Chronic Care Improvement Program contains a significant risk element for those organizations that choose to respond, as they need to demonstrate savings equal to 5 percent of beneficiary claims in excess of their own management fees. The risk element of DM contracts, in turn, is attracting reinsurers back

to the market. (DM reinsurance will be covered in the health reinsurance session at the Annual Meeting in New York.)

One issue that is occupying many of us in the industry is the appropriate evaluation and "certification" of DM outcomes. DM is a new industry, with developing protocols and methodologies. The most significant issue remains the credibility of its savings results. As described above, different bodies are attempting to advance the understanding of the industry in this area and gain consensus around a particular methodology. The efforts of DMAA and the Academy will advance our common understanding of validity and measurement issues. There are many professionals who have a potential role in this measurement process, and actuaries need to be represented and to argue forcefully for those things that we can contribute to the process: understanding of data and controls on data, understanding of equivalence and adjustments, and unequalled familiarity with trends. While we may never get to the point of being able to certify outcomes, actuaries should at least be able to be very comfortable with a set of outcomes.

Actuaries are being called on more frequently to assist in the pricing of DM programs and evaluation of outcomes. The Health Section of the SOA has sponsored well-attended sessions at each of the last three spring meetings. This year's session featured Dr. Sidorov, Rob Parke, a consulting actuary with Milliman in New York who is also chairman of the Academy's work group on DM, and myself. Our panel (whose session will be appearing shortly as a transcript in the "Record" at <http://library.soa.org/library-pdf/rso04v30n1111of.pdf>) concentrated on the following research and development efforts of different organizations:

- DMAA has recently published a white paper on DM evaluations, available at www.dmaa.org. DMAA does not endorse a particular methodology, but instead discusses the principles of evaluation. DMAA will also be publishing (tentative publication date is October) a "Dictionary of DM Terminology." The dictionary



(which I am editing for the Association) grew out of concern that terms are not consistently defined and used by different players in the industry. DMAA is also developing a manual of practice regarding outcomes calculations. This is likely to be published at about the same time as the dictionary.

- DMAA collaborated with the Health Section of the SOA to present a highly successful seminar in April on risk adjustment and predictive modeling. Over 150 members of the two organizations attended. The collaboration continues around the Health Section's call for papers on issues of acute versus chronic care, and another joint seminar, possibly on quality measurement, is planned for next year.
- Rob Parke discussed a research paper that he recently published, entitled "Insight into Two Analytical Challenges for Disease Management." The two issues Rob discussed in detail are the thorny issues at the heart of measurement: regression to the mean and selection bias. Rob also gave participants an update on the work of the Academy's work group on DM. The first deliverable from this group will be a background paper on issues, expected to be completed later this year.
- My presentation covered some of the work that our firm is doing (sponsored by the Health Section) in a project entitled: "Actuarial Issues in Care Management Evaluations." This study, which began in 2003 and will probably take two years or more to complete, encompasses a number of different theoretical papers, including the history of intervention program development, a literature review, the economics of programs, and outcomes measurement methodologies and their implications for actuaries. In addition, we are conducting field testing of many of the principles developed in the theoretical papers in collaboration with Highmark. The theoretical papers have been through initial review with the Project Oversight Group

of the Health Section and should be available on the SOA's Web site later this summer.

As all of our speakers showed in their presentations, this is both a very lively and very fast-evolving area for actuaries. Approximately 100 actuaries attended the session, in the last time-slot before the end of the Anaheim meeting, attesting to the fact that the profession continues to show the level of interest evidenced in sessions at previous spring meetings. 📧



Ian Duncan, FSA, MAAA, is a partner at Lotter Actuarial Partners, Inc. in New York, N.Y. He can be reached at lduncan@lotteract.com.

Dresden Colloquium Update

by Howard J. Bolnick

Our Dresden Colloquium was clearly a huge success! More than 200 participants from 28 countries heard 42 excellent presentations. My thanks to all of you who helped to make this happen. For those of you who attended the colloquium, I hope that you were as thrilled and proud as I was when Luis Huerta rang the "official" bell to end the meeting. It really was one of the highlights of my professional career!

This very successful colloquium once again confirms the value to our members of Health Section activities. Let's use this success to continue building our membership and as strong encouragement to begin expanding our activities. 📧



Howard Bolnick, FSA, MAAA, is the chairman at InFocus Financial Group, Inc. He can be reached at hbolnick@kellogg.northwestern.edu.