

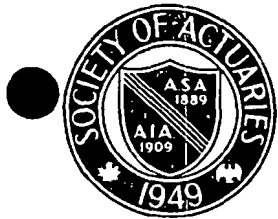


SOCIETY OF ACTUARIES

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# The Actuary

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## HARVARD CONFERENCE ON DEMOGRAPHIC PROJECTIONS

by Cecil J. Nesbitt

Under the aegis of the Harvard University Center for Population Studies and the Society's Committee on Research, 70 actuaries and demographers met at Harvard University Nov. 29-Dec. 1 to discuss demographic projections and related actuarial topics.

Four sessions of the conference dealt with projections. Dr. Conrad Taeuber reviewed United States Census Bureau Demographic Projections. Professor Nathan Keyfitz, of Harvard, examined the question, "Can Population Changes be Predicted?" He stated that such turning points as the rise in fertility in the late 1940's cannot be predicted but we should recognize that the projections of the Bureau of the Census and other agencies have some of the qualities of forecasts with confidence intervals, "implicitly challenging us to assign probabilities to intervals and to develop our own loss functions."

Drs. A. Romaniuc and K. S. Gnana-sekaran of Statistics Canada spoke on "Population Projections in Canada" and "Mortality Trends and Projections by Cause of Death in Canada, 1950-1990." They discussed the problems of making population projections for Canada, and presented solutions.

Professor Samuel Preston, of the University of Washington, presented a paper on "Illustrations of Social and Demographic Consequences of Eliminating Various Causes of Death in the United States." By the application of the mathematics of population and extensive computer calculations, he speculated that with complete elimination of cardiovascular disease, age at retirement would have to increase by approximately 10 years in order to retain the current ratio between retired and economically active

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## REPORT FROM THE BOARD OF GOVERNORS

Many actuaries are aware of newspaper reports that the City of Sacramento has been involved in a controversy about its retirement system because of an apparent conflict in the recommendations of two actuarial firms. This matter was brought to the attention of the Society and of the Academy by letters from the City of Sacramento to the Presidents of the two bodies.

Before deciding what action to take, the Society and the Academy sent Mr. E. J. Moorhead on a fact finding visit to California where he interviewed the city management and also the several actuaries familiar with the case. Subsequently, the Board of Governors (and later the Board of Directors of the Academy) decided to refer the questions involved to the appropriate Committees of the Society and the Academy. The Board of Governors and the Board of Directors realize that it is essential for the profession to give a clear response to an appeal from a public body such as the City of Sacramento. Further, in this instance an analysis of several features in the case can be of substantial future value to practicing actuaries. One feature relates to the manner in which a cost of living escalation provision in a pension plan may be provided for in the current contributions of both employees and employer.

William A. Sparc,

Secretary

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## THE HEALTH MAINTENANCE ORGANIZATION ACT OF 1973

by John C. Turner

On Dec. 29, 1973 President Nixon signed into law the Health Maintenance Organization Act of 1973, which authorizes \$375-million to be used by the DHEW to stimulate the establishment and development of HMO's over the next five years.

The Act provides for \$25-million in 1974, \$55-million in 1975 and \$85-million in 1976 and 1977, in addition to a \$75-million revolving loan fund to provide grants and contracts for feasibility surveys; grants, contracts and loan guarantees for planning and for initial developments; and loans and loan guarantees for initial operating deficits—all to HMO's which qualify for such aid under the law. An additional \$50-million is set aside for research and evaluation of quality assurance programs for health care in an HMO environment. Except for programs in under-served areas, federal support is available only through non-profit organizations.

While the law has occasioned a dramatic increase in interest among many groups to develop HMO's, it remains to be seen whether many currently operating HMO's will care to attempt to qualify under the law. The advantages of such qualification are money (if non-profit) and the requirement that employers of 25 or more employees must offer at least one qualified HMO as an option to conventional indemnity health insurance for employees.

Existing HMO's may find it difficult to accommodate such requirements as community rating, restrictions on medical provider groups, requirements for open enrollment, and the basic health services required. The basic health services described in the Act go beyond the usual medical, hospital, and diag-

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