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Health Section Pricing and Valuation Boot Camp

by Bill Lane



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Four years ago, I was elected to the Health Section Council. One of the council's main roles is to seek out the needs of our members, and then to find ways to satisfy those needs. The council sponsored a member survey and discussed issues with a number of health actuaries. It became apparent that there was a lack of basic training in some of the most fundamental functions that health actuaries perform. Two areas in particular were pricing and valuation. It was not that there were no avenues for training in these disciplines. The problem was that the available training opportunities were insufficient. This became the genesis for the first Pricing and Valuation Boot Camp held in August of 2008.

As Mae West used to say, "I am easily satisfied with perfection." I simply wanted the Boot Camp to be perfect, no more, no less. Didn't happen. All in all, it was generally successful, but perfection is going to have to wait until at least the second Boot Camp.

Most of my comments will be focused on the Pricing and Professionalism sessions since I taught during the Pricing session and attended the Professionalism session. Time did not permit me to stay for the Valuation session, however I did hear good comments about this session.

For Pricing, our challenge was to create a curriculum that covered the basics of medical pricing, and also covered many of the specifics of Individual, Small Group, Large Group and Employer Stop Loss. For this we had a day and a half. On paper, it seemed that we could cover these topics, and our slides were timed to about 12 hours. However, we got a large number of questions from the audience and timing ended up being an issue. Because you have to cover the basics first, and then cover more advanced topics, some of the later material got rushed.

Experience will help us to time the material better in the future. We may even (horrors of horrors) send out some material in advance with an expectation that the audience will have studied it in advance (could this mean homework?). This would allow more time for more advanced topics while having some assurance that the audience understood the basics to at least some extent.

The mixture of knowledge in the audience also contributed. We asked for a show of hands at the beginning and

about a third of the audience had essentially no health pricing experience, and about another third had only three years or less of experience. Because we got a lot of questions from the uninitiated, we lost time for our more experienced participants. Contributing to this mixture of experience and inexperience is the fact that some people were experienced in one or two of the product lines, but were generally unexposed to the others.

We got a lot of positive responses for the session, but we also got a significant number of comments suggesting that improvement was needed.

In my opinion, the Professionalism session went very well. Here again, we had a number of people who had attended an American Academy of Actuaries webcast on the subject of the new continuing education requirements, but many who had not. There are a lot of nuances to the new requirements that I had not known. For example, if I attend an actuarial meeting session and merely confirm that my knowledge on the subject is current, but don't actually learn anything new, then, by my understanding of the new rules, that time cannot be counted as continuing education. However, if I glean just one new thought, then the whole time can be counted. There was a lot of audience participation and I believe everyone learned something from this session. (So everyone can count the time!)

The location had a great set-up for the sessions. It was an amphitheater which allowed for everyone to hear and participate.

We are now beginning to plan for next year's Boot Camp. The problem of providing quality education to an audience that will have diverse backgrounds is not likely to go away. We may try to have basic sessions followed by more advanced sessions. We may try advanced material to cover some of the basics. We do intend to develop the curriculum much earlier so we can be more specific in our marketing material as to what will be presented.

There is a need for continuing education for all of us. I am excited that the Health Section is moving forward in meeting this need for its members and I am proud to be a part of it. I am confident Boot Camp will continue to improve. ■