



SOCIETY OF ACTUARIES

Article from:

# Health Watch

January 2011 – Issue 65

# Chairperson's Corner

by Judy Strachan

**W**elcome to the new section council members! With the latest elections, Kristi Bohn, Pat Kinney, Dewayne Ullsperger and Karl Volkmar have joined the council. They will be contributing their energy and their ideas to the council for the next three years.

## Health Reform

The past year has been another eventful year for the Health Section. With the passage of the Patient Protection and Affordable Care Act in March of 2010, health care reform continues to play a central role in Health Section activities. A survey of actuaries on "Bending the Cost Curve" identified the need for greater transparency in the health care system and provider payment reform as keys to reducing future health care trends. The council has recently completed a call for papers on provider payment reform. The current health care payment system in the United States does not always include incentives for providers to provide quality, cost-effective and efficient health care; in fact it is often viewed as a hindrance to these health policy goals. Submitters were asked to provide their vision of a financially sound, equitable health care provider payment system and their ideas of how a reformed provider payment system, in part or whole, would be achieved. The winning four articles were featured in the September newsletter along with additional articles addressing the topic of provider payment reform.

To further the work of the SOA on health reform, the SOA Board of Directors recently funded three large research projects on the topics of risk adjustment, employee benefit design and provider payments. The Health Section Research Committee is looking forward to assisting with these projects in the coming year.

## Complexity Science

Another major initiative of the Health Section Council in 2010 was the funding of a text on complexity science by Alan Mills. Complexity science is a group of relatively new modeling techniques applicable to complex systems. Exactly what is a complex system is difficult to define precisely. Complexity science looks at dynamic systems with multiple types of agents whose behavior is continually adapting and changing in response to the changing behavior of the other agents within the system. Clearly the U.S. health care system fits that definition with health insurance companies, health care providers, government, employers and consumers continually adapting to each other's behaviors in a complex dance. Complexity science provides new and exciting ways to model the behavior of the agents in the U.S. health care system.

The work by Alan Mills, "Complexity Science—An Introduction (and Invitation) for Actuaries," includes not only an excellent and very readable text explaining complexity science, but also several Excel spreadsheets with examples and models to get you started in your exploration of these new and exciting techniques. The text and the models can be found at: <http://www.soa.org/research/research-projects/health/research-complexity-science.aspx>. Use of these modeling techniques has the potential to totally revise the way actuaries model and study the health care system. I urge you to read and familiarize yourselves with Alan Mills' work.

As an added incentive to encourage people to learn and to use complexity science to analyze health care systems, the Untapped Opportunities Task Force sponsored a call for complexity models of a component of a health care system. Details on the call for models can be found at: <http://www.soa.org/research/>

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ISSUE 65 JANUARY 2011

# Health Watch

Published by the Health Section Council  
of the Society of Actuaries

This publication is free to section members. Current-year issues are available from the Communications Department. Back issues of section publications have been placed in the SOA library and on the SOA Web site: ([www.soa.org](http://www.soa.org)). Photocopies of back issues may be requested for a nominal fee.

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*research-ops/data-request/2010-10-health-complexity-models.aspx*. The models must be submitted by March 31, 2011. I look forward to seeing the submissions!

## Strategic Planning

During a meeting that included representatives from the SOA Health Section Council, the Academy of Actuaries Health Practice Council and the SOA Board of Directors, the Health Section Council began a strategic planning process with a Strengths/Weakness/Opportunities/Threats (SWOT) analysis. A number of initiatives were identified at that

meeting and will be explored further by the Health Section Council over the next few months. To keep the momentum going from the SWOT analysis, a new Health Section Council Strategic Planning Group has formed with Sudha Shenoy as the chair. She brought a planning framework plus issues and ideas to the board at their December meeting.

If you are interested in participating in the strategic planning process, please reach out to Sudha, me or Sara Teppema. We welcome your ideas and your assistance! ■



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