



SOCIETY OF ACTUARIES

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North of the Border with the S.O.eh?

(A tour of the 2009 Health Spring Meeting)

by Doug Norris

The Society of Actuaries crossed the border this June, holding its annual Health Spring Meeting at the beautiful Westin Harbour Castle hotel in downtown Toronto, Ontario. Well over 700 attendees headed north of the border to engage in three days of exciting speakers, illuminating presentations, and the chance to network with some of the best actuaries in the industry. The SOA customarily attracts very entertaining and engaging speakers to this event, and this year was no exception. Despite the wide variety of attractions in Toronto, the sessions were well-attended, with many presentations “standing room only.”

Although there was no official theme to the conference, it was clear that the current political climate was at the front of everyone’s minds. Two of the three keynote speakers spoke on the subject of the future of American health care, and many presentations were either directly or indirectly focused on health care reform and related issues. Paramount to many of the sessions was the actuary’s role in improving the quality and efficiency of the health care environment.

SOA President Cecil Bykerk led off the festivities on Monday at the Opening General Session, calling for actuaries to “succeed in the new normal,” and talking about SOA initiatives for education and professional growth. Bykerk also shared details of the newly formed Employers’ Council, which discussed the key issues, challenges and business needs for actuarial employers. He shared a vision of future functions to be made available online on a real-time basis, including social networking, wikis, forums, and professional development opportunities. Past SOA president Neil Parmenter, who passed away on May 3, was honored for his contributions to the profession, followed by a moment of silence.

SOA Executive Director Greg Heidrich spoke on the SOA’s strategic plan and examined the SOA’s role in the formation of intellectual capital. The strategic plan focuses on the four key stakeholders: members, candidates, employers and the public. Among the extensive professional development mentioned by Heidrich and available online, there is a new course, which likely appeals to most actuaries – “Self-promotion for Introverts!”

We were fortunate to have Dr. Uwe Reinhardt, a leading scholar and economist, provide the keynote address. Centered on the existence of the “value gap” in American health care, his address explored potential solutions to the rising cost of medical care relative to GDP. If the differential between health spending growth and GDP growth remains constant, health care will consume 40 percent of GDP in 50 years, pricing many Americans out of coverage altogether. Reinhardt’s contention is that Americans will have to decide to either adopt a “tax and transfer strategy,” or to ration health care by income class. Reinhardt compared President Obama’s vision for health care reform with the Republican vision, looking at potential roles for an insurance exchange and a risk equalization fund. The ultimate solution will have to deal with the government cost to cover the uninsured population, estimated at a staggering \$1.57 trillion over the next 10 years. *(Mary van der Heijde and I sat down with Dr. Reinhardt for a one-on-one interview after his keynote address. Please see the interview later in this issue, to hear more about his opinion for the role of actuaries in the future health care economy).*

There were over 70 engaging sessions on wide variety of topics. I was able to attend 11 of them, and I outline my observations here. A lively session on consumer-driven health plans, led by Amy Wilson (BlueCross/BlueShield of Minnesota), Dave Tuomala (Ingenix) and Jean-Francois Beaulé (United Healthcare), followed the opening session. Results of multiple studies were given, including the discovery that, although utilization was lower overall in CDHPs, quality of care (as determined by HEDIS measures) did not suffer. As the popularity of consumer-driven health plans continues to grow, it will be important for all of us to understand these emerging results, while the poor economy will result in some interesting behavioral patterns among those enrolled in high-deductible plans. Consumers, providers, employers and the government were urged to collaborate with one another to lead to future plan designs consistent with what consumers should be focusing on.

At Monday’s general luncheon, Dr. Robert Buckman gave a keynote address on interpersonal communication, showing how one can improve reactions by



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acknowledging and handling the emotions of the other party. Particularly when hearing bad news, people want to feel as though their situation is being taken seriously, and Buckman showed techniques for conveying an understanding of emotion to the listener.

Monday afternoon saw David McSweeney (Healthcare Data Management) and Joel Slackman (BlueCross/BlueShield Association) present on claim data issues, both today and in the future. McSweeney gave an overview of current issues facing the claim processing industry, starting with well-intentioned errors and misinterpretations of benefit, and leading up to outright fraud. The role of the actuary here is important, and it is essential to think of these potential problems just as an auditor would. Slackman gave us a peek into the near future, looking at the transition into version 5010 of the HIPAA Administration Simplification Transactions, and the implementation of ICD-10CM/PCS. Although 5010 will offer many improvement over the current 4010 system (including the ability to handle ICD-10), it will be a major systems change, including upgrades to enrollment, explanation of payment, and claims systems, and education and support for health plans will be critical. The new ICD-10 code set will allow for more than 155,000 different codes, augmenting the existing ICD-9 code structure while allowing for tracking of new diagnoses. Crosswalks between the code sets will be complicated, and payment structures based upon ICD-10 will result in many challenges for today's actuary.

Robert Bachler (Milliman), Howard Brill (The Monroe Plan for Medical Care) and Ian Duncan (Solucia) presented on a variety of predictive modeling applications in their late afternoon session Monday. Many current stop-loss models concern themselves only with the expected value of claims for individuals while ignoring the high degree of variability present, and Bachler focused on methods of accounting for and correcting this problem. Brill presented on the design and implementation of predictive models for his own plan, taking us from start to finish, while discussing obstacles encountered along the way. Duncan's case study took us through the predictive modeling process for evaluating the efficacy of wellness programs on the population of a commercial health plan. Overall, the panel was engaging and helped facilitate a rousing question-and-answer session.

A large audience arrived Tuesday morning to learn "What You Should Know about Underwriting - but Don't," and Jay Severa (Anthem) and Pete Roverud (Deloitte) did not disappoint. They walked us through hidden risks faced by those who underwrite, including the severe selection effects present in associations and professional employer organizations, performance guarantees, complex funding arrangements, and guaranteed issue mandates. Their ultimate recommendations? Communicate! Ask as many questions as you can, to multiple people, in different ways, and on more than one occasion.

The employer stop-loss insurance market was the topic of choice for the panel of Gregory Sullivan (CIGNA), Brian Shively (Summit Reinsurance Services), Shaun Peterson (HCC Life Insurance Company) and Russel Hugh (Actuarial Services LLC), as they led us on a journey of catastrophic claims, deductible leveraging, lasering of high-cost members, and reinsurance report cards. Setting expectations for non-actuaries is a key concern, as they usually do not have the background or patience to understand the many nuances and subtleties involved. All touched upon the subject of million-dollar claims, which are increasing in frequency at an alarming rate.

Shannon Brownlee's keynote address at Tuesday's general luncheon focused on "The Paradox of Plenty," where the overspending on the United States health care system actually leads to poorer health outcomes.

With elective care largely dictated by physician opinions and not by clinical evidence, Brownlee's contention is that local practice patterns and local capacity are what drive excessive utilization in our system. Furthermore, the transfer of taxpayer income from efficient markets to inefficient markets is resulting in the inefficient markets getting more expensive faster. Brownlee offered several solutions to the problem, including reforms such as Medicare outlier penalties, shared savings for efficient medical care, and direct medical practice. *(To read more about Brownlee's New York Times bestselling book "Overtreated: Why Too Much Medicine is Making Us Sicker and Poorer, as well as more about her views on the health care delivery system, please see the interview with her elsewhere in this issue).*

Trends were on the post-lunch dessert menu, when Scott Bentley (Milliman), Johnathan Chernick (Humana) and Greta Redmond (Ingenix) presented on recent developments in the industry. Bentley and Chernick led things off by walking us through considerations which need to be made when analyzing trends, including underwriting changes and adverse selection. Demographic, geographic, benefit plan and service mix changes can significantly mislead the actuary if not accounted for properly. Redmond led us through challenges faced by low-cost pharmaceutical options, which do not always end up in our claim databases for a variety of reasons, and in quantifying the impact of the recently-passed federal mental health parity bill.

Bob Beal (Milliman) and Dawn Helwig (Milliman) wrapped up Tuesday's sessions with lessons learned from two related types of insurance – long-term care and disability. After a thorough introduction to the subtleties of both types of coverage, Beal and Helwig delved into the competitive pressures faced while pricing and underwriting these benefits. In long-term care coverage, benefits and risk classes are not standardized, making competing rates difficult to compare. In the disability market, there are a small number of carriers, each of whom is chasing after a very specific target market. Unlike most forms of health insurance, long-term care and disability benefits are likely to be paid years into the future. Consequently, the valuation of these benefits is quite tricky, and projections are highly sensitive to assumptions set today. Effective

claims management is vital in keeping a handle on the needs of the insurer.

Many came to hear Andrea Christopherson (Ingenix) and Steve Melek (Milliman) teach about the impact of the recently passed Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008. Christopherson gave a comprehensive background on the bill, which will impact the health care coverage of well over 100 million Americans, and mandates that the treatment and financial limitations for covered behavioral health benefits can be no more restrictive than the predominant treatment limitations applied to substantially all medical and surgical benefits. She then illustrated the results of a study performed on FEHBP and its applicability to future trends. Melek presented a strong case that this bill is a blessing in disguise, showing compelling evidence that effective treatment of behavioral health conditions could actually lower the overall cost of American health care while at the same time improving absenteeism in the workplace. Patients with chronic illness have much higher rates of co-morbid depression and anxiety disorders, much of which goes untreated. These patients' medical costs are on the order of \$500 PMPM more expensive than their colleagues without the co-morbid behavioral conditions. Melek concluded with the results of a predictive modeling project, using lifestyle-based consumer data, to assist a large managed behavioral healthcare organization in the identification of patients who would benefit the most from an integrated medical-behavioral health care program.

For more on the Spring Meeting, please visit the SOA's Web site at <http://soa.org/meetings-and-events/>, where nearly all of the PowerPoint slides for conference presentations are available. Wish you had been there with us? New this year, the SOA is offering select Health Spring Meeting sessions for purchase on digital media via the SOA Live Learning Center. Please see <http://www.softconference.com/SOA/am.asp> for complete information.

We hope to see you at next year's Spring Meeting at the JW Marriott Grande Lakes in Orlando, Fla. from June 28-30! ■

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