



SOCIETY OF ACTUARIES

Article from:

Health Watch

May 2010 – Issue 64

A Non-Traditional Actuarial Role

by Carolyn Young

I have been working at Independence Blue Cross (IBC) for the last five years in a “non-traditional” health actuarial role. IBC is a traditional company, with traditional health actuarial roles—primarily pricing, reserving, etc. My role was crafted because IBC was willing to explore the value of a non-traditional role focusing on medical cost analysis and forecasting, which I like to think of as both retrospective and prospective analysis. The prospective analysis piece is rooted in the traditional—that is setting the medical cost trends the pricing area uses to set the rates. The not so traditional part is the retrospective analysis and our “MCAP” approach. More on MCAP in moment...

The retrospective analysis results in monthly medical cost analysis and reporting. We separate our reports into product (Commercial vs. Medicare, HMO vs. PPO), service type (inpatient, outpatient, and professional) and then analyze the drivers of trends—at the provider, procedure, diagnosis code level, etc. This is real detective work! The analysis combines technical and analytical skills. Anywhere we see a high trend, or an unexpected variance, we dive down to the lowest level of detail to be able to explain the driver. Then the really interesting work begins. We present the analysis to our business partners in Contracting, Legal, Medical Directors, Care Management staff, Medical Policy, and Operations and partner with them to determine the drivers. This is the beginning of the MCAP (Medical Cost Action Program) approach.

The variances may be caused by new medical technology, a change in a provider contract that we were not aware of, or it may even be caused by simple billing errors. It could also be the unexpected result of an updated fee schedule, changes in provider billing or behavior, or system set up issues or system errors. If the reason for the variance is something we did not expect, we would work with our business partners to resolve the issue. MCAP **drives** all these issues to conclusion.

Typically, the actuarial department will see adverse results, factor them into their trend forecasts or prices, and then move on. In IBC’s MCAP world, Actuarial is a **leader** of this group driving the team to resolve the issue and recover funds where

appropriate. These work efforts are then factored into our trends (as we are positively influencing trends) and reserves (if there is a recovery effort). MCAP allows Actuarial to drive projects to conclusion and become an active business partner in directing the company’s time and resources to address issues that have material value and impact on trends and medical costs. Because of this process, we have become a much more valuable partner within the organization and this has facilitated our knowledge of how claims process, items that are considered in the provider contracting process and furthered our general health care knowledge. Instead of reporting and analyzing the numbers, we are helping to drive the results!

Since we instituted this process in 2006, we have highlighted significant issues in our medical costs and positively influenced our medical cost trend. The biggest challenges we had were convincing our business partners that the items being highlighted in our cost reports were priorities. Once we were able to size these issues, we were able to gain their support. This still required significant senior management buy-in from the Claims & Operations areas. They typically addressed issues either in the order they received them, or they bumped up issues to high priority status if it affected a large customer. Our reporting was able to show them that financial impact across our book of business is an important criteria as well.

MCAP is fully functioning at our company and we have had great success. Leading this team of cross-functional people has given me new exposure to areas of the company that actuaries do not typically ever see or understand. It has expanded my knowledge of health care significantly and given me a new appreciation of how health care works. I urge every actuary in the health care industry to spend some time getting to know how the business is run and how claims are paid. I guarantee it will make you a better actuary. I know it did for me. ■



Carolyn Young, FSA, MAAA, is a senior actuary at Independence Blue Cross in Philadelphia, Penn. She can be reached at carolyn.young@ibx.com.