



SOCIETY OF ACTUARIES

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# Navigating New Horizons ...

an Interview with Dave Axene

By Sarah Lawrence



David Axene

To say that Dave Axene has had an interesting year would be an understatement. In the past 12 months he earned a new professional designation, overcame a serious illness, published a book and played an important role in the largest actuarial malpractice settlement in history. On top of that, he also uncovered errors in the rate increase proposals of two major California insurers which affected rates by tens of millions of dollars—an issue so important that even President Barack Obama took note.

Axene is the president, founding LLC member and consulting actuary of Axene Health Partners, LLC, out of Winchester California. The firm, which he founded in 2003, specializes in providing health care consulting services that emphasize the integration of actuarial science with the practice of medicine as a way of fostering greater understanding and, in turn, eliminating waste. It was this business theory that evidently caught the attention of the California Department of Insurance when they were searching for somebody to evaluate the reasonableness of rate filings by four insurers: Anthem Blue Cross, Aetna, and Blue Shield of California and HealthNet.

## Making the Difference

The rate filings were calling for large rate increases—as high as 39 percent in the case of Anthem

Blue Cross—and were causing great consternation for not only consumers, but also politicians including President Obama, who publicly criticized the company's proposal during a televised appearance. Enter Axene, who discovered errors so significant in the filings of Anthem and Aetna that the companies were forced to withdraw their filings and redo them. Both accomplishments made front-page news and a human-interest feature that highlighted Axene was published by the *Los Angeles Times* under a headline that read, "A mathematical David stuns a health care Goliath."

It's not every day that an actuary is branded a hero in the media, but Axene hasn't let all the attention and esteem go to his head. "I'm this relatively quiet, introverted guy who has been very fortunate in his actuarial career," he said. "Ironically I'm just sitting back saying, 'Why does everybody care?'"

Axene's career has spanned almost four decades and has been so successful that one might assume his progression was the result of early grooming, careful planning and the orchestration of many complicated and long-term goals. This actually couldn't be further from the truth. In reality Axene seems to simply have a wonderful ability to go with the flow of life, putting everything he has into what he is doing that moment and taking full advantage of any opportunities that are presented along the way.

"It's funny because when you look at my career it's basically me bumping into things ... and it sure feels like that at times," he said. "But it's also an insatiable curiosity of how to fix things and there have also been some amazing things that have happened through my career. I am a person of great faith and sometimes I wonder if it's God, sometimes I wonder if it's my ineptitude of stumbling. Who knows?"

## The Early Years

Axene was born in Canada and lived there until his family moved to Vancouver, Washington, where he attended high school. A gifted math student, he dreamed of a career in aeronautical engineering and, with that goal in mind, earned his Bachelor's degree in engineering science and physics from Seattle Pacific University. He went on to earn a Master's degree in applied mathematics from the University

of Washington and was entertaining the idea of going for his doctorate when life led him in a different direction. He fell in love and wanted to get married, but his prospective father-in-law would not give his full blessing until Axene had obtained a “real job.”

Axene decided to apply for a group sales representative job at an insurance company, but failed to convince the person conducting the interview of his skills as a salesperson. In fact, according to Axene, he “failed miserably,” but the interviewer did ask if he had ever considered becoming an actuary. Though neither man actually knew what an actuary was or what they did, the interviewer assured him that they sat in on his meetings all the time and were really good at math. “So they turned my resume in and, lo and behold, I got a job as an actuarial student,” Axene said.

The job initially took him to Hartford, Conn. for three years where he worked for Travelers Insurance Company and said he was consistently amazed that he was actually getting paid good money to do math. From there he began making his way back west by accepting a position with American Republic Insurance Company in Des Moines, Iowa. “I think I had three or four exams and I was very green, but I got hired as their group actuary, of all things,” he said. “Basically I worked with small group medical and learned the hard way how to do that because sometimes we made money and sometimes we lost money.”

Axene said that it was at American Republic that he really learned the ropes and grew as an actuary, but when the company discontinued the line of business he was working in he ended up moving across the street to work as an assistant actuary for American Mutual Life Insurance Company. After two years in that position, he was given the opportunity to return to the West Coast by accepting a job as a group actuary with SAFECO Life Insurance Company in Seattle, Wash.

“By that time I had a lot of experience in the small group medical business and they brought me in as the first group actuary that they had,” he said. “I was housed within the group insurance division

and because of that prior experience I was really feeling pretty good about stuff and was able to help the company as they got into several other lines of business.”

Axene said he found a mentor in the form of the company’s former chief actuary, who was by then working with Milliman & Robertson Inc. and often provided insight to Axene during his frequent visits. “I’ve since learned he was just developing business with SAFECO, but it seemed that he was so interested in helping me learn more and we actually became good friends. He eventually hired me from SAFECO shortly after I became an FSA.”

## Settling In

The move to Milliman was the beginning of a 25-year career with the company, although Axene did not know it at the time.

“I was being put into positions which helped me advance my career, but it was more by chance or by accident rather than by careful planning,” he said. “When I accepted the job at SAFECO the primary purpose was getting back to Seattle, yet it was a great training ground to expand my actuarial skills. When they hired me to come to Milliman I wasn’t even sure what it meant to be a consultant, but eventually I advanced myself and became a partner of the firm and had one of the largest consulting practices in the company. So it was another opportunity to advance myself, but I hate to admit it wasn’t my doing to really want to go to there. I had no idea how good of a company it was when I went there.”

Axene worked his way up to principal at Milliman in just six years and said he enjoyed the fact that working in that position often felt like he was running his own firm. It also gave him the freedom to start developing some of his own ideas. “In the late ‘80s I started to pursue something very unusual which was the whole theory of trying to understand how doctors deliver health care, and through that effort I developed a product which eventually became a whole consulting unit and today is more

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than a \$50 or \$60 million operation for them,” he said. “It’s called *Care Guidelines*, which is a tool that actually is used to help change the behavior of doctors and how they deliver health care. We developed the tool under my practice and I ended up hiring lots of doctors and nurses to help me do that. It continues today as a very successful business venture for them, but I’m no longer associated with it.”

## Moving Forward

Axene ended up resigning from Milliman in early 2001 and was hired on as a partner with Ernst & Young of San Diego and Irvine, Calif. shortly thereafter. He was given the task of growing a new consulting firm, but unfortunately a new law was passed that interfered with the practice’s business plan and it folded after two years. Luckily the lay off came with a severance package that gave Axene the means to start his own consulting firm and, as a result, Axene Health Partners was born before his last day at Ernst & Young had even passed.

Axene partnered with a physician he had worked with at Milliman to create a consulting firm that expanded on the idea of health care professionals and actuaries working closely together. “The one thing that has helped me in my business development is that when I have a good clinical understanding of how health care is working, I can do a much better job as an actuary,” he said. “That has helped me in every kind of work. For example, one of the projects we do a lot of is to assess the effectiveness of various health care organizations, whether it’s a hospital or an HMO or a medical group or a health

care innovator or whatever. And so by adding that clinical perspective that’s something very unique about what we do and it’s been very beneficial for us and has led to many excellent opportunities.”

Among the opportunities that Axene said he has found the most challenging and interesting is offering expert testimony. He recently offered testimony in an actuarial malpractice lawsuit that resulted in a \$500 million settlement—the largest settlement that has ever been offered in this type of court case. “I hate to see actuaries make mistakes, but when they do somebody needs to hold them accountable and I’m one of the actuaries who was willing to work with the organization to make sure people did right,” he said. “More and more insurance departments and other insurance companies are curious as to whether they’ve done their work right and although this sounds a little bit like it could anger some actuaries, it’s turning out to be a very good thing for the actuarial profession because we are such an important, trusted profession and we have to do our work right.”

Axene said he is also excited about an ongoing project he has been working on that measures the effectiveness of health and wellness programs. The hope is that this will lead to more effective programs that will improve overall wellness and therefore create an opportunity to save a lot of health care dollars.

## Risk Management

Axene recently took the opportunity to earn his designation as a Chartered Enterprise Risk Analyst (CERA), a relatively new designation offered through the Society of Actuaries. It can take several years to earn this designation, however Axene was able to complete the program in about a year because of his previous and extensive experience in the field. Axene said he believes having this credential could create many opportunities for the actuaries who take the time to earn it.

“I think the credential has the potential to really open up doors,” he said. “As an actuary with a CERA, what we’re able to do is get into the key financial and analytic areas of an organization and help them mitigate risk, plan for risk, take advantage of risk and whatever else. And that’s what is very excit-



ing. As an entrepreneur I enjoy managing risk and so this is an opportunity to get into what I really enjoy, which is trying to understand and manage risk. Plus the enterprise risk management is getting into a bigger space to actually apply those principals and help organizations manage it in ways that they perhaps haven't thought of."

### Key to Success

Axene said actuarial students sometimes ask him how he was able to achieve so much success in his career and he offers several pieces of advice, the first one being to always make sure you completely understand what you're doing today. "What I mean by that is even if it's a simple process, make sure you totally understand it," he said. "Not just understand it on the surface, but totally understand it so you can know it better than anybody else that's ever done it before and why you're doing what you're doing and how it fits in to the rest of the organization. ... Taking apart what you're doing and trying to see why it's working or not working will always help you do a better job because what happens is as you understand how all these different things work, you can pull them all together."

Axene also suggested that people should not be afraid to admit when they don't know something because it creates an opportunity to learn and questions can often lead to new ideas.

"What I've found over the years—even though I've worked 40 years—is that the more I learn about stuff the more I realize how much I don't know," he said. "That's one of the reasons why I started to work with doctors. The fact is that I don't know medicine that well, but if I learn and understand how they make choices I can better analyze what's going on."

Axene recently published a book on how to run a business effectively. "Clearing the Mud: Simplifying the Complexities of Running Your Business" is available online at *Amazon.com*. ■

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