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# Letter From the Editor

By Greg Fann

While legislation on the health care front has started, stalled and changed directions for much of this year, the important work of health actuaries has not subsided. We have continued our ongoing operations while analyzing the impact of changing scenarios. This issue of *Health Watch* provides an update on the very active Strategic Initiatives of the Health Section, in-depth discussions of actuarial thought on aligning provider reimbursement incentives, a summary of some recent research and relevant conferences, and actuarial leadership related to health policy.

On that last point, we begin with a leader interview from Shari Westerfield, the chief actuary of the Blue Cross Association and an active volunteer leader with the American Academy of Actuaries focused on health issues. She notes her role of tackling the complex challenges of today and the necessity of bringing different perspectives together. In her view, we can “play an important role in helping policymakers understand the issues, develop potential solutions and anticipate the possible outcomes.”

A series of articles on the Health Section’s Strategic Initiatives follows. Barbara Zabielski, a public health professional, conducts an interview on the developing conversation between actuaries and public health professionals. We can learn many things from each other that will enhance the capabilities of both of our professions. New opportunities through this collaboration may involve exploration of coverage of cost-saving items that historically have been outside of traditional medical benefits. Supplemental information offers direction toward relevant public health resources and highlights how interested actuaries can become involved.

David Dillon, with commentary by the respective authors, highlights the key points of the first three articles from the “Commercial Health Care: What’s Next?” initiative. Please see his piece in the March 2017 issue of *Health Watch* for a broader summary of this initiative. This is followed by a summary of the most recent Strategic Initiative, “The Actuarial Role in Self-Insurance,” led by Hobson Carroll and Jim Mange. This initiative explores a market with a low level of actuarial attention (relative to market size) and seeks to educate actuaries on this space and clarify some frequently misunderstood technical terms.



With federal legislation in flux, this issue takes a break from specific content focused on individual and small group markets and offers five featured articles unrelated to the Affordable Care Act (ACA) repeal efforts. I accept the gratitude of readers who welcome this news, and promise the rest of you that we will have insightful actuarial commentary on commercial market changes in the 2018 newsletters. Leading off this series are two articles on value-based actuarial models. Ken Beckman addresses the challenging issue of reducing chronic disease and offers an actuarial model solution that he believes will provide the right financial incentives for physicians to appropriately manage care. Tim Smith zones in on how to obtain cost savings, with a broader focus that includes optimal benefits and high-performance networks.

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Shifting to government programs, Kelly Backes, Hillary Millican, Susan Silseth and Matthew Timm discuss the necessity of proactively anticipating the final adjustments in the development of Medicare Advantage bids. On the Medicaid side, Jeremy Palmer summarizes the 10-year financial performance of Medicaid health plans. In the final feature article, Andrew Mackenzie and Ian Duncan describe a Return on Investment model of medical intervention programs using claims and survey data.

In addition to public health professionals, health actuaries are actively collaborating and building mutually beneficial relationships with other organizations. Ian Duncan provides an abstract of a *North American Actuarial Journal* research article regarding

the financial performance of co-ops under the ACA. Rebecca Owen continues her profile series, highlighting AcademyHealth, a nonactuarial consolidator of health research. Ian Duncan discusses survey results indicating the receptiveness of predictive analytics for health care executives.

To close this issue, we have reports from two recent conferences. Margie Rosenberg highlights the AcademyHealth spring conference and the mutual benefits of actuaries collaborating with AcademyHealth members and conference attendees. Jenny Gerstorff, who chaired the planning committee for the SOA Health Meeting, summarizes the highlights of another successful SOA event. If these conferences pique your interest and you are considering attending both next year, allow me to play the traditional actuarial roles of having few words and being the messenger of bad news: schedule conflict.

On a personal note, I would like to thank my friend Brian Pauley for his three years of service and leadership on the Health Section Council and entrusting me to manage this publication. I echo his sentiments on the value of volunteering—it's a rewarding experience and it's also a lot of fun. I hope you enjoy this issue! ■



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## ON THE RESEARCH FRONT



### Analysis on Opioid Overdose Deaths

The Society of Actuaries (SOA) released an article on the demographics and geography of the increasing number of opioid deaths in the United States, summarizing data available from the U.S. Centers for Disease Control. Read the article and listen to the podcast with SOA health research actuary Rebecca Owen, FSA, MAAA, as she discusses opioid overdose deaths:

<https://www.soa.org/research-reports/2017/2017-opioid-overdose-deaths-us/>

### Research Examines Margin in Rate Setting for Medicaid Managed Care Organizations

The SOA's Health Section Research Committee's new research study provides an understanding of how margin is used to support Medicaid Managed Care Organizations (MCOs). The researchers conducted interviews with Medicaid MCO executives on components and drivers of margin. The report noted that there is no predetermined formula for developing margin, and actuaries must use their own knowledge and judgment to develop or assess margin in Medicaid capitation rates. Access the research report and listen to the podcast:

<https://www.soa.org/research-reports/2017/medicaid-margins/>