



**SOCIETY OF
ACTUARIES**

Article from
Health Watch
February 2018
Issue 85

Letter From the Editor

By Greg Fann

“Don’t trust your gut on this one, the media, or President Trump. Trust math.”¹ That was the advice from a recent commentary on how to interpret the likely impact of discontinuing cost-sharing reduction (CSR) payments in the individual market. This pronouncement resonates with actuaries, as an objective understanding of the results of mathematical computations is what generally informs our opinions. In a news cycle filled with outlandish punditry, our sober insights are often muted and lost in the noise. When our work is cited, we are held in high regard and recognized as being objective and dispassionate in our opinions.

On the CSR issue, technical articles had been written by actuaries prior to the similarly conclusive August 2017 Congressional Budget Office (CBO) report explaining the interaction of the CSR payments and ACA subsidy mechanics. The paradoxical impact of higher induced premiums resulting in higher subsidies and lower net premiums (potentially driving higher enrollment) for many eligible enrollees was specifically highlighted. Despite the warning, the advice was not widely considered. Virtually every media outlet indicated that “all of the experts were surprised” by the “higher than expected” initial open enrollment results² and were caught off guard again with the statistics at the end of open enrollment.

In this 85th issue of *Health Watch*, it’s fair to look back and say that our track record of articles is not one of experts being surprised by mathematically rational results. So what is our track record? What are our articles about? When I became editor of this newsletter last year, my first words were to let you know why you should write *Health Watch* articles. This issue completes my one-year stint as editor; JoAnn Bogolin has graciously agreed to take charge for the next year. Following up on “why to write,” I want my closing words to highlight “what to write.” It’s the most frequent question I received as editor: “I want to write an article. What are the guidelines?” It’s really simple. Ready? Write what actuaries don’t know that they should know. Don’t promote any organizations and don’t write the same thing that everyone else is writing. Write what you know best in your own unique style. As you read through this publication, you will notice some distinctive insights and flairs among the authors, but all promote learning.



We begin this issue with three pieces highlighting the Strategic Initiatives of the Health Section. I interview Jay Hazelriggs and Kelsey Stevens, the leaders of the Value-Based Care initiative. Jay and Kelsey provide insights on the formation of their committee, the direction they chose to embark on and an update of their work in progress. David Dillon, with commentary by the respective authors, highlights the key points of the most recent article 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 their work.

These articles are followed by a summary of recent recommendations from the Public Health Strategic Initiative. Bethany McAleer, Sara Teppema and Jim Toole discuss the important need for public health professionals to quantify cost-benefit analysis to support justification for funding requests.

Next, we have a leadership interview with Steve Tutewohl, the chief actuary at Evolent Health. He offers insights and practical advice about continuous learning and leadership growth. His recommendations are useful, regardless of where you are on your career path.

As promised in the prior issue of *Health Watch*, we have insightful actuarial commentary on commercial market changes in 2018 related to the Affordable Care Act (ACA) markets. This issue is loaded with ACA and Medicare content, just in time to get you ready for the busy spring season.

Leading off the ACA discussion on the implications of stoppage of the CSR payments is Dean Ratzlaff. With a journey back and a look ahead, he writes about the earlier-discussed paradoxical impact of CSR payments being defunded. The open enrollment results are common knowledge today; this article was written

prior to open enrollment, when some actuaries were aware of the potential outcome but it had not yet been confirmed. Joe Slater and John Culkin take on the sensitive topic of funding health care costs for individuals with pre-existing conditions. They argue that coverage should be provided for the public good, but that incorporating “uninsurable risks” into voluntary insurance markets poses permanent challenges. With data to support their argument, they propose a solution akin to traditional high-risk pools, with insurance assessments and tax revenue providing the funding for high-cost individuals, allowing individual health markets to be priced more attractively.

Shifting to Medicare Advantage, Karena Weikel discusses the need for actuarial skills in the complex world of risk adjustment calculations. While the focus of her article is Medicare Advantage, actuaries working with ACA risk adjustment methodology will recognize similar challenges and the need for actuarial insight. Next, Karan Rustagi explores the well-known frustration of integrated delivery systems not aligning incentives and optimizing performance. He uses a practical illustration of Medicare Advantage bid calculations to demonstrate how an integrated health system can meet its shared goals. To wrap up the Medicare section, Greg Sgrosso explains the importance of reconciling financial data early in the pricing process. He argues that this will provide confidence in the underlying data and allow the actuary to focus on the ultimate project goal.

In our final section, Joan Barrett reviews the actuarial control cycle and discusses the increased demands and enhanced modifications with advances in predictive analytics. Her article offers considerations that actuaries will need to address in the future. Didier Serre and Joanne Buckle follow with an exploration of the ROI of genomic testing. They offer key considerations

regarding why investing in genomic testing requires some financial gymnastics. Marilyn McGaffin, the leader of Health Section Subgroups, provides a description of subgroup activity and all the need-to-know details for getting involved. Kwame Smart, an integral player in the planning of the health sessions at the 2017 Society of Actuaries (SOA) Annual Meeting & Exhibit, closes this issue with a summary of the well-attended Boston conference.

I have enjoyed the opportunity to serve as editor of *Health Watch* and thank all of the authors who have made this past year a success. In the future, I will continue to offer my insights to a publication that has served health actuaries and the general public well; I humbly ask you to consider the same. And one more thing to always remember before I go: trust math. ■



Greg Fann, FSA, FCA, MAAA, is a senior consulting actuary with Axene Health Partners LLC in Temecula, California. He can be reached at greg.fann@axenehp.com.

ENDNOTES

- 1 D.J. Wilson, Guest Commentary: The Benefits of Trump's CSR Decision, *Alaska Journal of Commerce*, October 16, 2017, <http://www.alaskajournal.com/2017-10-16/guest-commentary-benefits-trump%E2%80%99s-csr-decision#.WetP2bpFvok> (accessed December 7, 2017).
- 2 Paige Winfield Cunningham, The Health 202: Four Possible Explanations for the Shocking Obamacare Enrollment Figures, *The Washington Post*, November 10, 2017, https://www.washingtonpost.com/news/powerpost/paloma/the-health-202/2017/11/10/the-health-202-four-possible-explanations-for-the-shocking-obamacare-enrollment-figures/5a04720530fb045a2e002ecb/?utm_term=.485509468b52 (accessed December 27, 2017).