



Article from  
**Health Watch**  
October 2018  
Issue 87

# Leader Interview

With John W. Bauerlein

**J**ohn W. Bauerlein, FSA, MAAA, is an equity principal and consulting actuary with Milliman Inc. John currently works in Milliman's Atlanta Health Actuarial Consulting practice (although his permanent residence is Newport Beach, California).

After graduating from UCLA with a degree in applied mathematics, John joined Pacific Mutual Life in Newport Beach as an actuarial trainee. He subsequently worked at a mix of consulting and HMO jobs until joining Milliman in 1996.

John is involved in various nonprofit organizations, and when not working he enjoys traveling with family, mountain biking and playing No Limit Texas Hold 'em.

## ON BEING AN ACTUARY

**Health Watch (HW):** How and when did you decide to become an actuary?

John W. Bauerlein (JWB): I was entering my third year at UCLA and still not set on a major after having gone down numerous paths (undeclared to engineering to history to economics). I had always taken math courses and while outside the math department, I came across a Society of Actuaries exam syllabus. I looked into the profession and was intrigued with the idea of using math skills in a business setting, although the number of exams and time frame to achieve fellowship was quite daunting.

While UCLA did not have an actuarial science major, it did have a curriculum within the applied mathematics major that combined math courses with economics and Graduate School of Management classes (called "Actuarial Plan"). I declared for that major, and then it was full speed ahead to pass exams and graduate.

**HW:** What other careers did you consider? Or if you have had other careers, can you describe them?

JWB: Being an actuary was very attractive—excellent compensation, highly in demand and well respected. Once I declared for the actuarial plan, I focused solely on that future and did not



consider any other option. I was not at all interested in graduate school as I was eager to exit school, live independently, and, most important, start collecting a paycheck.

I did leave my first actuarial exam thinking I failed miserably and spent the next six weeks anxious about what else I could or would do. But to my surprise, I did pass and never looked back.

**HW:** What was your favorite job before you became an actuary?

JWB: My first job was dishwasher at Lakewood Country Club. Certainly not my favorite job but it did have the best perquisite of any job since—the golf course was closed on Tuesdays, and employees could play for free that day.

My most interesting job was selling newspapers at Del Mar Racetrack during college summers. I sold the *Herald Examiner* next to the paddock area where jockeys would meet with trainers/owners and then mount their horses (my brother hawked at a newsstand in the central plaza). Each paper sold for \$0.25 and at the end of the day I would pay the distributor \$0.15 for each paper sold. That gave my brother and me plenty of cash to make bets during the races. I just needed to be sure I had enough to

pay back what I owed at the end of the day. That job gave me my first life lessons in risk management and the consequences of going into debt. Fortunately, the distributor was a nice old gentleman who would let me repay the next day if I came up short of what I owed.

**HW: What has been most crucial in your development as an actuary?**

JWB: The wide variety of jobs and roles I had during my 20s and early 30s has been very valuable to my success as a senior actuary. I was first hired as an actuarial trainee in the Group Insurance Department at Pacific Mutual. There I learned all the basics—rating, underwriting, reserve estimates, cost analysis and so on. My stint there culminated in an update to the rate manual, which included developing new rating factors and credits. This gave me an excellent grounding in the technical aspects of health actuarial work.

My next job was health and welfare benefits consultant. While not as technical, it did force me to work on my communication skills and delve into gray areas. To be a visible part of the team, it was important to communicate clearly and understandably to a nonactuarial audience.

My last job before joining Milliman was at a West Coast HMO. There I learned the intricacies of provider contracts, reimbursement arrangements and health care delivery systems. Rounding out my expertise was a crash course in what is now called Medicare Advantage.

The skills and knowledge I gained from these very different roles have been invaluable to me as a senior consulting actuary.

**HW: Looking at your career as an actuary, do you see any important learning milestones or turning points in your career?**

JWB: The choice of practice area and employers will dictate much of one's career path and job satisfaction. Early in my career, I tended to switch jobs often, making some good choices but also some very bad ones. I actually might have learned and developed the most while in unpleasant employment situations. Unfortunately, my resume was starting to look like someone who merely bounces from job to job.

At some point, one needs to find a permanent “home”—a place where you believe in the organization, feel motivated and are comfortable. I found that at Milliman, as it allowed me the freedom to pursue opportunities independently and rewarded entrepreneurial behavior.

I also had the pleasure to be part of a leading-edge initiative that ultimately changed the market. If that opportunity is available, I strongly encourage one to take it. Regardless of the results, it can be exciting and lead to a great deal of personal growth.

**HW: As an actuary, what keeps you awake at night?**

JWB: The unsustainability of our nation's current financing and delivery of health care does not bode well for the future. Medicare projections only differ as to what date the program runs out of funds. Health care cost trends continue to exceed consumer price index (CPI) and gross domestic product (GDP) growth. Employee direct pay increases are held back as benefit costs eat up a larger portion of employee compensation. Every year that reform is delayed makes the solution that much more painful. It is not fair to the next generation.

Be bold. Don't limit yourself to answering actuarial inquiries or delivering work products. Formulate and express your own opinions.

**ON BEING A LEADER**

**HW: How much did your actuarial training prepare you for this role? What additional training—formal, informal or otherwise—did you need to be successful?**

JWB: Our training provides us technical expertise and grounding in actuarial principles that contribute to the public's financial security. But I have to say that very little of my actuarial training prepared me for or developed the skills needed for being an effective leader. A much different skill set is required. On-the-job experiences, with much learning by trial and error, were the norm for me.

By far the most influential training I received early in my career was a three-day “Presentations That Work” seminar. This program really took me out of my actuarial comfort zone. The first day immediately started with being filmed making a brief presentation (before any “training” had occurred). Then the film was replayed to all participants with commentary by the trainer—one of the most uncomfortable moments of my adult life. The third day ended by presenting again and watching the tape. I would encourage all actuaries to enroll in this type of training and take advantage of every public speaking opportunity. Be assured that every time you speak, you will get a little more comfortable and skilled.



Know also that one can always improve, and on-the-job training never ends. Be sure to recognize and admit mistakes, and always try to learn from them.

**HW:** What are the most important lessons you've learned in your role?

JWB: Whether speaking with clients, employees or peers, it is important to start by just listening. Then ask questions, probe further, and make sure one has a clear understanding of a situation or problem. I've then found it constructive to challenge, without being confrontational, the current perspective and direction. Being somewhat provocative can generate healthy dialogue and engagement. Clients and employees usually appreciate that challenging engagement if they know, whatever the result, you will support them at all times.

Related to aggressive engagement is the importance of never leaving issues or concerns unresolved or, at a minimum, unaddressed. When you are an authority figure, people around you may be hesitant to speak up and express concerns. Being sensitive to nonverbal cues, encouraging open communication,

and creating an environment where all feedback is welcome are critical to creating a positive culture in the workplace.

**HW:** Let's say you're hiring your successor. If you're presented with two actuaries with equivalent experience and training, what characteristics will help you choose one over the other?

JWB: I'll speak to this primarily from the perspective of leading a consulting practice. I would look to the following traits to distinguish among two technically qualified candidates:

1. **Level of charisma.** I know, not typically a trait of actuaries, but charisma can take many forms. The two aspects of charisma that are important to leadership success are:
  - Success in forging strong relationships and bringing in new business. A vigorous pipeline of growth is, of course, important to financial success but also creates a positive level of enthusiasm and personal opportunity among staff.

- Ability to recruit and retain high-performing employees (i.e., having stellar employees want to be part of your organization).
2. **Ability to motivate and inspire.** Health actuaries have many employment options available, which means you must continually strive to make your firm an attractive place to work. It is important to create an environment where employees feel challenged and part of organizational growth.
  3. **Willingness and readiness to accept the demands of leadership.** The new role will involve job aspects that one may not have encountered previously:
    - Shifting the focus from oneself to the organization
    - Being comfortable making decisions that may be unpopular
    - Being open to, and encouraging, all types of feedback, both positive and negative

**HW:** Describe the biggest one or two challenges that you have faced in your role.

JWB: Managing growth, certainly a good problem to have, was a major challenge during my first 10 years as a consulting practice leader. I had some personal success in business development and our practice greatly benefited from a favorable health care consulting environment (thank you, Medicare Advantage). During that period, our practice revenue nearly quadrupled. The particular challenges we faced were:

- How to meet client commitments while maintaining a high level of quality

- How to avoid becoming a sweatshop and burning out the staff
- How to find and recruit health care actuaries willing to join a driven, fast-paced environment

We made it successfully through that period, where we were asking a lot of hours and commitment from the staff, by fostering team spirit and personal growth.

My most challenging client engagement was serving as interim chief actuary/VP underwriting for a regional HMO. Because of provider network upheaval, the plan's cost structure had suddenly increased +20 percent, which led to financial losses, large renewal rate increases, group terminations and discord within the organization. Adjusting revenue to match the higher cost level was the core goal but a large part of the role was to work with sales to achieve renewal targets, coach underwriting staff on rating changes, and handle turnover/employee terminations. That experience involved daily crisis management that, while stressful, was never dull.

**HW:** What advice would you give to another actuary going into a leadership position for the first time?

JWB: Be bold. Don't limit yourself to answering actuarial inquiries or delivering work products. Our expertise and analyses are key inputs for management in developing strategy and making decisions. I would encourage actuaries in leadership roles to insert themselves into that process. As actuaries, our training and analytical skills provide valuable insight and perspective within the senior management ranks. Formulate and express your own opinions. Be ready to defend and debate them. My own experience has been that our input is welcome, even when straying into areas outside our traditional areas of expertise. ■