



SOCIETY OF ACTUARIES

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Social Security Disability

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with zero years for claimants under age 27, increasing by 1 year for each 5 years of age, reaching the maximum of 5 years at age 47.

A new feature allows workers below age 37 to exclude additional years* in which they were unemployed and there was a child under age 3 living in the same household.

Under previous law, the maximum benefit payable to a disabled worker and his family varied from 150% to 188% of the worker's benefit. The new law lowers this maximum to 85% of the worker's AIME, or 150% of his benefit if less, but never below the worker's benefit.

Administration

One major administrative change is designed to improve the quality of disability determinations made by state agencies. Commencing in 1983, the Social Security Administration must review at least 65% of all state agency allowances. In addition, the Secretary of Health and Human Services is required to specify administrative procedures and set performance standards for state agencies.

Disabled beneficiaries have been required to re-establish periodically their entitlement to benefits if their primary diagnosis is any of thirteen specified impairments from which recovery is considered likely. The 1980 Amendments require that from 1982 all beneficiaries with impairments rated as non-permanent be re-examined at least once every three years.

The 1980 Amendments provide incentives (or remove disincentives) for disabled beneficiaries to return to work, in several ways: (1) a former beneficiary need not wait the usual 24 months for Medicare eligibility, (2) Medicare eligibility is extended for 36 months after a beneficiary returns to work, provided the beneficiary has not medically recovered, and (3) benefits may be continued after medical recovery if a beneficiary is enrolled in an approved vocational rehabilitation program.

*Total exclusion, regular and additional, is limited to 3 years.

Federal Statistics

Financing America's Unemployment Compensation Program

Reviews the financing problem, identifies major taxation issues, lists policy options and offers recommendations. Available from Lillian Howard UI Service, Employment & Training Admin., 601 D Street, N.W., Room 7000, Washington, DC 20213.

Income of U.S. Population 55 and Over, 1976

Begins a biennial series on incomes of older people. Tabulates major income sources, amounts, and proportions by age, marital status, sex and race. Staff Paper No. 35, SSA Publication 13-11865, single copy free from Publications Staff, Office of Research & Statistics, Social Security Administration, Rm. 1120, Universal North Bldg., 1875 Connecticut Ave., N.W., Washington, DC 20009.

Major Changes in U.S. Age Structure

The age structure in the U.S.A. has been changing significantly. The Census Bureau's latest estimates by age, race and sex show major shifts, specially among young adults and the elderly. A copy of Estimates of the Population of the United States, by Age, Race, and Sex: 1976 to 1979, Series P-25, No. 870, is available for \$1.75 from Government Printing Office, Washington, D.C. 20502.

State Population Estimates by Age, 1971-79

Every state saw considerable growth in its young adult and elderly populations in the 1970's. Changes in age distributions were most apparent in regions and states heavily affected by migration. A copy of Estimates of the Population of States, by Age, July 1, 1971 to July 1, 1979, Series P-25, No. 875, is available for \$1.00 from G.P.O. at the address above.

U.S. Population Gain Since 1970 Concentrated in California, Texas and Florida

The Bureau of the Census reports that population growth between 1970 and 1979 was concentrated in three states—California, Texas and Florida. Those three accounted for almost 7 million of the country's 16.8 million growth in the decade. A copy of Annual Estimates of the Population of States: July 1, 1970 to 1979 with Components of Change, Series P-25, No. 876, can be had for \$1.25 from G.P.O., same address.

It is estimated that these Amendments will reduce DI program costs by about 10% relatively, although the full effect will not be felt for several years. Most of the provisions affecting benefit calculations apply only to workers who become entitled to benefits for the first time after June 1980. For a fuller explanation of the effects of the new law, please write the Office of the Actuary, Social Security Administration, Suite 700, Altmeyer Building, Baltimore, MD 21235. □

MISTREATMENT OF ACTUARIAL COST ESTIMATES FOR MEDICARE

Memo by Robert J. Myers

Ed. Note: Mr. Myers has given a more detailed version of this memorandum to the Commissioner of Social Security and other government officials. A copy of the text is available from him, on request to his Year Book address.

For 45 years the Executive Branch and the Congress have based their planning of the OASDI and Medicare programs on actuarial cost estimates made by qualified actuaries in the Social Security Administration. Those actuaries have always made their estimates in a professional manner, not letting their own views on the desirability of the proposals, or the possible wishes of the policy-planners to have low estimates for changes they favor (or high ones for changes not favored) affect their results. All parties, regardless of their political views, have come to take for granted the integrity of the actuarial cost estimates as bases for legislative decisions.

But, in recent months, actuarial cost estimates for the Medicare program appear to have been misused. Two such instances are summarized here in the hope that publicizing them will decrease the likelihood of future such occurrences.

Case No. 1

The actuarial estimates of the effect of the End-Stage Renal Disease provisions that were aimed at encouraging home dialysis in Public Law 95-292 showed a cost increase of \$31 million for fiscal year 1979, followed by appreciable savings later. But in a so-called Fraud, Abuse, and Waste Initiative Package prepared by the Executive Branch in December 1978, Initiative #8 (dealing with this matter) showed a saving of \$10 million. This misuse of the estimates was, I understand, rectified and not passed on to Congress; nonetheless, it is an example of undesirable tendencies.

Case No. 2

On Oct. 25, 1979, the Congressional Budget Office submitted to the Senate Committee on Finance cost estimates for H.R. 934, the Medicare-Medicaid Administrative and Reimbursement Reform Act of 1979. The acknowledged basis was a set of figures furnished by the ac-

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FROM OUR COMPETITION EDITOR

Puzzling actuaries will welcome a new series of supplements, Cryptic Crosswords, which we plan to alternate with our popular Actucrostics. The one accompanying this issue came from the shore of the English Channel, out of the fertile brain of a welcome guest composer, R. Graham Deas, A.S.A. Mr. Deas, father of one of our own Vice-Presidents (D.D.B.), has done his bit to preserve this newsletter's reputation for sanity by providing some tips on where to seek solutions to clues in this peculiarly British cousin of the familiar crossword. Says he:

The clues, deliberately and artfully confusing, usually consist of two or more relevant parts. When the right answer is found, a kind of oblique logic in the clue becomes evident. The task is rather like finding a position on a map from cross bearings.

The component parts of these clues take several forms. Most common is an anagram hidden in the clue's words; a word such as "mixed" or "sort" suggests this form. Or, the answer may be concealed in a sequence of letters bridging successive words of the clue. Sometimes all or part of such a letter sequence may be reversed—if so, some word that obtrudes will give a hint where to look.

As far as the compiler can manage, there is not a single unnecessary word in a clue, even though it looks long by the standards of regular crosswords. So, if a word looks out of place, pause and ask yourself why it has been put there.

Some clues are extracts from well-known quotations, and frequent use is made of puns and double meanings.

One cheering point—answers usually are common words. The object is to test the solver's imagination rather than his or her dictionary knowledge.

* * * *

Here are the solutions to the Actucrostics that came with the May issue:

Actucrostic 5. *Author:* (Donald R.) Schuette. *Work:* (A Linear Programming) Approach to Graduation. (*Transactions*, Vol. XXX). "The Whittaker-Henderson Type B method of graduation, in which the weighted sum of the squares of the deviations of graduated values from observed values plus a parameter times the sum of the squares of the z th differences of the graduated values is minimized, is modified by using absolute values instead of squares."

Non-actucrostic 1. *Author:* (Sir Fred) Hoyle. *Work:* "Astronomy and Cosmology." ". . . the power received from a cosmic source is very small indeed, . . . It has been estimated that all

the radio power received by all the world's radiotelescopes operating for a decade would not raise the temperature of a spoonful of water by as much as a millionth of a degree."

C.G.C.

POLICY DIVIDEND QUESTIONNAIRE TO STOCK COMPANY ACTUARIES

The Society's Committee on Dividend Philosophy has sent a questionnaire to the chief actuary of every U.S. and Canadian stock life company that employs one or more Society members.

The objective is to assemble information about those companies' practices and philosophy in the determination and illustration of non-guaranteed benefits. The Committee has already published an exposure draft of opinion and recommendations for participating individual life insurance of mutual companies (Opinion S-7).

Replies are to be confidential, even from the committee members themselves, by the same technique used to preserve secrecy in Society elections.

Individual Views Invited

The Committee would like to have the benefit of the views of individual actuaries on the ideals of practice and philosophy in this important subject of stock company non-guaranteed benefits to policyholders. Actuaries who might want to express their views, or who just want to see the questionnaire, may obtain a copy from Richard S. Miller at his *Year Book* address.

The Committee plans to report its findings to the Board of Governors early in the fall.

Exam Seminars

Georgia State University will offer seminars for these Fall 1980 exams:

Society, Parts 2, 3, 4, 5, & 6
Enrolled Actuary, EA-2
Casualty Society, Parts 5 & 9,
if sufficient interest.

For details, ask: Prof. Robert W. Batten, Dept. of Insurance, GSU, Atlanta, GA 30303.

PLACES AVAILABLE ON ADVISORY COMMITTEE TO JOINT BOARD FOR ENROLLMENT OF ACTUARIES

Next fall, the 2-year term of the Joint Board's present Advisory Committee on Examinations for the EA designation will expire, and a new Advisory Committee will set about preparing the November 1981 basic and pension exams and then the May 1982 basic exam. Anyone possibly interested in becoming a member of the new Advisory Committee is cordially invited to talk with members of the present Advisory Committee, or with the Joint Board's Chairman, or its Executive Director, names, addresses and phone numbers of whom are obtainable from the Society office.

The qualifications are that the actuary be enrolled and have a keen interest in exam preparation work. Each year's activities involve 100-150 hours of review and editing of examination questions, including about six meetings. See also the article on these exams by Rowland E. Cross in *The Actuary*, September 1979.

An official invitation and description is in an early summer issue of the *Federal Register*. Application deadline is one month after that formal notice appears.

NEW PROGRAM ANNOUNCEMENT PROCEDURE CUTS COSTS

The cost-conscious Program Committee approved a staff recommendation that preliminary program announcements for the Spring and Annual Meetings be condensed to eliminate irrelevant items not directly connected with topics of the meetings.

The effect on printing and mailing costs was dramatic. They averaged \$7,137 for the 1979 Spring Meetings; for Hartford 1980 they fell to \$3,951. Executive Director John O'Connor welcomes comments on this new procedure.

Medicare

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tuaries, but the CBO changed them. Certainly, the CBO can make its own estimates if it wishes, but it should then state clearly that its estimates have modified the ones furnished to them by the actuaries, and differ therefrom.