



SOCIETY OF ACTUARIES

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# SUMMARY OF THE 2010 ANNUAL REPORTS SOCIAL SECURITY AND MEDICARE BOARDS OF TRUSTEES REVIEW AND COMMENTS BY AN INDEPENDENT ACTUARY

By Fred Kilbourne




**Fred Kilbourne**, MAAA, FSA, FCAS, FCA, FCIA, EA, MSPA,, is Independent Consultant for The Kilbourne Company. He can be contacted at [fred@thekilbournecompany.com](mailto:fred@thekilbournecompany.com)

**T**he Boards are to be thanked for summarizing, in readable prose, the hundreds of pages of often-technical material in the full Reports. They are also to be thanked for including and illustrating the caveats expressed so eloquently by the Medicare Chief Actuary in his Statement of Actuarial Opinion in the Medicare Report. Unfortunately, and no doubt due to the fact that the Boards are devoid of public trustees, and consist solely of partisan political appointees, they must also be reproved for the misinformation and disinformation in their Message to the Public, and for their contribution to public ignorance about Social Security and Medicare financing.

The first substantive paragraph of the Message to the Public section of the Summary bears witness to the complaint above. The paragraph is little more than a puff piece for this year's health care legislation, the Affordable Care Act (ACA). From, "The (financial) outlook for Medicare has improved substantially because of (ACA) program changes," to, "The ACA is also expected to substantially reduce costs for the Medicare (SMI) program," the message is clear that the cost impacts of ACA are expected to be highly favorable. But, expected by whom? Not by the Trustees themselves, as the reader of the remainder of the Summary learns.

The Message goes on to caution the reader that "Much of the projected improvement in Medi-

care finances" is predicated on "productivity growth" (a euphemism for provider cuts) that is at odds with historical experience. It continues to say that "If health care efficiency cannot be substantially improved through productivity gains or other means, then over time the statutory Medicare payment rates would become inadequate ... in which case actual long-range costs (might) be larger than those projected under current law." The Message concludes with the non sequitur statement that "The ACA makes significant progress toward making Medicare financially viable."

The bad news about Medicare financing is largely tucked away in the balance of the Summary, apart from the Message to the Public. There we learn that "It is important to note that the substantially improved results for HI ... depend in part on the long-range feasibility of the lower increases in Medicare payment rates ... (which) adjustments would probably not be viable indefinitely into the future ... (resulting in) actual future costs for Medicare (that) are likely to exceed those shown by the current-law (ACA) projections in this year's report." We also learn "that (SMI) costs are almost certainly understated as a result of incorporating substantial reductions in physician fees ... (that are) required under current law, but that are very unlikely to occur." In other words, stay on Message, don't be confused by the facts. 

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# SIPF PROGRESS UPDATE

By Bob Shapiro, Chairperson

**Y**our Social Insurance and Public Finance Section continues to make great progress. Both our membership and our active volunteers continue to grow. With many critical areas in social insurance and public finance crying for actuarial attention, we need all of you to help in (1) identifying and refining SIPF projects that respond to the marketplace need and provide critical input quickly, and (2) assuring these projects are shaped, managed and distributed effectively. Please send the SIPF Section your ideas and particular interest areas ... a note to any of the SIPF council members will work.

We held our second annual face-to-face section council meeting on Sunday, Oct. 17, 2010 at the SOA annual meeting in New York City. We thanked Ardian Gill for his help in organizing our first section newsletter and assisting on the second. While Ardian's term on the SIPF council has been completed, Ardian continues to provide valuable input and support to our activities. We also thanked Doug Andrews who has been indispensable in putting together the second and third newsletters and enabling the transition to the editor for this issue, Bill Cutlip.

We also welcomed Tia Goss Sawhney as the newest member of the SIPF section council. Tia will provide great value in our health care pursuits and will take on responsibility for coordination with the Health Section. Finally, SIPF council member, Fred Kilbourne, has agreed to co-chair the section for the next year. Fred's help will enable us to handle the increasing volume of SIPF activity in a timely, effective manner.

At the Oct. 17, 2010 SIPF council meeting we discussed a number of active SIPF projects, as well as additional opportunities that have been identified. Major projects either completed or in process over the past six months include:



1. The section's first webinar, which attracted an estimated 1,070+ attendees, was organized and moderated by Warren Luckner on Oct. 14, 2010. The subject was "What Every Actuary Can Learn About Public Pension Plans." The webinar panelists included Mita Drazilov, Cindy Rynne, Gordon Latter and Dave Sandberg. As a webinar participant, I would highly recommend purchasing the recording to anyone looking to get up-to-date on public pension plans.
2. We had 10 submissions to our SIPF-relevant bibliography write-up contest. The bibliographies will be peer reviewed and the winners announced by the time you are reading this newsletter.
3. We have developed a process to enable "key issue briefs" to be prepared and disseminated in a timely and effective basis. More information on this activity will be forthcoming in the near future.
4. The section is seeking ways in which it can better support the needs of government actuaries. Dwight Bartlett gave a report on the section's objectives and activities to the Mid-Atlantic Actuarial Club meeting in Baltimore



**Bob Shapiro, FSA, MAAA**, is president of the Shapiro Network Inc. in Milwaukee, Wisconsin. He can be reached at [shapironetwork@ameritech.net](mailto:shapironetwork@ameritech.net).

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on Oct. 7, 2010. The Mid-Atlantic Actuarial Club is the actuarial club “home” for many of the government actuaries in the Baltimore/Washington, D.C. area. Dwight’s input will help us to refine our ability to support the great work these actuaries are doing.

5. The SIPF section continues to tighten its coordination with other SOA sections, as well as other actuarial professional bodies and other professional organizations. For example, SIPF hopes to strengthen the “actuarial voice” within the National Association Academy of Social Insurance (NASI).
6. SIPF held two sessions at the annual SOA meeting. The first, entitled “U.S. Healthcare Reform—Footing the Bill,” was moderated by Mark Litow and included panelists Joe Antos of the American Enterprise Institute and Jack Burke of Milliman, Inc. The second, “Public Finance—How Actuaries Should Consider Helping,” was moderated by Jeremy Gold and included panelists Emily Kessler, Bob North and Michel Rochette. Both sessions were well attended, informative and involved healthy discussions with the audience.

As of Oct. 18, 2010, SIPF had more than 600 members. We believe that all actuaries have professional, personal and business reasons for being a part of what we are doing. Please reach out to your actuarial associates (as well as non-actuaries who have interest in this area) and let them know about SIPF. We have put together a “general presentation PowerPoint” describing the SIPF Section’s genesis, mission and objectives that you can feel free to modify and use for others at your local actuarial clubs or elsewhere. The presentation PowerPoint will be placed on the SIPF website.

Future plans for SIPF include: (1) better supporting actuaries working for government entities; (2) providing timely actuarial education and other support on Medicare, Social Security and public pension plans; and (3) continuing to increase our effectiveness in enhancing and engaging SIPF membership.

The SIPF Section Council would like to thank all of you section members for the guidance and support you have provided in our first 18 months of existence. We hope we are fulfilling the promise you saw when you joined the section. 



The banner features a central logo consisting of a circle of six dots connected by lines, with the text "Investment SYMPOSIUM" to its right. Below the logo is the tagline "Cautiously Following the Recovery Road Sign". The main headline reads "Navigate the economic voyage." Below this, it lists "THREE PATHS TO SUCCESS: Asset Class, Financing & Investment Risk Management and Investment Strategy." and "TWO DAYS OF NETWORKING with investment professionals from diverse industries." At the bottom, it says "Visit [www.investmentsymposium.org](http://www.investmentsymposium.org) to learn more." The footer contains the Actuaries logo with the tagline "Risk is Opportunity." and the event details: "April 11-12, 2011 Millennium Broadway Hotel New York, NY".