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## LET'S TALK

# INTERVIEW WITH AN ACTUARY IN THE PUBLIC INTEREST

Questions by the editor. Responses by John Bertko



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### WHAT ARE YOU DOING TODAY?

**A**fter nearly three years working in Washington, D.C., as the senior actuary at the Center for Consumer Information and Insurance Oversight (CCIIO), I “retired” and then joined Covered California (Covered CA) in early Feb., 2014, as the chief actuary (as an independent consultant). Since Covered CA uses an active purchaser model, there is a lot to do in working with the 10 Covered CA contracted plans. In addition to helping with decisions on 2015 standard benefits (one of the major decisions), we engaged in scrutiny of proposed 2015 rates to prepare for negotiations, with the help of the Covered CA actuarial consultant in Milliman’s San Diego office.

As one part of the preparation for these negotiations, we contracted with a researcher at UC-San Francisco and our sister agency, the Department of Health Care Services research unit, to prepare a preliminary risk adjustment assessment of Covered CA enrollees. These results, which were shared with the plans during negotiations, should be published soon and were of great use in helping the plans understand their position in the state’s individual market and the relative importance of risk adjustment on 2015 premiums.

### ARE THERE ANY BROAD GOALS THAT UNDERLIE YOUR ACTIVITIES?

I’m an optimist and suggest that the work we are all doing (including both my colleagues at Covered CA and at CCIIO, on the federal level) is helping in bringing insurance coverage to millions of Californians (and to citizens of other states). At the same time, we at Covered CA have used the leverage of our relative success to keep premium increases to a minimum. Future goals are to make continued progress towards offering affordable insurance and to bring change and accountability to California’s health care system.

While the direction of health care trend and new technology can seem relentlessly upward, my goal is to make incremental progress in holding down costs and getting better value for money

spent. Sometimes it is hard to measure success against “what would have happened without the Affordable Care Act (ACA),” but our recent efforts have been a good start.

### CAN YOU DESCRIBE YOUR STYLE?

There are several ways to describe style—professionally, personally, as a manager, and in other dimensions. Professionally, I think it is best to always question the methods and assumptions one uses. New data becomes available or new methods are created. But, on top of everything, I believe it is crucial to make empirically-based decisions—to use data to support one’s decisions, instead of only using theories. While building models is part of our profession, those models must be validated constantly.

Personally, I like to think that I try to treat everyone I meet in my job with respect. Everyone has a viewpoint and can make a contribution. It is only when someone confuses opinions with facts that I sometimes consider them “not thoughtful.” Plus, actuaries must be thorough—use all the facts, not just the ones which support a particular theory or an opinion.

### HAVE YOU SERVED ON ANY GOVERNMENT ADVISORY COMMITTEES?

I have had lots of “actuarial fun” serving on various committees. The longest service was my six years as a Medicare Payment Advisory Commission (MedPAC) Commissioner, dealing with the wide range of Medicare reimbursement and policy issues. Another interesting advisory group was working on the Congressional Budget Office’s health care advisors panel. On this one, I was the only actuary in a roomful of top U.S. health care economists—lots to learn from them, while my contribution was a dash of “real world” experience. Finally, I served on two of the recent Medicare Trustees Technical Advisory Panels. The first was shortly after the Medicare Modernization Act (MMA) was passed and was used to help the Centers for Medicare & Medic-

aid Services (CMS) and the U.S. Department of Health & Human Services (DHHS) evaluate the Medicare Part D benefit's effect. The second was similar—a long and involved debate following enactment of the Affordable Care Act (ACA)—and involved helping the Medicare Trustees understand and project the effects of the ACA on Medicare.

### WHAT IS YOUR EDUCATIONAL BACKGROUND?

Having been an undergraduate way back in the last century, I received a degree in mathematics, with an emphasis on probability and statistics from Case Western Reserve University. Then, courtesy of the draft lottery, I found myself teaching at the U.S. Naval Nuclear Power School for almost four years. It did wonders for deepening my understanding of differential equations and nuclear physics.

My real education came as a result of working with a lot of smart people—as a consultant at one of the big accounting firms. There were lots of smart CPAs, MBAs and PhDs assembled on health care consulting teams, and you can't help but learn from actual projects (e.g., Mergers and Acquisitions [M&A] assignments, assessments of provider contracts, financial modeling, etc.) from colleagues who do a lot of this work. Finally, after being a consultant for 20 years, I became a chief actuary and found out how good my own advice was (luckily, most of it seems to have been sound).

### WHAT IS YOUR PROFESSIONAL BACKGROUND?

Coming out of the Navy at the advanced age of 26 to start my actuarial career, I was serious about catching up with my cohort of young actuaries-in-training. With a modest jump-start of passing two exams in my last year in the Navy (while teaching some parts of those exams), I managed to finish within five years, taking my last fellowship exam two weeks before my first daughter was born (phew!). After several years of practice, I became a member of the Academy of Actuaries and did enough pension work as a



consultant to qualify as an enrolled actuary (a designation which lapsed two decades ago, due to my becoming obsessed with health care problems and challenges).

### WHAT HAS BEEN IMPORTANT IN HELPING YOU FOCUS ON THE PUBLIC INTEREST?

I think I had always been interested in public policy topics, after taking both policy and economics classes in college. In my first consulting job, the firm focused on serving private sector clients, and the managing partner grudgingly let me take on a few projects for state and local governments. When he found out we could grow this practice successfully, I was “off and running.”

Most public or government health care projects were challenging: our team worked on the Prioritized Care project for Oregon's Medicaid system (sometimes called “rationing” Medicaid care), on re-organizing the WA State Health Care Authority, on developing a purchasing co-op for the Health Insurance Plan of California (HIPC,)

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and many other similar projects. These had the advantage of generally wading into “new territory” by using or extending actuarial tools, data and methods. Plus, they were intellectual “fun.”

While working first as a consultant and then as the chief actuary for a company with a large Medicare Advantage business, I had the privilege of being asked by Congressional staff about the technical details of “getting change right” for what eventually became Medicare Part D in the MMA. Later, after I retired, I continued to be asked about complex technical and industry questions for health insurance reform. Since I firmly believe that we, as a country, need to provide health care for all of our citizens, it has been rewarding to be able to help as an advisor.

#### WHAT ARE YOU MOST PROUD OF?

While debate continues about the current status and the future of the ACA, I think our combined efforts (at both the state and federal level) have brought health insurance to millions of Americans and actually saved peoples’ lives. All of the health care system fits together in an intricate puzzle, and we need to solve all parts of the puzzle simultaneously. It does not all have to be perfect (“don’t let the perfect be the enemy of the good”), but we have made a lot of progress in the last four years, since enactment of the ACA.

#### WHAT ARE SOME WAYS YOU HAVE BEEN ABLE TO STAND UP FOR THE PUBLIC INTEREST?

Over the last five years, I think there was a lot of “misinformation” that was the result of speculation. Pundits screamed in the press that “life on

Earth as we know it is ending.” I did my part to dispel rumors, to provide useful and relevant data and to challenge some of the people who were making outrageous statements.

That said, there is plenty of room for improvement, both in the ACA provisions and in implementation. However, we need to have a more civil and productive atmosphere in which to make those course corrections possible.

#### DO YOU HAVE ANY THOUGHTS TO SHARE WITH CURRENT AND FUTURE ACTUARIES WORKING IN PROFESSIONAL ROLES HAVING A DIRECT IMPACT ON THE PUBLIC?

I like to think that most, if not all, health actuaries have a direct or indirect impact on the public. Since nearly all of our work (with the possible exception of the most technical aspects) has an effect on the public, those whom I call our “neighbors,” we need to balance the need for the success (financial or otherwise) of our employer or clients with the effect of our decisions on these neighbors. One of the things that actuaries (as well as other scientists or “techies”) need to do is to explain things better to the public. Always think about explaining what you did today to your spouse or children. Was it useful to society in some way? Are you proud of your overall effort? Is someone better off after you finished today’s (or this year’s) tasks?

I’ll leave everyone with that challenge from the 1960s: “If you are not part of the solution, you’re part of the problem.” Just pick your problem to address! 