



SOCIETY OF ACTUARIES

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Government doors opening to actuaries

by Judy Bluder
Assistant Staff Editor

The U.S. and Canadian governments now recognize that actuaries have valuable insights into public policy issues. This is especially evident with President Clinton's health care reforms.

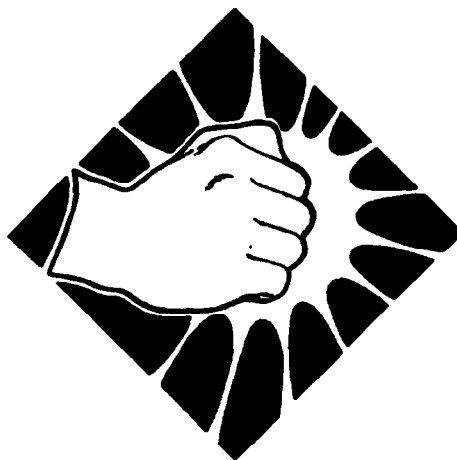
"It's important for actuaries to know that the government is coming to actuaries as professionals for help," said Guy King, chief actuary with the Health Care Financing Administration (HCFA).

Actuaries given entry through health care reform

Howard Bolnick, chair of the American Academy of Actuaries (AAA) Health Practice Council; John Bertko, chair of the AAA Committee on Health and Welfare Plans; Bart Munson, chair of the AAA Committee on Health; and Guy King, with other staff from HCFA, including Sally Burner, supervisory actuary with HCFA, met for the first time in February with Ira Magaziner, President Clinton's senior adviser for policy development, and Ken Thorpe, a Health and Human Services official.

The first AAA project related to the task force's efforts analyzed the effect of moving from a mixed rating system of underwriting health insurance to a pure community rating system. Actuaries who analyzed the collected data were Greg Herrle, consulting actuary with Milliman & Robertson, Inc., and chairperson of the SOA Health Section Council; Gordon Trapnell, president of Actuarial Research Corporation; Alice Rosenblatt, senior vice president and chief actuary with Blue Cross/Blue Shield of Massachusetts; Tony Hammond, research actuary with the Health Insurance Association of America; Harry Sutton, senior vice president and chief actuary with RW Morey, Inc.; and Gerald Shea, assistant actuary with Blue Cross/Blue Shield Association. The resulting report was submitted to the Clinton Health Care Task Force, said King, a member of the Analytical Support Team and Finance Group.

"It was gratifying to me to see all these actuaries with different perspectives coming together to develop this



information on community rating," King said. "They all shared their data. It was an effort to get out the best product without any axes to grind."

At about the same time the Clinton administration began work on health care reform, Jean Wodarczyk, a partner at Coopers & Lybrand, was approached by a staff member from the Republican Senate Health Care Committee who wanted background information to build a health care proposal from the Republican side of the fence. "I described the practical implications of including Medicare in the national health care proposal," said Wodarczyk, a member of the SOA Committee on Health Benefit Systems Practice Advancement. "Because most in government have spent much of their careers on the inside, it is harder for them to realize what would happen if Medicare was shut down. We [actuaries] can give unbiased information so they can make good political decisions."

Another group integral to developing a national health care plan, the Cost Audit Group, chaired by Richard Ostuw, vice president with Towers Perrin, is reviewing the methodology and assumptions used in the cost estimates done by the Quantitative Analytical Working Group. Ostuw works with six other actuaries and one health care economist in the Cost Audit Group. "We hope our work will provide greater confidence in the cost estimates of the health care reform program, by which some policy decisions are influenced," Ostuw said.

Actuaries cross ProPAC portal for first time

This year for the first time, actuaries were appointed as members of the Prospective Payment Assessment Commission (ProPAC). Robert J. Myers, former chief actuary and deputy commissioner of the Social Security Administration, and Jae Wittlich, senior vice president and chief operating officer-group benefits with CNA Insurance, will both serve three-year terms on ProPAC. The commission, consisting of several members representing all sides of health care, is responsible for advising Congress on Medicare policy and broader issues of effectiveness and quality of health care delivery in the United States.

Myers, a past president of the Society of Actuaries, was selected to serve on the commission because of his in-depth knowledge of Social Security and Medicare. Wittlich represents the payer side of the health insurance industry. Although neither were selected specifically to fill actuarial roles, both agree their actuarial skills will be useful.

"The government needs the skills actuaries bring to the table," Wittlich said. "There should be well reasoned approaches to many areas in government. ProPAC is just one area where our analytical skills can be used."

He said there are many inter-related issues in the health care arena that have a long lasting impact. "Too often, people want a quick fix and don't look at the overall long-term impact," Wittlich said. "That's where actuaries can come in."

"ProPAC's executive director and other directors of ProPAC recognize the benefit of our actuarial backgrounds," Myers said.

More enter into projects

Two actuarial task forces of the AAA Health Practice Council produced reports in May that the Clinton task force used. One, chaired by Rosenblatt, examined the use of health risk adjustments, and another, chaired by Julia Philips of Milliman &

Robertson, looked at the cost and implications of alternative standard benefits packages, according to Gary Hendricks, director of government information and chief economist at the AAA.

"If rating reform goes along with national reform and the goal is for consumers to select a health plan based on medical and administrative efficiency rather than risk selection, than we will need the risk adjustment mechanism," said Rosenblatt.

The AAA and SOA also are providing actuarial expertise and data to Congress. They conducted a survey of premiums charged to small groups for the Congressional Research Service (CRS) and had a series of meetings to discuss the reports mentioned previously. Edwin C. Husted, director of government consulting for Hay/Huggins, has assisted the CRS in analyzing national health care reform, the number and health care costs of the uninsured, and the effect of community rating on employer premiums.

Actuaries individually and as members of the AAA have provided testimony for various Senate and health subcommittees. They are working on such topics as state small group health reform initiatives and transition issues related to changing the structure of the health care delivery system.

Knocking on other doors

Wodarczyk said that states aren't waiting for the federal government to "make up its mind" on health care. "Actuaries can help in the political process by providing high quality information [for these state governments]," she said.

In addition, a new Canadian Institute of Actuaries Task Force on Canadian Health Care Financing is examining this issue on behalf of the profession and may provide a report of its findings to the Canadian government.

"There is no end to how the profession can get involved in government," Bolnick said. "But we need to carefully separate politics from professional issues. We need to spend more time cultivating health policy makers to turn to actuaries for answers. They need to recognize that many of the issues they face are actuarial in nature."

Work of the SFAS No. 106 Implementation Task Force

by Jean Wodarczyk and Ethan Kra

The public is relying on the actuarial profession to assess the liabilities associated with post-retirement benefits. The Society of Actuaries recognized that it could play an important role in bringing a variety of perspectives to the actuary practicing in this new discipline. Actuaries practicing in the SFAS No. 106 arena include those with experience in health care and pensions, large and small consulting practice, and insurance companies.

The Society's Statement of the Financial Accounting Standards Board (SFAS) No. 106 Implementation Task Force was formed to consider the needs of practicing actuaries, inform the appropriate standing committees of these needs, and prompt these committees toward quick resolution of any outstanding issues. This task force was designed to accomplish specific tasks in a short period.

Response to Academy Standards of Practice

The task force's first assignment was to respond to the Academy of Actuaries' proposed Standard of Practice for SFAS No. 106. The task force addressed the pragmatic aspects of the proposed standard and informed the Academy of implementation issues.

Seminars

Public demand is strong for high quality actuarial support of SFAS No. 106 practice compliance. This is a new practice area presenting special challenges to actuaries, and the task force identified the need for two seminars. The first seminar in February 1993 introduced the broad concepts of SFAS No. 106 compliance to actuaries new to the practice. The June seminar was for actuaries familiar with basic issues relating to SFAS No. 106 measurement and compliance. The June seminar devoted the first day to case studies for the practitioner who needed to expand his or her knowledge in specific areas. The second day addressed topics from a

consulting viewpoint. Based on feedback from actuaries attending these seminars, additional seminars will be developed. It is anticipated that at least one seminar will be given each year for the next few years.

Exam restructuring

The task force next reviewed the SOA exam syllabus. Topics relevant to the SFAS No. 106 practice are scattered throughout pension and group topics. To complete a survey of all the relevant topics, a student would have to attain Fellowship in one practice area and sit for additional topics in another discipline. The task force is working with the Examination and Basic Education Committee to review this situation.

Coordination between Academy and SOA committees

The task force has linked with Academy committees to monitor the development of the FASB Q & A document and assure the tools will be available to support the requirements of SFAS No. 106. Other developments from the Academy will be monitored. Similarly, the task force liaisons with the Retirement Systems and Health Benefits Systems practice area committees and their various task forces will assure that additional tools be developed as appropriate. Research efforts of the various committees currently are being investigated and coordinated.

Ongoing needs of practicing actuaries

This is a new, exciting, and challenging area for the actuary. You are encouraged to contact a task force member with questions, professional needs, or ideas you would like to share. Members are listed in the *Directory* and include us as co-chairs, Bill Farquhar, Judy Latta, David Trindle, and David Wells.

Jean Wodarczyk is partner, Coopers & Lybrand, Chicago. Ethan Kra is managing director with William M. Mercer, Inc., New York.