



SOCIETY OF ACTUARIES

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# Academy work groups tackle MSA and Medicare reform issues

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Two work groups of the American Academy of Actuaries, the public policy organization for U.S. actuaries of all specialties, spent the final months of 1995 going public on health reform issues. They held a briefing on medical savings accounts (MSAs) and issued reports that commented on Medicare reform plans.

## Monographs analyze impact of MSAs

The nine-member Medical Savings Accounts Work Group, led by Ed Husted, issued two monographs: one in May 1995, "Medical Savings Accounts: Cost Implications and Design Issues," followed by an October 1995 report, "An Analysis of the Family Medical Savings and Investment Act of 1995." (See Edwin Husted's article in this issue.)

The October report studied the impact of the proposed legislation, H.R. 1818, on individuals, employers, and the marketplace. This act would permit individuals to set up a tax-favored MSA in tandem with a high-deductible catastrophic health plan. It stated that MSAs are unlikely to attract a significant portion of the total health market in the short term, but MSAs do offer incentives for people with high incomes or who are

in good health, because of tax advantages and low cost. Small employers might switch to MSA/high-deductible plans, because the required \$1,800 deductible offers lower costs than their existing plans, and those who do not now provide health insurance might also offer them. Larger employers may want to replace their fee-for-service plans with MSAs or add them to existing plans. HMOs cannot integrate MSAs into their plans because of state and federal laws, and the overall health insurance market will be slow to respond. Within a few years, however, MSAs could capture a large share of market segments such as individual and small group insurance.

Husted met with congressional staff members at a Nov. 3 briefing, answering questions about MSA plan design, risk selection, and the impact on the insurance market. Husted said the Academy neither supported nor opposed MSAs and performed its analysis to help lawmakers.

Also on Nov. 3, *The Wall Street Journal* carried a letter written by Husted in which he rebutted MSA advocate John Goodman's assertion that the Academy's first MSA monograph confirmed his thesis that MSAs benefit the sick. Husted's letter notes

the Academy study "clearly finds that patients with the highest medical costs will incur significant losses under an MSA/high-deductible option."

Husted was also a chief source for a Nov. 6 *Washington Post* story, in which he was quoted as saying that under MSAs, "the young and healthy will be better off. Those with large health bills will not, and they are 8% of the population."

H.R. 1818 is now part of the budget reconciliation process. The bill was merged with a Senate MSA bill and became a congressional proposal. At the time this newsletter went to press, no agreement had been reached on the President's versus the congressional budget proposal.

## Both Medicare proposals have flaws

In a Dec. 21 statement, Guy King, chairperson of the Academy's Medicare Work Group, warned that both Medicare reform proposals, the GOP's Medicare Preservation Act of 1995 (MPA) and one by the Clinton Administration, had major deficiencies. Both rely heavily on reductions in unit payments to providers to achieve savings and both give health care providers an alternative payment mechanism to maximize their revenues

(continued on page 13)



## Academy work groups (continued from page 7)

from Medicare. "The MPA could reduce access to quality health care for the elderly," King said, "and the President's proposal falls far short of having a significant impact on the long-range actuarial deficit in the Hospital Insurance (HI) program."

Attempting to put Medicare on a stronger economic base with either of these proposals could jeopardize the goals of reducing Medicare growth to

sustainable levels and preserving access to high-quality health care, according to an Academy-released report. King said the President's proposal could only be considered a "stopgap measure. ...[It] also includes accounting tricks to achieve short-term fiscal soundness in the HI program."

The Academy proposed seven recommendations to Congress and the Administration, including placing less

reliance on reductions in payments to providers, which offer no incentives for more efficient health care. It also recommended eliminating budget tricks to solve the financial problems of the HI program.

The two MSA monographs and the Dec. 21 "Comments and Recommendations on Medicare Reform" report are available from the Academy office, 202/223-8196.

## 2 universities receive SOA grants

The Society of Actuaries has awarded Educational Institution Grants for full-time faculty members attaining ASA status to the following universities:

- Chinese Culture University in Taipei, Taiwan, Department of Applied Mathematics for Hsiao-Chuan Lu attaining an ASA in May 1995. The \$2,500 grant will fund the development of promotional materials for an actuarial science

program, support for students and faculty for actuarial science research, and for the purchase of educational resources in actuarial science.

- Fudan University in Shanghai, People's Republic of China, Mathematics Department for Zheng Yunyu receiving an ASA in May 1995. This \$2,500 grant will support the purchase of a personal computer and software and provide financial support to

graduate students in actuarial science.

Education Institution Grants were increased as a result of SOA Board of Governors action at its May 1995 meeting. Schools of full-time faculty members achieving ASA status after August 1, 1995, will be awarded \$5,000, with \$7,500 awarded to schools with faculty members achieving FSA status after August 1, 1995.

## U. of Michigan has faculty position

The University of Michigan is accepting applications for an open-rank/tenure track position in actuarial science to begin in fall 1996.

**Qualifications:** Fellowship in the Casualty Actuarial Society or the Society of Actuaries or substantial progress

toward a Fellowship designation. Demonstrated competence in teaching and actuarial research. Industry experience will also be considered.

**Applications:** Review begins March 15, 1996. Send curriculum vitae and three letters of reference to Prof. Curtis

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## IN MEMORIAM

**Lawrence Alpern**  
ASA 1945, MAAA 1966

**Eugene F. Dorfman**  
FSA 1948, MAAA 1965

**Michael J. Proietti**  
ASA 1984

**Irving G. Roth**  
FSA 1935, MAAA 1965

**William T. Chambers**  
ASA 1956, MAAA 1966

**James Hunter**  
FSA 1933, FFA 1927

**Robert G. Robotka**  
ASA 1960, MAAA 1966