



SOCIETY OF ACTUARIES

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AMA criticizes actuarial averages

by Robert H. Dobson

The July 15 issue of the *American Medical News* reports on a discharge policy adopted by the American Medical Association (AMA) at its annual meeting. In an article, "Delegates want discharge decisions left to doctors," a section titled "Problem with actuarial averages" states:

Joanne G. Schwartzberg, M.D., AMA director of geriatric health, ...said insurers and managed care organizations too often set discharge criteria based on "actuarial averages, simplistic formulas and ideal situations," which don't address the needs of a majority of patients.

This appears to be, at least in part, an attack on guidelines used by insurers across North America. These guidelines often are not based on actuarial averages, but rather on observed best practices of managed care organizations. An example is a set of guidelines developed by my employer, Milliman & Robertson, the "M&R Healthcare Management Guidelines™." They were developed by physicians, not actuaries, yet they seem to fit within the focus of the AMA's criticism.

Guidelines such as these are, however, based on the uncomplicated patient and require an adequate managed care infrastructure, so that services such as home health care are available.

It would be interesting to hear how actuaries working with other discharge criteria view the criticism.

Expansion of the profession

by Sam Gutterman
1995-96 President, Society of Actuaries

During the past year, I have written several editorials for *The Actuary*. My intention was to challenge your thinking and provide some incentive to act. In this column, my last as SOA president, I'm continuing on that path with some thoughts about the need to broaden and add depth to our profession. If we don't act soon, we could face a critical *devaluing of our status and worth*.

I believe it is crucial to the actuarial profession and individual actuaries that we expand the scope of our profession, in both its breadth and depth. It can be broadened by adding new practice areas or enhancing existing ones. Its depth can be increased by providing valuable additional services or contributions to current employers or clients.

Why do I think we have a problem? Here are some indicators:

- Too often, an insurance company will hire a non-actuary for a position when the company could be better served with an actuary in the job.
- An insurer will ask a non-actuary to conduct a project that an actuary could do just as well — and probably better.
- Many pension actuaries serve as highly regarded valuation or regulatory experts but don't get the opportunity to serve as benefits consultants — though they're qualified to do so.

In the past, our profession has ceded significant practice areas to others. To name a few: derivatives, demography, operations research, Bayesian statistics, and biostatistics. We can no longer afford to continue to develop the intellectual core of an area, then leave it to others to practice. The Institute of Actuaries in the United Kingdom will offer a certificate in derivatives next year. Should the Society of Actuaries do something similar?

I am not saying no progress has been made. For example, the health and finance areas have expanded by adding new services and new clients. In finance, our skills in asset/liability management may serve as an entrée to other areas.

The Society of Actuaries has initiated several efforts in the past few years to expand our profession:

- **Education redesign.** As actuarial education puts more emphasis on unstructured problem solving, it will offer future actuaries a better base from which to move into new practice areas.
- **Sections.** The Actuary of the Future Section has developed a number of programs, communications, and seminars to increase the actuary's knowledge of new practice areas. Other Sections and the Management and Personal Development Committee also have strived to broaden the horizon and skill set of the actuary.
- **Emerging practice areas:** The Finance practice area has been charged with the responsibility of coordinating task forces for emerging practice areas. Although actuarial work has been brought into the mainstream of finance and investments, I believe we have only scratched the surface of our potential contributions. We now have a Banks and Financial Institutions Task Force, a Capital Projects Task Force, and a new task force on Actuarial Counselling (personal finance), all formed to identify potential new areas for actuarial practice and to develop plans to open these fields to actuaries. The Canadian Institute of Actuaries also has formed a task force to address non-traditional areas. I challenge you to volunteer new ideas for task forces, particularly

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