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EDITORIAL

Turn of the century

by Craig S. Kalman

Are n't we entering exciting times: a new century, a new millennium, SOA achieving its half-century mark (in 1999), and a quarter-century for ERISA (also in 1999). If you have visited Disney World, you may have seen an attraction in Tomorrowland called Carousel of Progress (a show with computerized puppets). The display gives a few time-based segments of the goings-on in household appliances, technologies, aerospace, and the like. This seems like it should appeal to actuaries, who use past experience to forecast the future — it's in an exhibit focused on the future but discusses the past. One item I found particularly interesting in the exhibit was the reference to circa 1900 as the "turn of the century." Now that we are in 1998, does "turn of the century" refer to circa 1900, circa 2000, or both?

Watching the growth of technology in very recent history is fascinating. As we approach the millennium, I am reminded of the past: taking actuarial exams without calculators, and performing tasks on a calculator and ledger that became more efficient on a computerized spreadsheet. We have evolved from "snail mail" to overnight carrier to faxes to e-mail. We've enjoyed the advances from typewriter to text editor to word processor. America OnLine has used the theme song from "The Jetsons" in its commercials, showing how far we have come.

Advances in technology create demands that call for yet more advances: larger computer memory, faster computers, and bigger hard drives. Software that used to be loaded with just a few disks now uses CD-ROM. As actuaries, we demand more from the data as technology increases. Models that were run by combining data into cells (e.g., five-year age brackets) may be more

efficiently or effectively run on a seriatim basis. With the increases in technology, we are now able to better allocate resources and to demand more reports to better understand our business. Isn't technology great?

Alas, there are difficulties with technology, such as the current year 2000 — or Y2K — issue. Yet a story I recall from a computer professor in college suggests this isn't really new: A hospital nurse once sought a 2-year-old and found instead a person age 102. The computer thought the patient was a 2-year-old.

And, it appears that technology may not be keeping pace, as is illustrated by the growing need for numerous new area codes. Ever since I can remember, the Chicago area had one area code. Eventually, the suburbs and city became separate area codes. In the past few years, the suburbs split into three area codes and the city into two. Now, just a few years later, the suburbs may be seeing another split. Where I live in eastern Missouri, separate area codes were assigned in recent years and were expected to last for a long time. Now another split is being discussed. In some areas of the country, "overlay plans" are being suggested—that is, two area codes would cover the same sector. People would keep their current area code and phone numbers, but all local calls would require the area code. I wonder how often the person or company with the seven-digit phone number in the old area code would get calls for the person or company with the same seven-digit phone number in the new area code. With some area codes now covering tiny geographic areas, many calls now require all 10 digits, thus being not much different than an overlay plan. As an actuary, I wonder how these models were developed and,

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Alternative medicine

SOA-sponsored project asks: Does it work?

by Anna M. Rappaport, 1997-98 SOA President,
Lee Eric Launer, and Thomas Edwalds

In recent years, an increasing number of Americans have turned to alternative medicine to meet some of their health care needs. Alternative or integrative medicine generally includes nontraditional techniques such as chiropractic, acupuncture, massage therapy, and nutritional counseling.

A national survey conducted a few years ago by David Eisenberg, M.D., of Harvard University showed that one out of three Americans used at least one alternative therapy during 1991 and about one in six used such techniques on a consistent basis. Seventy percent of the alternative medicine users did not inform their medical doctors of this care, and they paid for a significant portion of the care out of pocket. Dr. Eisenberg found that in 1990, Americans spent \$10.3 billion out of pocket for alternative care. As a comparison, they spent \$12.8 billion out of pocket for hospitalizations.

Based on their behavior, Americans seem to believe that alternative methods work when used in conjunction with conventional care, and so alternative techniques have become important to them. However, based on the data,

actuaries and other professionals interested in health care do not know whether alternative methods are efficacious and truly lower costs. Health plans, employers, and provider groups need reliable data to help them decide whether to offer such care and what techniques to offer. Actuaries need to advise them.

The SOA, through a research grant, has provided partial funding to Dr. Eisenberg for a follow-up study of alternative medicine. This will give actuaries access to the data and provide a start to a new area of actuarial investigation. The SOA Task Force on Alternative Care is working with Dr. Eisenberg. In addition, the task force is working with health plans and insurers to help define what needs to be in a database and to encourage the capture of data as plans introduce alternative care. It is our hope that this will lead to an experience study in a few years and, ultimately, will position actuaries to help health plans, employers, and provider groups make decisions on alternative care based on credible information.

As health care changes, actuaries need to be able to understand developments



and work with users of health plan information. Actuaries also must be a credible source of data. This is an area of vital interest to the public, and this effort is important in expanding our horizons.

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more importantly, why their timing estimates for future splits were so far off. Could an actuary add value in the development of these projections?

For instance, with the shrinking size of area codes, I have pondered several ways to ease the complexity: numberless phone lines (great for pay phones and those with second lines for modem usage if used for outbound calls only); allowance for multiple cellular phones on one number for families with multiple phones (one of our local providers

allows this, but only one phone can be powered on at a time); establishment of new area codes for cellular phones alone and another for pagers, and letting the person use their same seven-digit number (although the FCC has been quoted in news articles as saying this is "discriminatory"); or even an eight-digit phone number. But, perhaps that last suggestion would create an "eighth digit problem" (similar to Y2K) — too many interrelated systems in different places that need to be changed.

In this turn of the century, we get to enjoy the benefits of today's technology. At the same time, we need to think longer term to avoid future side effects like Y2K. If not, we will expend more resources correcting these kinds of mistakes down the road. Hindsight is 20/20 vision; had the computer programmers or phone companies known then what they know now, what would they have done differently?