

2016 SOA
**Health
Meeting**

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Session 134 PD, Professionalism for Health Actuaries

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Presenter:

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Professionalism for Health Actuaries

Society of Actuaries Health Meeting

June 2016



Our Speakers

- **Joe Wurzburger, FSA, MAAA**
Staff Fellow, Health
Society of Actuaries



- **Pedro Alcocer, FSA, MAAA**
Consulting Actuary
Milliman, Inc.



Agenda

- Actuarial Professionalism Overview
 - Intro
 - Code of Conduct
 - ASOPs
 - Practice Notes
 - Qualification Standards
 - Continuing Education
- Case Studies

“If you don’t have time
to do it right, when will
you have time
to do it over?”
- John Wooden

Note that there is a wealth of professionalism-related information on the American Academy of Actuaries' website:
<http://www.actuary.org/content/professionalism>

Top Ethical Concern for Actuaries

“Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving.”

- *Key Ethical Concerns Facing the Actuarial Profession: Perceptions of Members of the American Academy of Actuaries, April 2015*

Code of Professional Conduct, ASOPs, and Practice Notes

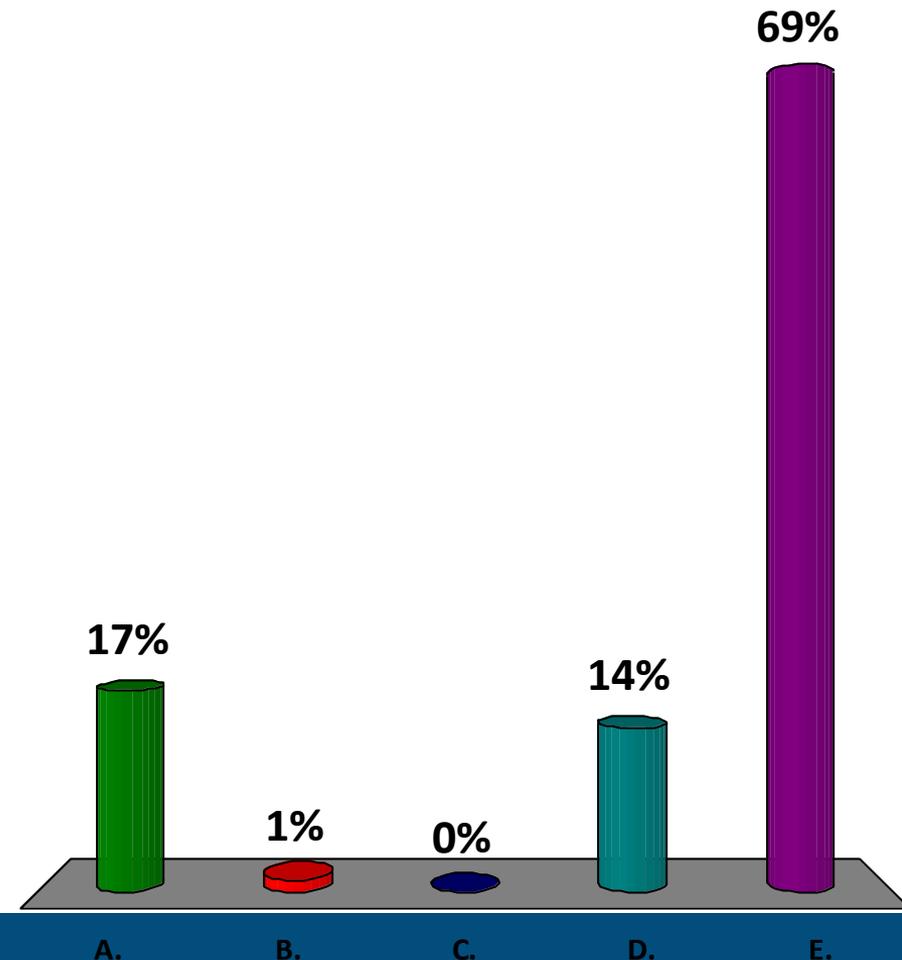
Which of the following are binding for Actuaries?

- A. Code of Professional Conduct
- B. Actuarial Standards of Practice (ASOPs)
- C. Practice Notes
- D. A, B, and C
- E. A and B

Code of Professional Conduct, ASOPs, and Practice Notes

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Code of Professional Conduct

- The Code identifies the professional and ethical standards required of actuaries who practice in the United States.
 - Members of the AAA may order a complimentary pocket-sized copy of the Code:
<http://www.actuary.org/content/code-professional-conduct>
- You are required to keep current with the Code as well as applicable law and other rules of professional conduct within your jurisdictions.

Code of Professional Conduct

- Some key precepts:
 - Precept 1: Act with Integrity
 - Precept 2: Qualification Standards
 - Precept 3: Standards of Practice
 - Precept 4: Communication
 - Precept 10: Courtesy and Cooperation

“Integrity is doing the right thing even when no one is watching.”

- C.S. Lewis

Actuarial Standards of Practice

- ASOPs provide guidance on the techniques, applications, procedures, and methods that reflect appropriate actuarial practices in the United States.
- Binding on members of the U.S.-based actuarial organizations when rendering actuarial services in the U.S.
- Also must consider:
 - Legal and regulatory requirements
 - Professional requirements promulgated by employers or actuarial organizations
 - Evolving actuarial practice
 - The actuary's own professional judgment

Actuarial Standards of Practice

- A few key health-related ASOPs:
 - ASOP 5: Incurred Health and Disability Claims
 - ASOP 8: Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
 - ASOP 23: Data Quality
 - ASOP 28: Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets
 - ASOP 41: Actuarial Communications
 - ASOP 42: Determining Health and Disability Liabilities Other Than Liabilities for Incurred Claims

Actuarial Standards of Practice

- A few key health-related ASOPs (continued):
 - ASOP 45: The Use of Health Status Based Risk Adjustment Methodologies
 - ASOP 49: Medicaid Managed Care Capitation Rate Development and Certification
 - ASOP 50: Determining Minimum Value and Actuarial Value under the Affordable Care Act
 - Note that key people involved in the creation of ASOPs 49 and 50 present at this Health Meeting (session 73, 6/16 at 11:00)

Practice Notes

- Practice notes are non-binding guidance
- Often written in Q&A format
- Offer examples of current and emerging approaches
- Intended to supplement available actuarial literature

U.S. Qualification Standards (USQS)

- Mandatory for all credentialed actuaries who issue Statements of Actuarial Opinion
- Include:
 - Basic Education (i.e., actuarial credentials)
 - Responsible Actuarial Experience (generally three years)
 - Continuing Education
 - 30 hours annually (50 minutes = 1 hour)
 - ≥ 6 hours of organized activities
 - ≥ 3 hours of professionalism (this session counts!)
 - ≤ 3 hours of general business courses

Track your CE

- Use the SOA's CPD tracker
 - Web-based (cpd.soa.org)
 - Smartphone app



A Series of Unfortunate Events



Our Everyday Environment

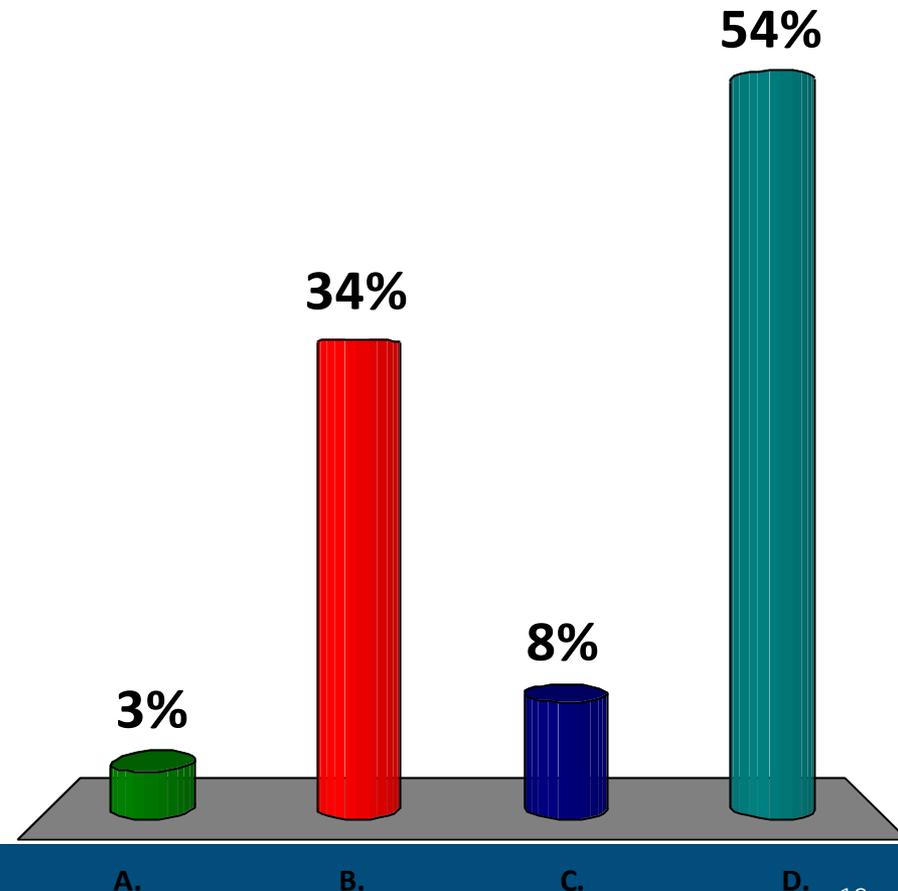
- Decisions of significant impact
- Reputational and financial risk
- Personal interests
- Conflict
- Shortcuts or rabbit holes
- End justifies the means?
- Winners and losers

Incident #1

A meeting takes place on the top floor. You're not invited and don't even know about it. A decision is made in this meeting to "increase your employer's market share", as this is a major corporate drive for the next year (a drive that is also unknown to you). You're asked to "target lower ACA rates" for 2017. One little problem: you're in the middle of developing these rates and realize that morbidity is significantly higher, as is trend, and your employer paid \$100M in risk adjustments last year. What do you do?

Incident #1 Options

- A. Sounds good to you.
You drop rates 10% in order to fall in line with corporate goals.
- B. You raise a stink and push back hard against these actions.
- C. You don't say anything, and ignore the directive.
- D. Other

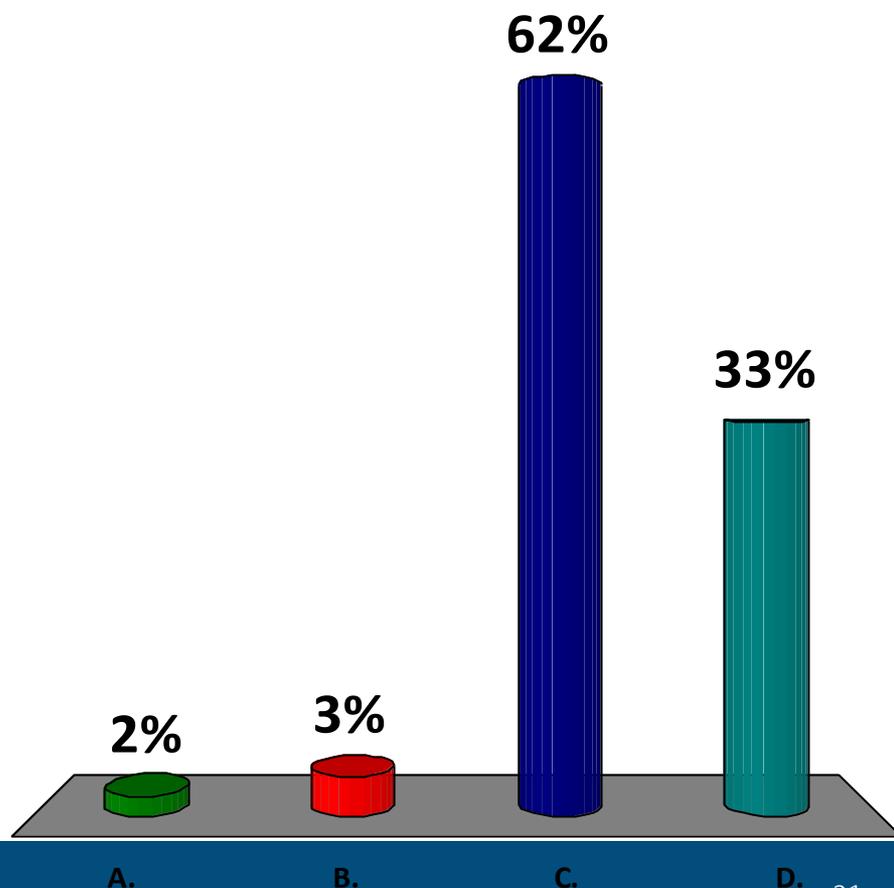


Incident #2

You present rates for the next Medicaid RFP to your boss. Your employer has been the State's Medicaid carrier for the past several years and this should be just a formality. The State likes the rates and things are moving great. Then you discover you made a mistake in the rate development that could cause rates to increase 2%. Your work was unfortunately not checked or reviewed as thoroughly as it should have been. No one else knows about this mistake. What do you do?

Incident #2 Options

- A. You keep quiet. It's only 2%.
No big deal.
- B. You keep quiet, but take the opportunity to raise rates elsewhere, also on the DL.
- C. You bring this up to your boss, who proceeds to inform the State.
The State in turn gets upset and negotiations turn bitter.
- D. Other



Incident #3

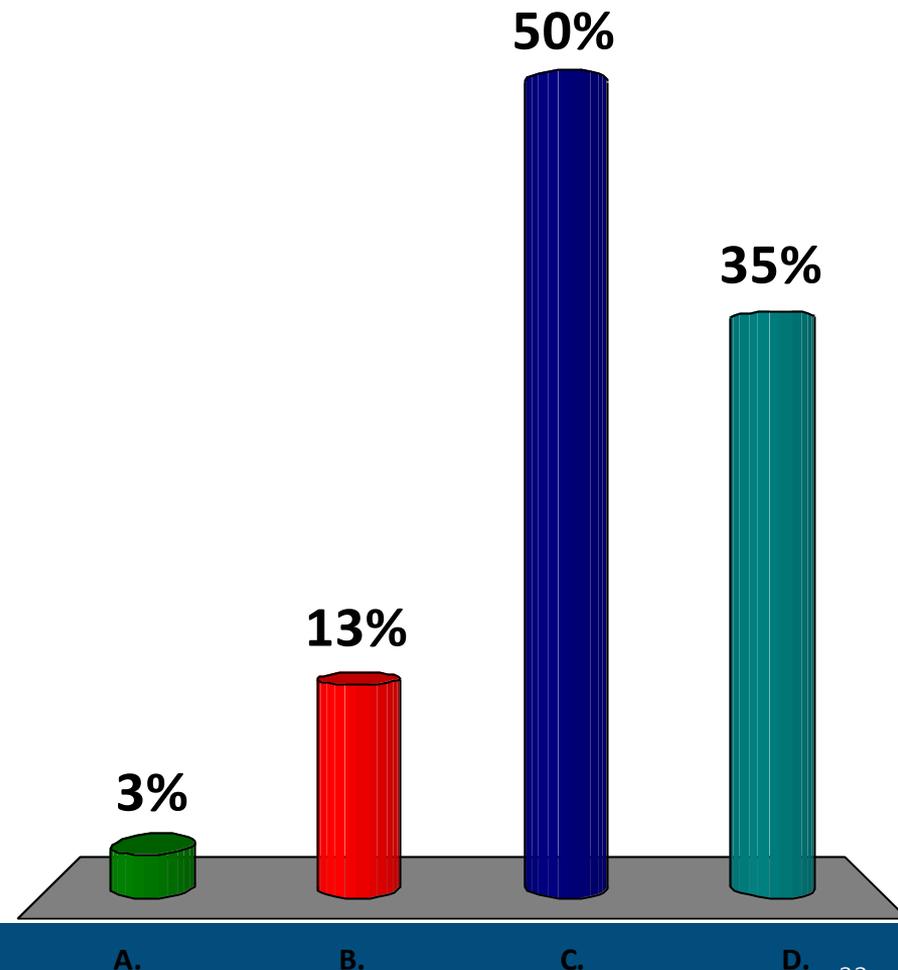
Your employer's Medicare Advantage benchmark revenue for 2017 is significantly lower than it was in 2016. To make things worse, risk scores are lower than in 2016.

Something's gotta go up, you're told. Your company **MUST** make positive margin in 2017. Enter coding intensity.

You're told "there will be some awesome programs later in 2016" that will increase your employer's coding abilities in order to raise the 2017 risk score. There is ZERO backing to these programs, and it's simply words at this point. You're the certifying actuary. What do you do?

Incident #3 Options

- A. Sounds good to you. A 15% coding intensity assumption will get the job done.
- B. You push back on the lack of backing support, but are willing to go up to something like 8%, even though this won't raise revenue to desired levels.
- C. You're pretty firm in your stance that no objective demonstration = no increase to risk scores.
- D. Other

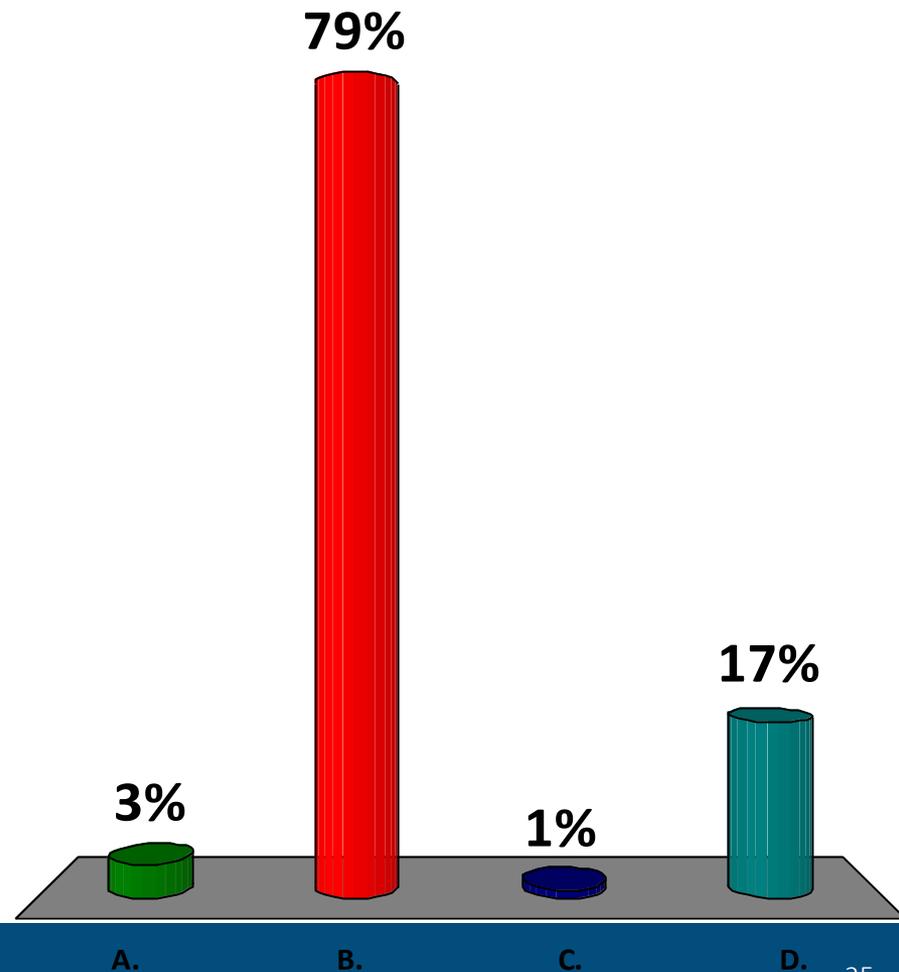


Incident #4

Your 2017 ACA rates are being well received internally. Rates have gone through all internal channels and everyone has signed off, including the CEO. You begin preparing the filing and your analyst finds a significant mistake on something that you had reviewed and signed off on. This is a mistake that cannot be overlooked, but the internal politics at your employer could create some serious issues here. What do you do?

Incident #4 Options

- A. You don't want to throw anyone under the bus, but...
- B. You fall on the sword yourself and take full responsibility for the mistake
- C. You don't say or do anything. Let the chips fall where they may.
- D. Other

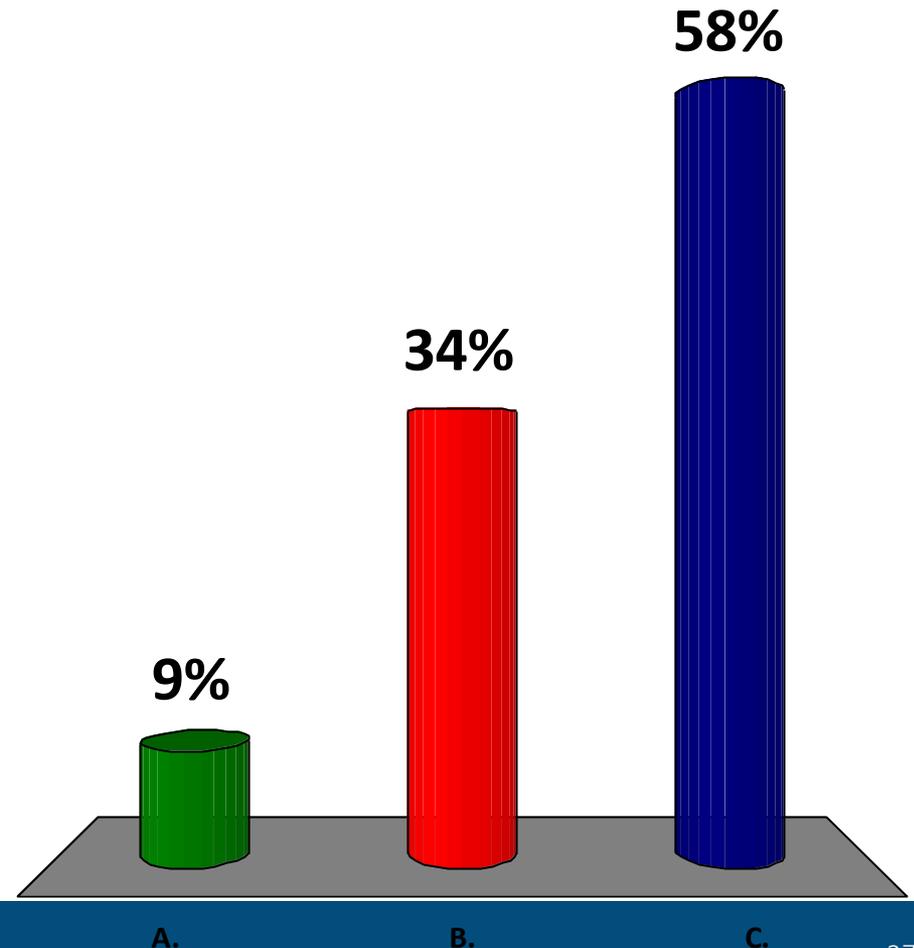


Incident #5

Due to some bugs in the Actuarial Value Calculator, you realize that some plans can pass certain metallic levels based on how they're entered. You kinda know that the way a bronze plan is being entered is not really consistent with the way the plan was entered for pricing purposes, but it seems ok and most importantly, the plan is passing. The flip side is that entering the plan the way benefits will really be administered causes the plan to fail. Product REALLY wants this plan. What do you do?

Incident #5 Options

- A. You do nothing. The plan is passing.
- B. You stand firm. The plan is not passing, sorry Product.
- C. Other



Thank you!

