



SOCIETY OF ACTUARIES

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Health Section News

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Chairperson's Corner

by John P. Cookson

We are beginning a new year for the Health Section Council, with some new members and new officers. I would like to thank Dan Wolak for a job well done as outgoing Chair. Dan will continue on the council for one more year. Cindy Miller will move up to Vice Chair and Karl Volkmar will take over as Secretary/Treasurer. Cindy will spearhead the Council's research efforts, and Karl is the Program Chair for the 2003 Spring Meeting in Vancouver.

I would also like to extend our appreciation to the outgoing members who have completed their three years: Tony Wittmann, Bob McGee and Dan Skwire (we still need volunteers, guys!).

Health Section Council Focus

The Council will continue to focus our efforts in three major areas:

1. Developing and carrying out the health portion of the programs for the Spring and Annual SOA Meetings.
2. Continuing to solicit and publish timely and useful articles in the *Health Section News*.
3. Supporting research projects that will be useful to our members.

We also try to maintain close cooperation with the Health Benefits Systems Practice Advancement Committee of the SOA.

Health Web Page and Membership Communication

The Health Section has a good web page on the SOA Web site. This site has useful information and links for our members and other interested parties. We would like to encourage more use of the Discussion Forums by our

members, or a reenergizing of the Health Section List Serve. We would like your feedback on this. I urge you to review both the SOA Discussion Forum (on the SOA web page) and the Health Section List Serve. Personally, I prefer the List Serve, but we need to get interested members to sign up and then we need to provide or seed the List Serve with interesting topics on which everyone can comment. It shouldn't be too hard to find topics of interest given the current state of the Health Care System.

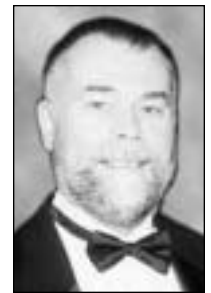
Greater Actuarial Role

I believe our membership has the talent and expertise to contribute in a substantial way to helping solve some of the problems of the health care system. I would like to see us take a more proactive posture on these issues rather than being in a reactive mode. Instead of being just users and evaluators (both important roles) of the next "Health Risk Adjusters," I would prefer to see our profession participate in developmental phases of such projects in the future.

The following is a list of areas that I think fall within this category (undoubtedly there are many others):

- 1) Disease management
- 2) Measurement of provider differences including quality and efficacy of care
- 3) Economic aspects of health care including the tax structure and benefits design
- 4) Balancing the competing interests of the various constituencies of the health care system
- 5) The impact of long term trends on employer liabilities for retiree medical.

Please let us know what you think. 📧



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Letter from the Editor

by Jeffrey D. Miller

Greetings, and welcome to 2003. One of the greatest gifts a young actuary can receive is strong mentoring. One of my early mentors told me that the consulting actuarial business keeps building, and building, and building to a crescendo that never happens. I believe this is also true of the health business in general. As we go into 2003, health actuaries see many challenges and many opportunities, and the crescendo is nowhere in sight.

This edition includes six articles. I found each of them to be interesting and useful. Two of the articles deal with claim liabilities, a topic whose importance can never be underestimated. Both look at the challenge of reflecting changing inventories in received but unpaid claims. David Axene's article on healthcare affordability introduces a new measure to the dialogue on healthcare costs. I encourage you to visit the E&Y Web site to see the background material behind the indexes he uses. Genetic testing and small-group underwriting also are topics of discussion, and both will be interesting for many years to come. Finally, we have a strong article on hospital costs that follows up on some misleading discussions in the press.

One of the challenging topics I've addressed recently is a limited-benefit medical plan. Comprehensive major medical plans are no longer affordable for a large segment of

the working population. Basic benefit plans have emerged as an alternative in many markets. Such plans range from merely a PPO discount card to base plans reminiscent of the old base plus major medical days. Some key questions that arise in developing these plans include:

1. How large can the premium be?
2. What are realistic provisions for commissions and expenses given that the premiums are low but administration might not be significantly reduced?
3. What sort of underwriting, if any, is optimal?
4. Do traditional claim patterns by traditional risk characteristics, such as age and sex, change?
5. Can these plans work on both a voluntary and an employer-paid basis?
6. What will happen to the healthcare system if these plans really take off?

Regarding the last question, I've been surprised at some favorable reaction in the healthcare provider community. While the cardiologists might not be thrilled, family practice physicians are enthusiastic about these plans because something is better than nothing.

I think we all might want to stay tuned and watch the development of these plans carefully. 📧



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