



SOCIETY OF ACTUARIES

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# Health Section News

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## Chairperson's Corner

by Cindy S. Miller

As I prepared to write this edition of the "Chairperson's Corner," I took a few minutes to look back and review the columns written by some of my predecessors in past editions of the Health Section News. As I perused articles from 1995, (yes, I am a pack rat!) I was struck by how similar the issues faced today by health actuaries are to those we faced in years past. In particular, the general issues so eloquently stated by Joan Herman in her column of January 1995 are some of the very same issues that your current Health Section Council believes to be of paramount importance today.

In particular, the column of 1995 addressed the following as the opportunities and challenges facing health actuaries: pricing new products, such as POS products; evaluating the new managed care contracts with providers; valuing potential mergers and acquisitions; the surge of provider owned managed care organizations; and the ever present need to help shape and respond to proposed health care legislation and regulation. While certainly some of the specifics have changed, today we continue to respond to very similar challenges. These include new products such as consumer choice products, HSAs, Medicare PPOs and Medicare Part D drug coverage. Contracts with providers continuing to evolve—in 1995 it was global capitation and risk shares, today it's DRGs, per diems, and quality incentives to help further the effectiveness and safety of the American health care system. M&A activity continues today as

many of the providers who started their own managed care organizations in the mid-1990s have now decided that strategy no longer works for them. And finally, health actuaries continue to be uniquely equipped to help develop and evaluate the numerous proposals aimed at increasing health care availability and affordability for all Americans.

However, some of the challenges we face today are new. In the wake of Enron, WorldCom and similar financial debacles, the scrutiny of the accuracy and integrity of the financial statements of the companies we support is more intense than ever before. While this scrutiny began with publicly traded companies, all managed care entities, public or not, will experience new requirements and disclosures under the NAIC version of Sarbanes-Oxley.

Technology, and the ability to amass and analyze new and more types of information are both more important today than ever before. Evaluating the effectiveness of advanced care management programs, supporting tiered network programs by determining which providers are the most effective and efficient, publishing information for health care consumers on the quality of the providers in our networks, and using our data to further the creation and adoption of medical protocols all represent ongoing opportunities for our analytical and technological skills. The emergence of Enterprise Risk Management represents an exciting opportunity for actuaries to apply our skills in a broader arena.

(continued on page 20)

## Letter from the Editor

# October 2004 Edition

Greetings! Welcome to my last edition as editor of Health Section News, at least for a while. I have now been editor for 13 editions, and the time has come for some fresh blood.

I'm delighted to introduce Gail Lawrence as my replacement. Gail is a good friend and an excellent health actuary. I have worked with Gail for two years now and watched her manage a significant block of Medicare supplement business to consis-

tent profitability. She has a strong and diverse background in our industry, and her insight will be of value to all who read Health Section News.

I appreciate the opportunity to have been editor of this newsletter. We have a great profession, and our future is wide open. I hope to begin contributing more articles myself in the very near future. My thanks go out to all who have served on the Health Section Council during the past several years for your support. 📧



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patterns (e.g., people with chronic conditions, healthy people with occasional claims). The distributions are used to generate multiyear claims patterns including the impact of random high-dollar claim events (e.g., major traumas). The claim projections of the individuals are aggregated to reflect the composition of all enrollment tiers since the HRA funds are managed at the employee level and not the member level. Termination and retirement rates appropriate for the block are factored in and scenarios are generated to estimate fund balances at different durations. Projections should be performed for a sufficient period of time to assess the liability. The sensitivity of the underlying assumptions should also be tested to determine their impact on the resulting liability. The outcomes can be quite different in groups with different turnover rates.



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### Future Challenges

New legislation continues to impact CDHP products and the variations of this type of medical benefit. Valuation actuaries will need to continue developing appropriate modeling techniques for new variations and refining their models as credible claims experience evolves. Sharing our successes with these techniques and models will benefit the profession and foster an environment that benefits the industry and promotes the image and reputation of our profession. 📧

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### CHAIRPERSON'S CORNER | FROM PAGE 3

The Health Section continues to focus our efforts on activities to help our membership meet these opportunities and challenges. Two activities in particular come to mind. The first is continuing education. Through this newsletter, seminars, and health related sessions at the Spring and Annual SOA meetings, we strive to bring our members useful and timely information on topics relevant to their everyday work. A big thanks to Jeff Miller, Darrell Knapp, Karl Volkmar, and Catherine Liang for their leadership roles in continuing education. The second activity is the Health Section's sponsorship of relevant, practical and timely research. We currently have a number of active research projects on topics such as the Evaluation of Medical Management Interventions and Analysis of Claims by Policy Duration for Individual Major Medical Insurance. Several research RFPs are also under-

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## Meet The New Kids

The Younger Actuaries section got the nod of approval at the Board of Governors June 2004 meeting. The new section was created out of the need to establish a stronger link to recently qualified and future actuaries. Led primarily by younger actuaries, the section will work to advance the actuarial profession by addressing the needs of actuaries who are in the earlier part of their careers. Among other activities, the section will serve as a venue for identification and development of future SOA leaders, will educate its members about and give them a voice in SOA activities, increase the sense of belonging to the profession, and will develop various programs targeted at professional advancement of younger actuaries. There is no age or credential requirement to join the section. Senior members are encouraged to join to stay in touch with the ideas and needs of the next generation of actuaries and to serve as mentors to the younger actuaries. Candidates and those early in their career are encouraged to join to link to the profession and benefit from section programs and activities that will further their professional and personal development. In order to ratify the section, 200 SOA members must sign up. Please support this cause, sign up today at: [www.soa.org/ccm/cms-service/stream/asset/?asset\\_id=5179052&g11n](http://www.soa.org/ccm/cms-service/stream/asset/?asset_id=5179052&g11n)

For more information, please contact Valentina Isakina, SOA Finance Practice Area Actuary at (847) 706-3584 or [visakina@soa.org](mailto:visakina@soa.org) 📧

way, these include a general RFP for research relevant to practicing health actuaries as well as a targeted RFP on Stochastic Methods for Health Insurers.

We welcome your feedback and suggestions. Only you, our members, can tell us whether we are achieving our goal of identifying the issues most important to you, and better preparing you to address those issues. 📧