



SOCIETY OF ACTUARIES

Article from:

Health Watch Newsletter

May 2006 – Issue 52

Letter from the Editor ... Times, They are a-Changin'

by Gail Lawrence

Greetings and Happy Twenty-Fifth Anniversary to the Health Section!

The tools of the trade for actuaries were certainly different 25 years ago in those paper-intensive days of computing clerks, desktop calculators, mainframe computers and telephones without caller ID. Gathering information was labor intensive and expensive. With the Internet and astounding advancements in computing and communication systems, data and information can be easily exchanged and analyzed over wireless systems. Now the conundrum seems to be the white noise of too much information.

Our health care financing system has also seen many changes. Managed care and PPOs have gained momentum in an environment where increasing health care costs have outpaced inflation by huge margins. If trend rates continue as multiples of the inflation rate, a simple extrapolation exercise makes one think that something's got to give.

Health care financing reform has been on the political radar screen for a long time. If political action is fueled by dissatisfaction with the current system, change seems inevitable. I'm not sure our politicians have an immediate answer for the already high and ever increasing cost of health care, but they can set the rules for access to health coverage, benefit standards and the pooling of risks.

We have seen a number of reforms in the last 25 years that have improved access to health coverage. The 1980s gave us COBRA so we could keep our insurance for a period of time after defined life events. The 1990s brought us waves of reform in small group health, individual health and portability of coverage.

Many laudable changes have been made, but the simple truth remains. If a life event causes you to lose your coverage and you are not healthy, access to health coverage will be more limited and more expensive. If you have coverage and lose your health, the quality of your risk pool is likely to decline as competitive pressures siphon off the better risks. Even for individuals who have maintained health coverage throughout their life, concerns about continuing access to affordable health coverage may have a profound impact on their future life-choices.



Actuaries will play an important role in helping shape the future of our health care financing system. In this issue of *Health Watch*, our first three articles focus on the effective and efficient delivery of health care. Perhaps one day we will even see health coverage benefits based on the necessity and effectiveness of medical outcomes.

As we debate our future, it is important to learn from comparative health systems throughout the world. Global health systems was a key issue identified by the Health Section Council for 2006 and I invite you to submit an article on this topic. John Have's article gives us a look at important recent initiatives within the Canadian system to address unacceptable wait times. One of Mark Litow's areas of expertise is the interaction of the public health programs and private plans. In this issue, he focuses on an analysis of the true difference in administrative costs between the public and private health systems.

Also in this issue, Dave Axene sheds some light on the best practices in hospital contracting as health plans try to balance cost pressures with those of maintaining a high quality network. Chris Stehno proposes consideration of life-based analytics for use in health risk assessments.

Speaking of public health systems, Medicare's prescription drug benefit is now five months old and we'd like to hear about your emerging experiences. Please consider submitting an article or just come and share some thoughts at the Spring Health meeting. See you there! 📧



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