



SOCIETY OF ACTUARIES

Article from:

Health Watch Newsletter

September 2006 – Issue 53

Health Watch

"For Professional Recognition of the Health Actuary"

Navigating New Horizons ... An Interview with Early Members of the Health Section

by Susan Abraham

On October 19, 1981, the Society of Actuaries (SOA) officially inaugurated its first practice section—the Health Section. As the 25th Anniversary of the SOA Health Section is celebrated, insights can be gained from some of the early Health Section members by understanding how they and others paved new roads, which would positively influence the SOA in countless ways.

A pioneer is someone who goes first and leads the way, making sure to leave a trail behind them that others can follow. Given that the Health Section was the first specialized section, pioneer is an appropriate description of the individuals who were interviewed.

The commitment of these individuals is recognized, as well as the contributions of all other Health Section Founders who could not be interviewed. Those interviewed included a former SOA president, a former Health Section Chairperson,

and some early Health Section Council (HSC) members. But more than these titles imply, these four individuals were leaders, both in thought and action, who succeeded in shaping the actuarial profession in many significant ways.

The interviewees were Bob Dobson (former HSC member, 1983-1986), Harry Sutton (on the first HSC from 1981-1982), Anna Rappaport (former SOA President, 1997-1998 and former HSC Member), and David Axene (former HSC Chair, 1990-1991). Most of these individuals are continuing their service to the profession with activity in current SOA committees such as Medicare Reform, Consumer Directed Health Plans, and Post-Retirement Needs and Risks.

The interviewees were asked everything from why the Health Section was originally created to what they think would be the driving force for the Health Section in the future. The answers were varied and insightful, but they all had a common theme: the SOA Health Section is a vital part of both the SOA as a whole and the career development of many health actuaries. As the 25 years have flown by, the Health Section's role has become even more critical as the actuarial profession has become more specialized, and as the importance and cost of health insurance has grown.

In 1981, all of the interviewees were working either as actuarial consultants or for one of the large insurance companies. Currently, all are working as consultants; some head up their own consulting practices and some are semi-retired.

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In 1981, it was apparent that the actuarial profession was headed down a more specialized route. Axene remarked that at Milliman it became clear that actuaries performed better when they became more specialized; similar conversations were going on concurrently at the SOA. Existing health actuaries were an underserved population at the SOA, largely overshadowed by property and life insurance actuaries. The interviewees elaborated on what needs they saw the SOA Health Section satisfying at the time of its inception:

Sutton remarked that:

- Health actuaries wanted to learn more about aspects of healthcare in a group setting and to have a forum to talk about healthcare issues.
- Health actuaries needed more opportunities for health-specific continuing education.
- Basic health-specific actuarial education, as well as the representation of health content on educational exams, needed to be encouraged.
- There was a need for health-specific actuarial research. The health actuarial discipline was

relatively new at the time, and it was, and still is, important to get state-of-the-art input into issues that health actuaries face in their work.

When asked why they personally decided to be a pioneer for the SOA Health Section, Dobson mentioned that the first actuary who hired him, Jarvis Farley, had impressed upon him the importance of giving back to the profession. He has carried this ideal throughout his career.

Others said that they saw it as an opportunity to influence positive change—whether it was to propel forward the HMO movement that was just building steam, to push the traditional boundaries and roles of the actuarial profession, or to encourage actuaries to focus more attention on their external environment rather than internal conditions.

When asked what they thought were some of the major milestones of the SOA Health Section over the last 25 years, the responses were:

- *Growth.* What started as a distribution list of 600-800 people has now grown to nearly 3,500 members.
- *The Health Section Newsletter.* The newsletter began in the early 1980s with multiple regional editors. It provides documentation of the progress of the Health Section.
- *Groundbreaking Section.* Serving as the first specialized section at the SOA, it blazed the trail for many other sections such as Pension and Life.
- *Specialized Continuing Education.* The Health Section has provided enormous opportunities for continuing education for health actuaries, including a Spring Meeting entirely devoted to health.
- *Research.* Innovative research has been supported by the Health Section, which is respected within the profession as well as in the healthcare industry at large.

When asked what advice they would give to either a current HSC Council Member or a novice health actuary, the interviewees had a great deal to say, including:

A Peek at Harry Sutton's Reading List

Are you interested in knowing what Harry Sutton, a founding member of the Health Section, has been reading lately? Here's a sampling of articles that you can easily find on the Internet by Googling the title in its entirety.

- "MarketWatch: Illness and Injury as Contributors to Bankruptcy." Published by *Health Affairs* on February 2, 2005.
- Kaiser Daily Health Policy Reports.
- "Top Ten Healthcare Trends of 2006," Forecasted by HealthLeaders-Interstudy. HealthLeaders-Interstudy is a company of Decision Resources, Inc.
- "Health Insurance Coverage in Minnesota from 2001 to 2004." *University of Minnesota Research Briefs*, March 2005.
- "The Effect of Population Aging on Future Hospital Demand. (A simulation of future spending finds that aging will not be the strongest influence on inpatient hospital use.)" Published by *Health Affairs* on March 28, 2006.
- "Who Is at Greatest Risk for Receiving Poor-Quality Healthcare?" *The New England Journal of Medicine*, March 2006.


Highlights from the Past 25 Years of the Health Section

- 1981: Birth of the Section
- 1982: Health Section Membership = 815
- 1983: Research and Data Committee Identified "Useful Sources"
- 1984: Sponsored Call for Papers Contest
- 1985: Developed Report of Subcommittee on "Interim Analysis of Rate Stabilization for Individual Health Insurance"
- 1986: Produced Special Supplement on "A Statistical Select-Ultimate Model Built on Regression and Alienation"
- 1987: Distributed Third Exposure Draft on Health Reserve Proposal
- 1988: Submitted a Report on Valuation Standards for Health; Developed a Special Topic Issue on Long-Term Care Insurance
- 1989: Commented on NAIC Life and Health Actuarial Task Force Proposal to Revise the Guidelines for Filing Premium Rates
- 1990: Sponsored Best Research Paper Competition
- 1991: Conducted Small Group Durational Study; Announced Research Paper Winners: "Natural Limitation of Healthcare Trend" and "Modeling Flexible Benefit Selection"
- 1992: Disseminated Large Claim Study RFP as part of Health Database Project
- 1993: Initiated the Health Data Base Project
- 1994: Released Exposure Report of the LTCI Valuation Methods Task Force; Formed Joint AAA/SOA Healthcare Reform Communications Work Group
- 1995: Released Mental Health Research Study RFP; Hill Memorial Prize awarded to Health Section Member, V. Young
- 1996: Released Group Insurance Large Claims Data Base Collection and Analysis Study; Inaugurated Disability Special Interest Group Newsletter
- 1997: Reviewed EBRI Data book on Employee Benefits
- 1998: Developed Report on the Actuary's Role in Managed Care
- 1999: Reprinted the Paper "Cumulative Antiselection Theory" in Celebration of the SOA's 50th Anniversary
- 2000: Created Health Section Web page
- 2001: Called for Research Projects on Information, Data or Tools Useful to Practicing Actuaries
- 2002: Undertook Study on Claims-Based Methods for Health Risk Assessment
- 2003: Evaluated Results of Care Management Interventions and Outcomes Measures
- 2004: Estimated Impact of Medicare Part D on Retiree Prescription Drug Costs; Developed Statistical Tools RFP; Conducted Joint GUAA/SOA Seminar
- 2005: Conducted Simulation Literature Review and Large Claims Study
- 2006: Celebration of the Health Section's 25th Anniversary

- Rappaport said it is important to serve and make a contribution to the profession. There are a wide variety of ways to serve and one should try to match one's role with their interests.
- Axene remarked, "Be involved with anticipating the future about our profession and where it is going. [We] need thought leaders, and less traditional people who do not get too comfortable, to anticipate change and prepare for it."
- Sutton mentioned that it is important for the Health Section to pursue joint research projects with universities, healthcare organizations, etc. "SOA should use the research to drive their objectives toward producing an acceptable solution to [provide] long range universal health care access."
- Dobson commented on the role of Health Section Council members in educating the public and leaders about healthcare issues from an actuarial perspective.

Finally, when asked what they thought would be the driving force, propelling the SOA Health Section into the future, there were inspiring responses.

- Dobson observed, "It is always easy for actuaries to find problems with a proposed solution: it would be nice if we could be involved in proposing solutions as well."
- Rappaport said, "The health system is in a huge state of flux; [the SOA Health Section] needs to balance meeting short-term needs of customers and trying to be players in the evaluation and improvement of the health system overall."

The founders interviewed knew early on what would drive their profession, which is why they played a pivotal role in founding and developing the Health Section. The next generation of health actuarial leaders is charged with continuing to anticipate the future needs of health actuaries, and tailoring the Health Section to meet those needs. 



Susan Abraham is a student at Northwestern University and worked as an intern at the Society of Actuaries in the summer of 2006.