



SOCIETY OF ACTUARIES

Article from:

The Actuary

April 1997 – Volume 31, No. 4

The Actuary

The Newsletter of the
Society of Actuaries

Vol. 31, No. 4 • April 1997



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The Actuary is published monthly

(except July and August).

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Nonmember subscriptions: Students, \$10; others,
\$25. Send subscriptions to: Society of Actuaries,
P.O. Box 95668, Chicago, IL 60694.



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Printed on recycled paper in the U.S.A.

EDITORIAL

Unintended consequences

by Robert H. Dobson

In this issue we explore, among other things, new ways in which computer technology affects health care. We also interview an actuary who has just accepted a position as chief information officer at a major managed care organization.

This editorial, however, will address the old issue of unintended consequences. We have two current applications of this. One is the proposed move of home health from Part A to Part B of Medicare. The second is the new practice among employers to pay employees for unused sick leave.

An illusionary 'improvement' As we all remember from the actuarial exams, Part A of Medicare is funded through a payroll tax and uses a trust fund mechanism similar to that of Social Security, or OASDI benefits, while Part B is funded from a combination of beneficiary premiums and general revenues. Can anyone really consider that the Medicare program is better off if home health benefits are moved from Part A to Part B? Obviously, it helps the Trust Fund. Removing an expensive benefit always does. But at the same time, we are removing any pre-funding. Why stop there? Think of how good the Trust Fund would look if we moved all Part A benefits to Part B. Think of how good the OASDI Trust Funds would look if we decided to fund all future benefits out of general revenues.

What is the unintended consequence of this move? Unless the proposal changes the Part B funding, the beneficiaries' premiums would rise significantly. The political consequences of that are easy to imagine, and I must assume they were not intended. Even if this flaw is addressed, either the deficit or taxes (other than payroll taxes) must increase.

Workplace ill served by 'benefit'

Most people think the concept of paying employees for unused sick time is quite fair. We all know of people who abuse sick leave benefits. The unintended consequences occur when someone really is sick. Take two similar employees, each making \$52,000 a year. Before sick leave policies, an employee who got sick for a week would not be paid and would end up making \$51,000 for the year. This, of course, is \$1,000 less than the employee who did not get sick.

Through the years, employers added sick leave benefits so employees who got sick would not lose earnings. Now, because some people abused the benefit, employers are paying employees for sick days they do not use. What employers may not realize is their employees are now in exactly the same situation as before any benefit existed. Employees who get sick lose earnings. The only difference is that now the sick employee gets the full \$52,000 earnings, but the employee who was not sick gets \$53,000, including a \$1,000 "wellness" bonus. I would say we should just drop the benefit, save the administration, and dock employees when they miss work, but no one would tolerate the loss of this "benefit."

Get involved

With this issue, I complete my three-year term as an associate editor of *The Actuary*. It has been a rewarding experience. I encourage others to get involved in the editorial board, and to call Bill Cutlip, editor, or Jackie Bitowt, SOA staff editor, for details on editorial board duties. I would like to give special thanks to the staff, who do much of the real work, for their support.