Session 46 L, Actuarial Professionalism: Are You Up-to-Code?

Moderator/Presenter:
Brian Michael Mackintosh, FSA, MAAA

Presenters:
Pedro Luis Alcocer, FSA, MAAA
Actuarial Professionalism – Are You Up To Code?

Society of Actuaries 2015 Health Meeting

Pedro Alcocer, FSA, MAAA
Consulting Actuary
Milliman
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Professional Challenges
Judgement Calls
Consequences
Doing the Right Thing
Some Case Studies
Case Study #1

You have been asked to calculate the Actuarial Value of several plans that your company is thinking of offering next year. You’ve been given a one day turnaround due to marketing pressures to evaluate a myriad of plan designs. You’re new to the company and have little experience with the AV calculator. However, you look at it and it seems straightforward to you. What should you do?
Case Study #1 Possible Courses of Action

1. Evaluate the plans, since the AVC looks pretty easy to use
2. Consult with someone else that may be more familiar with the AVC to help you
3. Push back and ask for more time
4. Decline to do the work
5. Other
Case Study #1 Applicable Precepts

PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.

PRECEPT 3. An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

PRECEPT 1. An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.
After a while, you become an expert on the AVC and gain a deep understanding of its inner workings. You now realize there are some potentially significant implications to any plan design tested, depending on how it is entered in the AVC. Based on how some entries are structured, the plans may or may not pass. This may lend itself to “gaming” or arbitrage. You’re given new plans to test and are told to “do what you gotta do” to make them pass. What should you do?
Case Study #2 Possible Courses of Action

1. Make the plans pass
2. Use your judgement and enter the designs as you think they should best be entered; some plans may fail
3. Other
Case Study #2 Applicable Precepts

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PRECEPT 3. An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

PRECEPT 4. An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice.

PRECEPT 8. An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.
Case Study #3

As the pricing actuary for your company’s ACA filings, you have been told by your directors that “more slope” is needed on the bronze plans. Your company is aggressively trying to sell bronze plans and they need “more market friendly” prices in order to boost enrollment. You sharpen your induced utilization pencil, thinking this will get you there. What should you do?
Case Study #3 Possible Courses of Action

1. You steepen the low end of the plan benefit richness slope through even more negative induced demand

2. You do (1) above, but increase the platinum rates to make things revenue neutral (marketing won’t like this)

3. You push back and refuse to make the changes

4. Other
Case Study #3 Applicable Precepts

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PRECEPT 10. An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.
Looks like you’ve been missing a lot of work lately
You’re preparing a rate filing and there’s a bit of a dilemma on how to justify a certain adjustment that’s causing the rates to increase more than you feel comfortable justifying. You’re director instructs you to “bury” the adjustment in trend, as a way to get past review questions. “It gets us to the same place”, your director says. What should you do?
Case Study #4 Possible Courses of Action

1) You bump up trend to account for the adjustment
2) You push back to your boss and insist on showing the adjustment separately in the filing
3) Other
Case Study #4 Applicable Precepts

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Case Study #5

- Your coworker, who is in charge of trend analysis, repeatedly signs off on trend with little to no review on his part. To date, no significant issues have come up during the monthly trend review process. His team is fairly strong. “They know what they’re doing”, he says. Any issues here for you?
Case Study #5 Possible Courses of Action

1) This doesn’t concern you, so you let it be
2) You know you should say something, but don’t want to rock the boat
3) You confront your coworker
4) Other
Case Study #5 Applicable Precepts

PRECEPT 13. An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary should disclose such violation with the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.
QUESTIONS?