Session 58PD, The Room Where It Happens

Moderator/Presenter:
Bryan F. Miller, FSA, MAAA

Presenters:
Jay M. Jaffe, FSA, MAAA
Bryan F. Miller, FSA, MAAA
Stuart D. Rachlin, FSA, MAAA
THE ROOM WHERE IT HAPPENS
June 26, 2018

Jay M. Jaffe, FSA, MAAA
President, Actuarial Enterprises, Ltd.
jay@actentltd.com
312-397-0099
In the Room Where it Happens

No one really knows how the game is played
The art of the trade
How the sausage gets made
We just assume that it happens
But no one else is in
The room where it happens
\[ C_{(n,r)} = \frac{n!}{r! (n-r)!} \]

\[ P_{(n,r)} = \frac{n!}{(n-r)!} \]

n = set size: the total number of items in the sample

r = subset size: the number of items to be selected from the sample
THE ROOM WHERE IT HAPPENS

Bryan F. Miller, FSA, MAAA

Society of Actuaries
Spring Health Meeting
June 26, 2018
TODAY’S SESSION

• Original topic – where will we be after the 2018 election?
• Modified to a broader discussion of the future of US healthcare and the actuarial role in it
• Anti-trust disclaimer
• Introduction of today’s panelists:
  – Bryan F. Miller, FSA, MAAA
  – Stuart D. Rachlin, FSA, MAAA
  – Jay M. Jaffe, FSA, MAAA
LIVE POLLING IN THIS SESSION

To Participate, look for Polls in the SOA Event App or visit health.cnf.io in your browser

Find The Polls
Feature Under
More In The Event
App

Type health.cnf.io In Your
Browser

Choose session 58

Respond to Polls when they appear
CURRENT HEALTH SYSTEM STATUS

- 27.5 million still uninsured
- Highest per-capita health spending in the world
- Poor results in affordability, access, equity, infant mortality and life expectancy versus other countries
- Fewer insurers participating on the ACA exchanges
- Eighteen states have not expanded Medicaid
- Congress isn’t likely to tackle health reform
- What would it take get the parties to the table?
POTENTIAL CRISIS POINTS

- Repeal of ACA individual mandate increases the number of uninsured to an unacceptable level
- States run out of money to provide Medicaid benefits and begin to terminate coverage
- Natural disasters – floods, tornadoes, earthquakes
- Health disasters – Epidemic/pandemic of influenza or similar; unchecked opioids, obesity
- Major breach of protected health information by a private healthcare entity
IF/WHEN A CRISIS OCCURS

• What are the most likely responses – protests, hearings, meetings?

• What are organizations doing behind the scenes to bring the various parties together?
  • Bipartisan Policy Center

• How can the actuarial profession be involved and promote our “requirements” for such a system?
HEY! YOU’RE IN MY SPACE!
• If there is an eventual “summit” of the major parties in the US healthcare system, and
• If the actuarial profession has been invited to be an active participant, and
• If the actuaries are requested to outline their requirements for a successful and viable system,
• What would we say?
• If it were you, what would you say?
• Open the SOA application for Session 58
Poll: Should actuaries seek an invitation to the healthcare discussion table?
Poll: If you answered “Yes” to the first question, what should be the MAIN role for actuaries in the discussion?
Poll: If you answered “No” to the first question, what was your reason?
“ACTUARIAL SOUNDNESS”

ASOP No. 26 – Small employer premium rates are **actuarially sound** if projected premiums in the aggregate are adequate to provide for all expected costs.

ASOP No. 49 – Medicaid capitation rates are “**actuarially sound**” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate and attainable costs.

ASOP No. 1 – The phrase “**actuarial soundness**” has different meanings in different contexts and might be dictated or imposed by an outside entity. In rendering actuarial services, if the actuary identifies the process or result as “**actuarially sound,**” the actuary should define the meaning of “**actuarially sound**” in that context.

What does it mean for an entire health system to be actuarially sound?

Could an actuary certify to the soundness of a national health proposal?

Don’t we want to make a broader contribution to the design of a better health system than simply certifying its “soundness”? 
What are the fundamental bases of a viable health system from an actuarial perspective?

- Universal coverage
- Guarantee issue
- Affordable
- Simple
- Equitable

UNIVERSAL COVERAGE

BENEFITS:
- Ability for everyone to access health care
- Improved overall health and stabilized system

PROCESS:
- Legislative solution; funding with public and/or private dollars

CHALLENGES:
- Decisions as to exactly who is included
- Standardize eligibility & records among states
- Risk adjustment system
GUARANTEE ISSUE

BENEFITS:
- Remove the fear of losing health protection

PROCESS:
- Streamline enrollment procedures

CHALLENGES:
- Risk management
- Transitions and life changes
AFFORDABILITY

BENEFITS:
- Remove barriers to appropriate care
- Minimize health-related bankruptcies

PROCESS:
- Set rates, taxes & cost-sharing by income level

CHALLENGES:
- Need sustained cost reductions and controls
- Variations among states in mandated benefits
- Wealthy can always purchase better care
SIMPLICITY

BENEFITS:
- Removes obstacles to getting appropriate care
- Clear understanding of service/supply prices

PROCESS:
- Set a national basic benefit plan & build up from there (Medicare, BE HIP)

CHALLENGES:
- Achieving uniformity in benefit design
- Coordinated federal/state regulation of insurance
EQUITY

BENEFITS:

- Gives everyone a fair chance to lead a healthy life
- Allocates limited resources more effectively

PROCESS:

- Ensure at least a minimum level of care

CHALLENGES:

- Perfect equity is not possible
- Removing racial, socioeconomic and other barriers to quality care will be difficult
## HOW WELL DO THEY DO?

<table>
<thead>
<tr>
<th>Countries</th>
<th>Beveridge Model</th>
<th>Douglas Model</th>
<th>Bismarck Model</th>
<th>Out of Pocket</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK, Spain, Scand, NZ</td>
<td>Canada, Taiwan, S Kor</td>
<td>Ger, France, Switz, Japan</td>
<td>USA</td>
</tr>
<tr>
<td>Funding</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
<td>Mixed</td>
</tr>
<tr>
<td>Providers</td>
<td>Public</td>
<td>Private</td>
<td>Private</td>
<td>Mixed</td>
</tr>
<tr>
<td>Universal Coverage?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Guarantee Issue?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Some</td>
</tr>
<tr>
<td>Affordability?</td>
<td>Yes</td>
<td>Some</td>
<td>Some</td>
<td>Some</td>
</tr>
<tr>
<td>Simplicity?</td>
<td>Yes</td>
<td>Some</td>
<td>Some</td>
<td>No</td>
</tr>
<tr>
<td>Equity?</td>
<td>Some</td>
<td>Some</td>
<td>Some</td>
<td>No</td>
</tr>
</tbody>
</table>

T.R. Reid: *The Healing of America: A Global Quest for Better, Cheaper, and Fairer Health Care, 2009*

*The Commonwealth Fund Report, June 2014*

*New York Times, 18-Sep-2017*
According to the UN, all countries committed in 2015 to have universal health care by 2030

Over half the world’s population lacks access to essential health services, and 5 billion can’t get basic surgery

US obstacles – strong culture of individualism & half with employer-provided insurance

The Century Foundation lists four broad groups of US reforms
Would the profession be able to “endorse” any proposal to reform the US health care system?

Major reforms would have a large impact on actuarial employment, more likely negative

Assuming there is a meeting, where will we be?
THE MEETING – FIND THE ACTUARY
June 26, 2018 SOA Meeting - Session 58

“The Room Where it Happens”

Stuart Rachlin
FSA, MAAA
Principal and Consulting Actuary
Milliman
Tampa, FL
Background
Getting in the Room – How?

- Reputation as an Expert in the Given Topic
  - Publish
    - Do what you can to get your name and reputation out there
  - History of significant work in the area of interest
    - Been working with Medicare for over 25 years
    - Working in the Puerto Rico market almost 20 years
  - Submitting bids in HPMS system for over 10 years
- Milliman’s reputation as a firm
- Deliver results consistently
Getting in the Room – Why?

- Need for balance on the team
- Actuarial perspective highly respected by those in the know
- Bring not just the numbers themselves but also a way of applying the numbers that others may not think of
- Also bring a way of thinking that others on the team may lack
- Bring facts – be the “straight man”
  - Esp. helpful in situations that can be considered highly political
Case Study

Recent Meeting with Policymakers in D.C.

This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
Puerto Rico Medicare Advantage Marketplace

- Meetings between local Health Plan Association representatives and CMS in D.C./Baltimore
  - Diverse group of people
    - Lawyers, lobbyists, actuaries, health plan senior leadership, political appointees
  - Represent the association itself, not any one plan
    - Allows for you to come across less bias
Puerto Rico Medicare Advantage Marketplace (con’t)

- **Timing:** critical time in the rating process
  - between the release of the advance notice and the Call Letter
  - Allow for maximum impact on 2019 policy
- Several phone calls in advance of on-site meeting in CMS headquarters in Baltimore.
  - Considered a big win by group just to receive the invitation to Baltimore

This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
Puerto Rico Medicare Advantage Marketplace (con’t)

- MAPD Rates in Puerto Rico
  - History of “benchmark rates” being significantly lower than rest of marketplace
  - Desire to change that dynamic to help the plans in P.R. succeed
    - Offer more benefits for enrollees
    - Provide rate stability
    - Offer more reasonable reimbursement for providers
      - Especially needed in this time of despair to keep folks on the island

This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
Puerto Rico Medicare Advantage Marketplace (con’t)

- Present facts and data to persuade policymakers to make changes beneficial to the program
  - Need to consider our code of professional conduct
  - Independent source
  - Avoid advocacy
    - Don’t want to be perceived as “hired gun”
  - Difference between “advocacy” and potential solutions.
    - Don’t want to avoid mentioning potential solutions
    - How can we provide “objective” options?

This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
Getting in the Room

- Published several papers to support the client’s position
  - 1) *The Impact of Zero Dollar Beneficiaries on Puerto Rico’s MA Benchmarks*
  - 2) *Comparison of Medicare Part C and Part D Margins in Puerto Rico and the Total United States*
  - 3) *Medicare Advantage Benchmark Distribution Analysis*

- Need to identify the Principal – being the Association
Getting in the Room - example

- 3) Medicare Advantage Benchmark Distribution Analysis

Table 1 Distribution of MA Benchmarks – County Weighted

This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
Now that you are in the Room

- Had a specific purpose for my part of the meeting
  - The meeting is more general, bring in the actuary to address specific factual information
  - Avoiding any opinion, “just the facts ma’am”
  - Similar in some ways to giving a deposition or presenting an “expert witness” type of report

- “The work of science is to substitute facts for appearances and demonstrations for impressions”
Now that you are in the Room (con’t)

- BUT – I am now in the room and can expand my role as needed and appropriate!
- Maintain your role as the “expert” throughout meeting
  - Have others look up to you for advice and guidance
  - Ex.) years ago during an arbitration hearing, the judge asked for my opinion even though I was in the audience, due to the impression I had made on him earlier in the proceedings
- Spoken word versus written word
  - Naturally much more flexibility during conversation than in a written paper
  - Must still abide by actuarial standards, even in spoken word

This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
This information cannot be duplicated, reproduced, or distributed without Milliman Permission. For illustrative purposes only.
Relevant Sections

- Obviously the entire Code applies in this situation as it does in all actuarial work performed by an Academy member. However in particular:
  - Precept 7: Conflict of Interest
  - Precept 8: Control of work product
  - Precept 10: Courtesy and cooperation
Thank you!

Stuart D. Rachlin, FSA, MAAA
Principal and Consulting Actuary

Milliman
3000 Bayport Drive, Suite 1050
Tampa, FL 33607

813 282 9262

milliman.com
THOUGHTS ABOUT GETTING IN THE ROOM WHERE IT HAPPENS

June 26, 2018

Jay M. Jaffe, FSA, MAAA
President, Actuarial Enterprises, Ltd.

jay@actentltd.com
312-397-0099
ACTUARIAL ACTIVIST TOPICS

• GOALS:
  – Become an enthusiastic Actuarial Activist
  – Start humming “In the Room Where it Happens”

• TASKS:
  – Define Actuarial Activist
  – Projects where actuaries can “make the sausage”
  – Steps individuals and the profession can take to become actuarial activists
ACTUARIAL ACTIVISTS

• Actuaries who want to “be in the room where it happens” regarding healthcare and other social programs
• A non-political role
• Providing objective facts
Poll: Can an individual actuary be independent in a healthcare discussion?
THE SOA’S MOTTO

The work of science is to substitute facts for appearances and demonstrations for impressions

John Ruskin, 1819-1900
PROJECTS AND INITIATIVES

- The Actuarial Challenge
- Concerned Actuaries Group
- Universal Basic Income
- New healthcare models
THE ACTUARIAL CHALLENGE

• Sponsors:
  – Robert Wood Johnson Foundation
  – Milliman, Inc.

• Purpose: to explore approaches to stabilize the individual health insurance market

• Participants:
  – About 100 actuaries
  – Roughly 20 teams
THE BE HIP TEAM

• Health insurer actuaries (2)
• Government actuaries (2)
• Consultants (2)
WHY BE HIP?

• Relevant to a healthcare project
• To remind us to be creative
• A “fun” name
ACTUARIAL CHALLENGE PROCESS

• All teams submit short on detail proposals
• 5 teams selected for Phase 2
• Phase 2: Milliman runs proposals through model
• Finally, review results with teams
THE BE HIP PROPOSAL

- A nationwide Basic Essential Health Insurance Plan (BE HIP)
- A core set of services/benefits set by federal regulation
- Allow insureds to purchase state regulated standardized supplemental plans
- Require automatic enrollment and/or penalty of full cost of basic plan if not enrolled.
- Use a risk adjustment program and reinsurance to protect insurers.
- A premium equalization process to account for socioeconomic variations between insurers in a given market.
- Provide premium subsidies that use a similar methodology as the PPACA (ACA), although percentages may differ.
THE END RESULT
THE POSITIVE TAKEAWAYS
FROM THE ACTUARIAL CHALLENGE

• Definitely a positive experience to work with and meet several new actuaries
• Recognition that actuaries need to work not only on the numbers but to find a way to “be in the room where it happens”
• I’d join in any similar projects in the future and encourage each of you to do the same
THE CONCERNED ACTUARIES GROUP

• Mission: Financial analyses of public finance and social insurance programs
• Goals: Ensure that programs are designed and managed with actuarial discipline and transparency
• Tasks:
  a) Gain agreement of the facts
  b) Advocate for rigorous actuarial standards, disciplined program costing and use of management metrics
WHY DISCUSS THE CAG?

- A concrete example of actuarial involvement in public programs
- The CAG has recognized that it needs to be “in the room where it happens”
THE CAG’S AHA MOMENTS

• The decision to focus on an existing high-profile issue

• Collaborate with a non-partisan organization that has standing with policymakers and the news media

• Partner with others who have skills relating to the selected issue
THE CAG’S ACTIONS

• The issue: HEALTHCARE
• Partner: the COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET (CRFB)
• Collaborators:
  a) A large actuarial consulting firm
  b) A university risk management faculty
Poll: Do other healthcare players favorably view the actuarial profession?
UNIVERSAL BASIC INCOME (UBI)

• Present US social programs (Social Security, Medicare, Medicaid, Unemployment, food stamps, etc.) are siloed

• Actuaries should be involved in any UBI proposals
Universal Income Isn’t a Magic Bullet – but it is a start

John Cochrane
aka “The Grumpy Economist”
Chicago Booth Review
Fall, 2016
COCHRANE’S UBI

• Purpose is to reduce waste and disincentives
• UBI would create one master program
• Need to ensure people don’t misspend funds
UBI PROGRAMS

• Existing
  – Y Combinator, Oakland, CA
  – Alaska Permanent Fund
  – Brazil

• Experimental
  – The Netherlands
  – Madhya Pradesh, India
  – Ontario, Canada
  – Kenya

• Terminated
  – Finland
• Worker displacement in the era of robots and technology needs to be addressed
• Could UBI be useful to offset some of the impact of robotization/technology?
• Bob Schiller (Case-Schiller Index and Nobel Prize winner) suggested “buying out” older displaced workers a few years ago
NEW HEALTHCARE MODELS

• Hospitals and drug manufacturing
• Consolidation of healthcare business:
  – CVS/Aetna
  – CIGNA/Express Scripts
  – Walmart/Humana/Pillpack
• Tech companies
  – Verily (Google)
  – Amazon
• Bezos, Buffett and Dimon
NEW HEALTHCARE MODELS
2019 SOA HEALTHCARE SPRING MEETING

Reducing Healthcare Costs through Actuarial Innovation
REVIEW ACTUARIAL CODE OF CONDUCT

• §1: Acting in the public interest
• §10: Conflicts of interest
Poll: What can actuaries do to earn an invitation to the healthcare table?
BECOMING AN ACTUARIAL ACTIVIST

• Work for a thinktank
• Actuarial PhD’s
• Certificate of Healthcare Policy
• SOA programs to train actuarial activists
• Independent actuarial thinktank
THE KHULLAR CONUNDRUM

• What can doctors do to fix healthcare costs?
• Develop new cost/value tools for physicians based on:
  – Genetics
  – Epidemiology
  – Computational analysis
  – Biochemistry
HELPING DR. KHULLAR

Actuary + Physician
COMMENTS & QUESTIONS?

Feel free to contact us after this session:

• Bryan Miller – bryan.miller@arcval.com
• Jay Jaffe – jay@actentltd.com
• Stuart Rachlin – stuart.rachlin@milliman.com