



SOCIETY OF ACTUARIES

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Strategies for a Healthy Dialogue on Health Care Financing Reform

by Bill Lane

It's an election year. This early in the contest, it's too soon to predict a winner. Even so, there seems to be a reasonable probability that we could end up with a Democratic president, plus a Congress with a majority of Democrats in both the House and the Senate. The last time that happened was the election in 1992. Bill Clinton was elected president, and Hillary Clinton was appointed to chair a task force to implement a complete reform of the health care system. It is 16 years later and health care, both its availability and its financing, may well be the issue of 2009, just as it was in 1993.

Last time around, I was privileged to be an active participant in the health care debate. I spent a considerable amount of my time analyzing proposals, participating in industry meetings, pulling together data for an eventual SOA research project on Risk Adjustment, and spending time on Capital Hill trying to educate staffers and members. It was an exciting time, and I learned a lot about the political process in this country.

Given the current circumstances, I thought it important to pass along some of my thoughts to those of you who may be participating in the process this time around.

Point #1 - Everybody and his brother will be telling Congress what they should or shouldn't be doing.

If that is your approach to participation, it is likely to be a very small voice in a very large conversation.

Point #2 - Members of Congress and their staffers are expected to be knowledgeable about more subjects than I could list.

This simply isn't humanly possible. Hence, if you are knowledgeable about the subject at hand, and if you are willing to simply educate, rather than advocate, you have the chance to be heard.



These first two points are critical in my mind. Congress is constantly bombarded by people seeking new legislation or seeking to modify or kill current proposals.

As a general rule, members of Congress and staffers do want legislative proposals that work, and don't want to create more problems than they solve. Given the complexity of our country, this is not an easy task. Given the length of most health care legislative proposals, and the myriad of important details within them, it is almost impossible. So if the folks on Capitol Hill can find someone who will take the time to explain how the system works in the critical areas, without advocating a partisan viewpoint, they can be interested in listening.

I realize that many of us have strong opinions on how the health care system should be changed, or not changed, as the case may be. The more your presentation tries to promote one and only one solution, the less likely it will find an interested audience. The more your presentation fairly presents the pros and cons of various options, the more likely it will find an interested audience.

To a great extent, it is important to have a rational confidence in the value of your company's participation in the system. I personally do believe that carriers have a valuable role within the system. We have produced innovation; we have strongly encouraged provider efficiencies; we have allowed for different products and solutions, rather than trying to force everyone into one universal package. If you really don't believe we add value, you will find yourself trying to "sell." If you really do believe we add value, you will only need to "educate," to explain as clearly as possible, with as many statistics as possible, what we have achieved in the past.

Point #3 - Members of Congress and their staffers have even less spare time than you have.

Even if they want to hear what you have to say, they have an extremely limited amount of time to spare listening to you. Any message you are privileged to give must be well prepared in advance, focused on the important topics, and easy for a non-technical person to understand.

This point means that you must spend a great deal of advance effort to thoroughly know your sub-

ject and be able to explain it quickly. You have to avoid jargon. For example, "Anti-selection" might be a topic you understand thoroughly, but most people have probably never heard the word. At best, they have only a vague understanding of its implications. This also means you must practice what you have to say.

Point #4 - Different members of the actuarial community will have different opportunities to participate in the debate.

- A few might be heard as citizens, but most likely very few, if any, will have this option.
- Some will be heard as experts when the American Academy of Actuaries provides information and analysis to members and staffers. The Academy is constantly working to educate Congress on many topics that would benefit from an actuarial perspective. In addition to proactively working with policymakers and others in the health policy community on health-related issues, members and staffers will often turn to the Academy as a resource for more in depth understanding of specific topics.
- Some will be heard as representatives of their companies. A few of the largest companies maintain offices in Washington D.C. for lobbying, and there will be a need for actuaries to come to Washington to help with the analysis and the explanations. Sixteen years ago, I worked for Mutual of Omaha and it was my privilege to participate in this manner. Even without a lobbying staff in D.C., some companies will at least ask their local senators and representatives to the home office for education. If a legislative proposal that otherwise looks acceptable will have an extremely adverse effect on employment in the state, members of Congress want to know this fact, and will take it into consideration.
- Some will be heard as part of educational efforts by trade associations. The work is more likely to be analysis as a part of a committee, but it is still important to the process.

You might ask why so many different organizations need to spend valuable time and resources in this effort. One reason is that each of these different organizations will have different focuses. They might agree with your thoughts, but their



Bill Lane, FSA, MAAA, is principal at Heartland Actuarial Consulting LLC in Omaha, Neb. He can be reached at WMRLane@aol.com.

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priorities might differ and what you consider to be important might not be mentioned. Another reason is that the more someone hears a given message, the more likely they are to believe it. Last, but not least, there will be some members or staffers who will accept input from one source, but not another. Do what you can and let others do what they can.

Even if you are one of the few actuaries who can participate from a company standpoint, also support the efforts of your trade associations and the American Academy of Actuaries. If nothing else, the more people who consider a proposal, the better the resulting analysis.

Point #5 - There is such a wealth of material to consider and analyze that you will need a process to work through it and to be prepared to react quickly to changes and new proposals.

The following is a high-level overview of the process I attempted to follow 16 years ago. (Not the one I started with, but the one I ended up using because it worked.)

1. Review the high-level proposals. Begin to understand the broad structures that each proposal follows. Put the proposals into categories based on the overall structure of the resulting health care system.
2. Attempt to forecast the impact of the changes made by the proposal to the current health care system.
 - A) Evaluate the ability of your company to participate in the changed system.
 - B) Evaluate the ability of your competition, both current and possibly new, to have significant new market advantages.
 - C) Evaluate the ability of the proposed market to maintain long-term stability.
 - D) Evaluate whether or not the keys to market success under the proposed system would be significantly different from your current keys to market success.
 - E) Evaluate, as best as possible, if the current health care cost increases continue to escalate above growth in GDP, where the pressure point on revenues will be. In other words, if costs continue to rise rapidly, will the impact be first felt by employers, who will then attempt to pass the costs along to employees; or, will the impact be felt on tax revenues, which the government might attempt to control by reducing provider reimbursements, or something else?
- F) Evaluate the impact of the proposal on key stakeholders: U.S. citizens, employers, health care providers, health care research and development, and government at all levels
3. Determine which general approaches are overall positive, neutral or negative and why (with specifics).
4. List the key details within each major general proposal.
 - A) Repeat step #2 above for each key detail.
 - B) Roll up the results for each proposal and put a value on each proposal
5. List critical issues in detail with the specific reasons they are critical. Few people and even fewer companies like change, but even though some change is deadly, other change might be neutral or positive. As much as possible, try to avoid negative evaluations simply because the system would change.
 - A) List the general approaches that simply won't allow your company to participate in the proposed system.
 - B) List the general approaches which might or might not allow your company to participate in the proposed system, depending on certain key details
 - C) List the general approaches, which are likely to produce a future system in which your company can continue to thrive.
 - D) Prioritize your key issues. This includes high-level proposals that don't work, or key details within high-level approaches that determine whether or not the proposal would work.
 - E) Look again in depth at your list. Are the issues for your company also issues for the general public, or employers, or even the government? If your company is adding value to the system, then there probably is a strong correlation between



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issues that your company will face and issues that participants in the system will face.

- F) Develop “story boards” or scripts that attempt to clearly describe the issues and how they will impact the people of this country. Unless you are talking to your local member of the House, most of your potential audience will not care much about the survival of your company. They will care about how it will impact voters.
 - G) Through whatever route you have, take your message to everyone who is willing to listen.
6. Review all new proposals and changes to existing proposals, and repeat the whole process.

- 7. As time allows, exhale.

Point #6 - You can expect that both the American Academy of Actuaries and the Society of Actuaries will be active in this effort.

The Academy, as would be expected, will focus on direct contact with the Hill and analysis, while the SOA will focus on needed research and analysis. Look for calls to participate and, if possible, find ways to contribute. This issue impacts all of us and is vital to the future of our country. To the extent we can add our knowledge to the results, we can create a better future for all of us. ■

Carriers tend to justify this renewed interest in the physician market by pointing to their stable claim experience since the late 1990s and higher premium rates charged for physicians and other medical occupations. However, this rationalization may be ignoring certain underlying economic realities facing U.S. health costs. For example,

- The most recent Physician Environment Index⁵ published by the Massachusetts Medical Society, incorporating nine factors that impact the delivery of patient care in Massachusetts and the United States, deteriorated at an annual rate of 1.21 percent from 1992 to 1999 and 3.03 percent from 1999 to 2006.
- The 2007 Report of the Social Security Administration described the critical financial issues facing both the Social Security and Medicare programs and raised an alarm about the inaction of our government to address these issues. The report states, “Medicare’s financial difficulties come sooner and are much more severe than those confronting Social Security.”
- After the 2008 presidential election, there may be a renewed focus on fixing the issues associated with medical costs and the availability of medical insurance through some form of universal health care. Such discussions as well as the solutions, if they should emerge, could ignite a deterioration of physician claim experience similar to that seen in the mid-1990s.

Aggressive marketing of noncancellable IDI products with larger amounts of available coverage today appears to be short-sighted with

respect to the current economic pressures facing physicians today and in the near future. Allowing over a quarter of IDI sales to be issued to physicians places the hard fought positive profitability of the industry at risk and ignores the lessons of the IDI industry’s not-too-distant past.

Is There a Solution?

It is inevitable that physicians will continue to seek IDI coverage and companies will want to provide it. Physicians will always be a significant segment of the IDI industry. The higher premium rates that companies now charge physicians, which resulted from companies creating separate occupation classes for medical professionals, suggest that the today’s products may be appropriately priced to reflect physician experience over the last ten years. However, abandoning many of the risk-related controls implemented in the late 1990s and allowing physicians to represent an increasing proportion of new sales could make IDI carriers’ future profitability vulnerable.

The solution is not an easy one. It involves exercising discipline around the maintenance of sound risk controls and fostering an awareness that the economic turmoil facing the medical world during the early 1990s could very well occur again. Last but not least, the solution involves recognizing that a sound strategy for increasing new IDI sales should not rely solely on the physician market. ■

⁵ *The Massachusetts Medical Society Physician Practice Environment Index Report*, MMS Index Report March 2007. www.masmed.org.