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PPACA Heats Up Actuaries in Orlando

A Tour of the SOA '10 Health Meeting

by Doug Norris



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The Patient Protection and Affordable Care Act (PPACA), the landmark health care reform bill passed by the American government in March, was on the minds of the more than 700 actuaries who descended upon the great city of Orlando in late June for the SOA '10 Health Meeting. Although the weather outside the JW Marriott Grande Lakes was frightful, the conversations inside were delightful. Health care experts young and old engaged in discussions ranging from implications of the new legislation, to untapped opportunities for health care actuaries, to trends and pricing concerns.

Surprisingly, I did not have the chance to attend all eighty-six sessions on the agenda. However, here is a sampling of what one may have found as an attendee of the meeting.

Health Meeting chair Barbara Niehus kicked off the opening session by recognizing those who have contributed to the success of the discipline over the past year. David Cutler and Grace-Marie Turner tossed some peppers into the morning's continental breakfast festivities with a spirited debate about the state of American health care reform legislation. In 1995, Turner founded the Galen Institute as an advocacy group whose mission is to put individuals rather than corporate or government bureaucrats in charge of health care decisions. Cutler served in the administration of Bill Clinton, and was senior health care advisor to Barack Obama. Each was well-spoken during the debate, which lasted for more than an hour, with Cutler and Turner disagreeing vociferously on the ramifications of the act. (*Ksenia Draaghtel and I had the chance to continue the debate with Cutler and Turner shortly after the opening session. For more on their exchange, please see the interview later in this issue.*)

SOA President Mike McLaughlin presided over Monday's lunch session, hosting "A Conversation with the 2010 President." McLaughlin focused on the two unofficial themes of the 2010 meet-

ing—health care reform and opportunity. "With the scale of transforming changes that we are seeing taking place with health care in our economy in the U.S., we are going to have a large number of unpredictable consequences, and a large number of opportunities. If you as health actuaries thought that your opportunities were diminishing, I think that the ACA will put your fears to rest."

McLaughlin gave several examples of initiatives initiated in the health area, including the publishing of a wide variety of essays on the global financial crisis by leading minds such as Ian Duncan, Dave Axene, and Hobson Carroll. Efforts to educate the public and promote the actuarial image, such as the series of articles in *The Actuary* on health care reform, and collaboration with other organizations such as the AAA and CCA, were highlighted.

Monday's session 29 looked at issues and trends for health insurance companies and reinsurers. David Vnenchak walked us through a "Reinsurer's View of PPACA," talking about the new unlimited annual and lifetime benefit maximums, the temporary high-risk pool (and how those members would be back on the market in 2014), and the high cost of specialty drugs. Todd Watson focused on risks to the reinsurer, such as data risk, rearview mirror risk, predisposition risk, banking mentality risk, and modeling risk. Hobson Carroll closed the session on the subject of opportunities for innovative reinsurers, such as integrating with other types of insurance (auto, home, liability, malpractice), international travel medical coverage, or micro-reinsurance for micro-insurance products. Carroll recommended two books on randomness, *The Black Swan* and *Foiled By Randomness*, which explore and explain the disproportionate role of high-impact rare events which are difficult to predict and outside the realm of normal expectations. Clearly, large-dollar rare events have a major impact upon the reinsurer's bottom line.

Tuesday started off right with the health section hot breakfast, a veritable feast of eggs, sausages, bacon,

fresh fruit, bacon, pastries, coffee, and bacon. While we ate, Judy Strachan and Sara Teppema walked us through the recent research activities, webcasts, boot camps, and meetings of the section. The results of the health section member survey were revealed, and the “Bending the Cost Curve” press release was announced. Teppema showcased the results of the SOA summary report, “Untapped Opportunities for Actuaries in Health Care,” which highlights nontraditional roles and employers for actuaries and skills needed.

“The Delivery of Health Care” was the topic of session 38, led by Geraint Lewis and Ian Duncan. Lewis focused upon three chronic conditions—diabetes, COPD, and heart failure—which together cost the American economy about \$300 million per year. Characteristics and markers of each were shown, as well as care and prevention of complications. Duncan finished the session talking on the financial implications of chronic disease. Under the CDC definition, nearly 50 percent of Americans suffer from one or more chronic condition. An important consideration in disease management studies is whether or not the measured results represent the cost of the condition, or the cost of the person. This is particularly troubling when looking at patients with comorbid conditions.

Tuesday’s lunch could best be described as a festival of positive energy, with Matt Weinstein emceeding the proceedings. A consulting speaker on the topic of introducing humor into the workplace setting, Weinstein had the entire audience up and moving during his presentation. Weinstein presented techniques for making things a little brighter in these tough actuarial times, while reducing stress on the job and fostering a season of teamwork. Many of those I spoke with considered Weinstein’s presentation to be the highlight of the meetings. *(Mary van der Heijde and I were able to sit down with Weinstein prior to lunch, where we discussed everything from introverted actuaries to the possibility of having too much fun at work. For the highlights of our conversation, please see the interview later in this issue.)*

Session 55, “Actuarial Presentation and Selling,” discussed the changes which have been made in the



actuarial world since the most recent writing of ASOP #41 (Actuarial Communications). Shawn Maloney and Ben Rayburn went through case studies and topics involving e-mails, instant messages, journalistic interviews, tweets, and Facebook posts, with the audience debating over the appropriate level of detail involved. ASOP #41 is currently being revised to take into account some of these new realities.

Harvey Sobel and Barbara Niehus chaired session 61, “Health Care Reform—What Did We Miss?” This was an interactive and open discussion on the various aspects of health care reform, what is good about PPACA, and what could have been done better. This talk may not have been as contentious as the Turner-Cutler opening session debate, but it was close. Personal responsibility of consumers was a hot button item, as was cost transparency to the patient (why can cosmetic surgeons quote a price for their services, but PCPs cannot?). We talked about strategies for improving access, bending the cost curve, quality and efficiency, and the financing and funding of all of the above. American subsidization of pharmaceutical research and development, electronic health records, the efficacy of wellness programs, and the penalty levels for patients without insurance under PPACA were all on the menu. How can we increase the number of PCPs? Should insurance cover routine care, or should it only be there

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for unexpected high-cost incidents? What about a national fee schedule? Should there be a discount on insurance for those who are personally compliant with their care program?

Wednesday may have been only a half day of sessions, but I found two of the more entertaining talks on this short day. Alan Mills awakened everyone in the audience with his 8:00 a.m. session, “Complexity Science—Applications for Health Actuaries” (session 78). Using a highly-interactive multimedia presentation, Mills opened our minds to the subject of complexity science. What is it? How can health actuaries use it? Complex systems analysis is the study of complex systems, and how they form, evolve, and die. The beauty of these systems is that they can produce results so intricate that they cannot be described in a fashion simpler than the entirety of the results themselves. The lecture started with an overview on the topic, showing us agents, agent relationships, behavior rules, environments, and led into potential applications for health actuaries. These included provider decision networks, disease propagation studies, health care opinion dynamics, and policyholder lapse behavior. If you missed this session, I encourage you to check out Mills’ SOA research report on the topic.¹

Session 83, “Predictive Modeling Update,” closed the meetings (for me, at least). Rong Yi began by showing us the current state of predictive modeling, with uses including patient management, financial and budget management, provider profiling, return-on-investment studies, and underwriting. Tzu-Chun Kuo showed a case study on holistic health modeling for the health system in the city of Abu Dhabi. Geraint Lewis finished with an update on predictive modeling in the United Kingdom, talking about propensity score modeling, and impactability models (it is not merely enough to identify those who need help; one must also identify those who are willing to get help).

As suddenly as it started, it was over. Long-lost acquaintances gave their goodbyes, the hotel staff began disassembling the meeting rooms, and we made our way to the front lobby amidst a gaggle of sorority girls who had also held a conference at the

same time as ours, all the while searching for safe passage to the Orlando airport. For more on the SOA ‘10 Health Meeting, please visit the SOA’s website² (www.soa.org), where you will find PowerPoint slides for nearly all of the sessions and presentations. Many of the meetings, presentations, and lectures are also available in an MP3 format synchronized with the presented slides.

Slides and MP3s may satisfy your continuing education requirements, but they are no substitute for the real thing. Therefore, we hope to see you next year, at the Westin Copley Place in Boston. Save the date(s), June 13–15! ■

¹ <http://www.soa.org/files/pdf/research-complexity-report-v1a.pdf>

² <http://www.soa.org/professional-development/archive/2010-health-spring.aspx>