



SOCIETY OF ACTUARIES

Article from:

In The Public Interest

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LETTERS TO THE EDITOR

We received the following correspondence concerning our first issue

Thank you for being editor of this new journal, my only Section. I'm retired.

I fear that actuarial consultants have a blind spot with respect to health care reform. They cannot separate their thinking from their client's interests. This happened before, although with life insurance company actuaries when Social Security commenced with the consequent TSA paper (required reading for all summer actuarial students at New York Life) "Misconceptions and Missing Perceptions of Social Security."

If we are to have universal health coverage, there is no legitimate role for insurance company skills: underwriting, pricing and claim administration. This was opined in the New Yorker. President Obama gave the industry a huge gift when he announced that we are not going to start from scratch—we're going to tweak what we have. There is a possible financial role for insurance companies in bidding on flat costs: The government would offer a contract for, say, diagnostic services in Westchester County for \$x million per month. The winning bidder has to do all the diagnosing for one year and is penalized for every diagnosis done in Bronx county by a Westchester resident.

Thanks,

Tim Giles
L. Timothy Giles, FSA

I read with interest Ken Buffin's article on the U.S. Social Security System. He describes several concerns economists and policymakers have with raising the system's minimum retirement age. An alternative approach could be to alter the benefit formula, raising the number of working years needed to obtain a full benefit from 35, e.g., to 40 or 45. Individuals who entered the workforce at an early age would see little change to their benefit amount. But for workers who entered the workforce at later ages, e.g., after college and/or attainment of advanced degrees, their effective retirement age for receiving a full benefit would be delayed. Compared with a uniform increase to the minimum retirement age, this might achieve a more socially desirable result for lower income or blue collar versus white collar workers.

Mr. Buffin also points out the growing proportion of dual-income families who subsidize a system designed around a single-earner household. When considering an increase to the payroll tax or taxable earnings limit to close the funding gap, perhaps we could consider an offsetting tax credit for dual income couples.

Greg Kissel

Congratulations on an excellent first issue of the newsletter. The breadth and depth of the articles was truly astounding.

Perhaps unavoidably, given space and time constraints, the articles consisted almost entirely of assertions with very few facts. It will be both highly instructive and useful if, in future issues and future research, we can examine the facts that back up the assertions.

For example, Bob Shapiro contends that experience under public programs will not compare with experience under well-managed private sector programs. What is the evidence that public programs are more expensive? If so, how much more expensive are they and why (longer length of stay, more procedures, higher fees or drug prices, etc.)? Are there better performers among the various public plans and what are their characteristics?

As another example, Dwight Bartlett ascribes our “higher cost/worse outcomes” situation mainly to our fee-for-service system. Do any of the other countries that have better outcomes for less cost utilize a fee-for-service structure? If so, how do they produce the better results? With the passage of health care reform legislation, emphasis should shift from plan design to proper monitoring and control as discussed by Mark Litow and Bob Shapiro. How are health programs monitored and controlled in other countries which produce better results?

Congratulations again on your excellent start! Keep up the good work!

Dan Gross

Congratulations on publishing the first issue of “In the public interest.”

Unfortunately, I have to say that I was disappointed that the content was almost totally United States related. I hope that this will be corrected in future issues.

Best wishes,

Charles McLeod