



SOCIETY OF ACTUARIES

Article from:

The Actuary

April 1997 – Volume 31, No. 4

Facts first

Medicare debate gets help from actuaries

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“No politician with a brain would let Medicare go bankrupt on his watch,” a political consultant was quoted recently in *Money* magazine. The comment speaks to the importance of Medicare in the United States as both a political issue and a source of support for U.S. citizens.

Most experts agree that Medicare, the nation’s tax-supported health care plan, is in trouble. The Hospital Insurance Trust Fund, or Part A, is expected to be depleted by 2001. Costs of the program’s Part B, supplemental medical insurance, are rising faster than the U.S. economy is growing, which will require a doubling of today’s tax contributions to the fund within six years.

Medicare’s future is receiving the benefit of actuarial analysis during the high-volume, emotional public debate. Several initiatives are being conducted by the profession through the Society of Actuaries Foundation and the American Academy of Actuaries to bring objective, unbiased information and analysis to the public.

Clear information for consumers

At its February 27-28 Trustees meeting, the Society of Actuaries Foundation authorized the second in a series of “On the edge of change” consumer education programs. An unbiased, nonpartisan, actuarial-based look at Medicare and its financing problems will be the focus of the program — “On the edge of change: Time for a Medicare checkup” — which will have a short, easy-to-read brochure carrying its core messages.

“Many Americans, even those currently enrolled in Medicare, have very little knowledge of how Medicare is financed and the urgency of its problems,” said Jim Tilley, chair of the Foundation Trustees. “This program

can fill a real need and is clearly in line with the Foundation’s mission of ‘contributing to the understanding ... of social and economic problems by investing in ... education and communications initiatives.’”

The first Foundation brochure in the “On the edge of change” series, “Putting Social Security back in balance,” was introduced in September 1996, and more than 107,000 copies have been distributed to employees, libraries, schools, and community groups. More than 93% of those returning the accompanying survey card responded that they either strongly agreed or agreed somewhat that they understood the Social Security system better after reading the brochure. Newspaper and company newsletter articles containing material from the brochure have reached 4.5 million readers of more than 350 publications. 3 Academy initiatives

Among the Academy’s Medicare activities are Congressional testimony, a major project studying Medicare’s long-term solvency, and three work groups.

The Subcommittee on Health of the Committee on Ways and Means heard testimony on February 25 from actuary Alice Rosenblatt on behalf of the Academy. Rosenblatt’s testimony included six suggestions for improving the current risk assessment and adjustment method used by Medicare. (See accompanying story on page 6.)

The Academy is sponsoring a major study of issues relating to Medicare’s long-term solvency. This effort is headed by William Bluhm, an Academy vice president chairing the group’s Health Practice Council, a member of the SOA Board of Governors, and principal and consulting actuary at Milliman & Robertson, Minneapolis. The report, requested by Congress, will look at the various combinations

of cost-containment methods to seek the most efficient combination — one that provides the most benefits for the lowest costs. Work on the study is expected to take at least six months.

Three Academy work groups will study different areas to provide accurate information to the Medicare debate.

- The Competitive Bidding Work Group is studying ways to make Medicare payments more market-driven. Moving away from the fee-for-service basis for payments may be expected to make the system more efficient.
 - The Medigap Work Group was formed to review a bi-partisan bill on consumer protection for Medicare Supplement Insurance. Sponsors of the bill are Senators John Chafee (R-R.I.) and John Rockefeller (D-W. Va.) and Representatives Nancy Johnson (R-Conn.) and John Dingell (D-Mich.). The group will work with Congress on other Medigap issues as well. Chairing the work group is Michael J. Thompson, managing director, Price Waterhouse LLP, New York.
 - Members of the Medicare Reform Work Group are currently working on short-term projects, such as answering Medicare questions from influencers on Capital Hill and providing comment on various legislative proposals not addressed by other Academy work groups. Roland (Guy) King is chair of the work group. He was formerly chief actuary of the Health Care Financing Administration and now is president of King Associates, Ellicott City, Md.
- The three work groups are under the Academy’s Federal Health Committee, chaired by Geoff Sandler.