

The Logic Behind It All

BY GRADY C. CATTERALL

THE FIRST THING you have to understand is, Room 419 is *not* next to Room 418, or anywhere near it. It would be logical if it were, but this is Washington, where the ordinary rules of logic (and geography) do not apply.

It was the first day of the Health Practice Council's annual Capitol Hill visits, and Geoff Sandler and his team (fellow Council members Eric Stallard and Jeff Petertil) had an appointment to meet with an assistant to the speaker of the House to discuss health policy issues. The speaker's office is in Room 419, on the House side of the U.S. Capitol building, and it should have been right there, but it wasn't. Geoff, Eric, and Jeff *were* on the House side of the Capitol, on the fourth floor, in a corridor in which Rooms 401 through 418 were all lined up, but Room 419 was nowhere to be found.

An actuary's time-warping, reality-bending, logic-

Acknowledging that the time had come to ask for directions, the intrepid band of actuaries descended to the first floor, found a Capitol Police officer, and learned that they had been "on the wrong fourth floor." The speaker's office has its own elevator (about the size of a phone booth), and to make matters even more confusing, this elevator has no "4" button on its panel. Instead, it has buttons labeled "1," "2," "3," and "A." "A" stands for "attic," which is what the speaker's office used to be before one of the previous speakers decided to convert the former storage area into a very hidden, very private, and, Geoff says, "pretty nice" office. Here, the speaker can be close to the House chamber when he needs to be but insulated from all the legislative hustle and bustle when he wants to be.

Geoff related this to me by way of explaining why he and his team were late for their next meeting, which my team was

planning to attend as well. It didn't matter—the person we were supposed to meet wasn't there anyway. This time we definitely were in the right place: the office of Rep. Nancy Johnson (R-Conn.), a member of the House Ways and Means Committee and chair of the Subcommittee on Health. We were scheduled to meet with Rep. Johnson's health policy aide, but the aide was stuck in another meeting. This didn't surprise me, and I didn't hold it against her for being over-scheduled.

One thing I've learned during these Hill visits over the past few years is that everyone who works on Capitol Hill is very busy, and you can't always expect a staffer to be available for a 4:30 meeting just because you have a 4:30 appointment with her. In the same way that space appears to be warped near the Capitol (at least in the vicinity of the speaker's office), so too does time seem warped. It's as if general relativity suddenly becomes more

A man in a dark suit and red tie stands in front of an elevator control panel. The panel features several buttons with symbols: 'A', '2', '3', '1', '★B', a bell, and a double arrow. Below these are call buttons labeled 'CALL TO THIS FLOOR' and 'HELP IS ON THE WAY'. The man is looking slightly to the right with a neutral expression.

—defying adventures in the world of Washington.

Author Grady Catterall and the House speaker's elevator that takes him not to the fourth floor but to the Capitol attic.

noticeable as one gets closer to the center of political power. Or maybe it's due to the black-hole nature of the federal budget. I'm an actuary, not a physicist, so don't expect me to understand how these things happen.

You might think I'd have an advantage over my fellow Hill visitors when it comes to understanding the ways of Washington. After all, I live here. Not in the District itself, but just outside of it, and well inside the beltway (I-495, for those of you unfamiliar with the terrain). My son used to be in the same class as the Treasury secretary's son—which would explain all those Secret Service agents at our school plays—and my dog plays with the Kennedy dogs. (I swear I'm not making that last one up.) But my job has nothing to do with politics, public policy, or the legislative process—at least, not directly. Instead, I deal with the same issues—pricing, reserving, product development, financial forecasting, and marketing strategy, to name a few—that health insurance actuaries all across America deal with. As if to underscore my disconnectedness from the Washington scene, my office lies well outside the beltway, where life looks more like it does in the rest of the country. So when I started participating in the Academy's Hill visits a few years ago, I realized I had a lot to learn.

Inside the Beltway

Fortunately, this year I'm in good company, in the sense that the rest of my team probably knows a lot more about dealing with the Feds than I do. The team leader is John Schubert, who's participated in every one of the Health Council's Hill visits since we started doing them 12 years ago. Also on the team is Jim Murphy, who used to be the Academy's executive director. The Academy staff member accompanying our team is Craig Hanna, director of public policy and a former Hill staffer himself. And for a couple of our meetings, we'll be joined by Cori Uccello, the Academy's senior health fellow and moderator of many of the Hill briefings that the Academy has presented for congressional staffers. So I figure I won't have to say a thing, just smile and nod as these other guys dazzle the Hill folks with their actuarial and policy expertise.

But sometimes I can't resist putting in my two cents' worth. One such time occurred when a seasoned (one might even say gruff and grizzled) veteran of the Hill, an aide to a prominent congressman from New York City, opened our meeting with this question: "You guys are just like bookies, aren't you? You figure the odds of someone getting sick or dying, so that insurance companies can place their bets and make a lot of money, right?"

For a moment I was too dumbfounded to reply, but after recovering my composure I pointed out that what bookies facilitate (gambling) is basically the opposite of what actuaries deal with (insurance). You gamble if you're seeking additional risk in hopes of a quick payoff, while you buy insurance if you want to reduce your risk against potential losses. In other words, just because actuaries and bookies both deal with probabilities doesn't make me a bookie. I don't know if this sank in with the aide, but at least I was able to offer an alternative to his view of what actuaries do.

There are other government types who don't start with any misconceptions about what actuaries do because they have no concept at all of what actuaries do. My team encountered one such group when we met with the minority staff (on Capitol Hill, that means political minority—i.e., Democrats) of the Senate Finance Committee's Health Subcommittee. These guys hadn't worked with actuaries before (although in previous years we'd met with their predecessors), so we pretty much had to start from the beginning.

I offered my favorite concise definition of an actuary: someone who figures out the cost of something bad happening, before it actually happens. John helpfully provided an example of a commonly held view of life insurance: "If you don't die, you lose" (referring to all the premiums paid but not recouped in the form of a death benefit). "A little actuarial humor," Jim explained. "You probably didn't think there was such a thing," I noted. The staffers just smiled and nodded.

But often we meet with congressional aides and other government officials who know a lot about what actuaries do because they've encountered our work before, and they've been favorably impressed by it. They especially appreciate our objective, unbiased approach and the clarity and thoroughness of our analyses. (One staffer described our work as "painstakingly detailed," but I think she meant it in a nice way.) An advisor to the House majority whip deemed the Academy to be "by far the best source of information" on insurance-related issues. From a House Budget Committee aide, the Academy received "an A+ on the quality of its reports." But the most gratifying response we got was from not one but two different staff directors, speaking in separate meetings, who came right out and said, "I love actuaries!" (One of them even wished she had an "I [heart] Actuaries" bumper sticker for her car.) I don't think I've ever heard anyone—not my friends, not my wife or kids, not even my mother—say that before.

Keep It Short

That's not to say that our fans on the Hill think we do everything perfectly. The same staffer who gave us an A+ on the quality of our reports gave us a much lower grade for publicizing and disseminating our work. A couple of aides suggested that the Academy produce more "one-pagers," using bullet points to highlight key ideas—and don't even think about using "micro-fonts" to try to cram a lot of words into a small space. Apparently, Hill staffers—even though they like to have the analytical details available just in case they might need them—want to know up front what the take-away points are.

Most of the feedback we received, however, was positive. We did our best to maintain the Academy's favorable reputation among those who were familiar with our work, and to make a good first impression on those who didn't know anything about us. The key point we wanted to get across was that we were offering to be a resource to government policy-makers. We weren't there to push a particular piece of legislation or even a specific policy position, other than the idea that it makes sense to incor-

porate an actuarial approach into the formulation of public policy. That means planning ahead, being ready for whatever contingencies arise, and bringing hard facts, thorough analysis, and sound judgment to the table.

Before this year's Hill visits, the Academy's Health Practice Council drafted a list of what we viewed as the key health policy issues for 2006. Most of the items on the list encompass fairly broad categories of public concern, such as health care affordability, disease management and other quality initiatives, and Medicare-related issues (such as the implementation of the Part D drug benefit, and the long-term viability of the overall Medicare program).

In each of our visits, we presented the list to our Capitol Hill hosts, but we were using it more as a conversation starter than as a statement of priorities. What we really wanted to do was to find out what they were focusing on this year. In some cases, their priorities confirmed our choice of key issues. For example, a lot of Hill staffers are very interested in the potential of disease management and information technology to improve health care quality while helping to contain costs (although we noted that predicting or measuring the cost effect of these programs is tricky (savings are easy to promise, but hard to verify) and that the actuarial methods to accomplish this are still in the early stages of development).

In many cases, however, we found that Hill staffers were focused on more specific (and immediate) issues, such as the legislation recently proposed by Senator Enzi (R-Wyo.) that would authorize the establishment of "small-business health plans" (similar to the association health plans that were contemplated under an earlier proposal). It's not that government officials aren't interested in taking the long view—quite the opposite: Several of them have spent a lot of time and energy trying to bring attention to the long-term financial problems that threaten the viability of our health care system in general and our current government programs (mainly Medicare and Medicaid) in particular.

But we found those who work on Capitol Hill are much more attuned to the political reality of the situation than we tend to be. (By "we," I mean myself and most other actuaries I know.) That political reality often pushes them toward relying on limited, short-term fixes rather than attempting to develop comprehensive, long-term solutions. Policy considerations may indicate that Medicare's financial problems should be fixed sooner rather than later, or that multiple changes are needed to make the health insurance market work the way we want it to. But political considerations discourage our elected officials from making any changes to the current arrangements unless their constituents are clamoring for them to take action, and usually that hasn't happened yet.

Despite the general tendency toward caution that pervades



Capitol Hill, every once in a while we'd come across a Hill staffer who wasn't afraid to ask for the moon. For example, the team led by Al Bingham, which also included Karen Bender and Dave Axene, was asked by an aide to the House Energy

and Commerce Committee to "find a way to improve Medicare benefits while cutting costs." We're told that Al, Karen, and Dave politely maintained straight faces while explaining why this goal might not be attainable. But at least they could refer the staffer to several issue briefs and policy monographs that Academy work groups and task forces had already produced—or currently were developing—that addressed these issues.

And maybe next year, they'll be able to offer some really nifty "I [heart] Actuaries" bumper stickers—provided, of course, that we can keep up with the anticipated demand. Hey, if Hill staffers can occasionally engage in wishful thinking, why can't we? ●

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