REPORT

TASK FORCE ON ACTUARIAL INVOLVEMENT IN PUBLIC HEALTH CARE FINANCING

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MEMORANDUM

TO: All Fellows, Associates, and Correspondents of the CIA
FROM: Randy Dutka, Chairperson of the Task Force on Actuarial Involvement in Public Health Care Financing
DATE: November 8, 2002
SUBJECT: Report of the Task Force on Actuarial Involvement in Public Health Care Financing

The purpose of this report is to inform members of the CIA on the disposition of the recently completed Report of the Task Force on Actuarial Involvement in Public Health Care Financing.

The MSC unanimously approved the Report, and the following decisions were reached on what the MSC intends to do:

1. That the sub-committee prepare a press release on the Medicare Actuary.
2. That the Committee on Health Care Practice create a sub-committee to respond to the Romanow Report.
3. That the sub-committee review the Romanow Report and flesh out two or three things that have actuarial relevance from the Report and on which the Committee on Health Care Practice can work.
4. That the Committee on Health Care Practice develop sub-groups to write short papers on key topics independently of the Romanow Report, or as additions to the response to the Romanow Report.
5. That the coordinator not be a Board member, but be nominated by the Committee on Health Care Practice and coordinate all the Committee’s initiatives.
6. That the idea of an actuarial model be differed and be re-considered by MSC in six months after we can evaluate the impact of the actions that will take place in the fall.

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TASK FORCE ON ACTUARIAL INVOLVEMENT IN PUBLIC HEALTH CARE FINANCING

EXECUTIVE SUMMARY

The lead article of the January 1998 Bulletin discusses the lack of involvement of Canadian actuaries in the health care debate. Not much has changed. Medicare is a cornerstone of Canadian society, and it is costly. Until recently, tax revenues have been such that the affordability of the system has not been challenged. However, today the need to balance cost with an appropriate level of service creates a significant challenge. Moreover, decisions made by policymakers today may have unforeseen long-term financial consequences. In this regard, actuaries could play a pivotal role, but policymakers rarely seek out actuarial advice.

This task force has been struck to propose a course of action that will convince policymakers and the public that significant actuarial involvement is essential to restoring the well-being and sustainability of Medicare.

Our primary recommendation is that the Board of the Canadian Institute of Actuaries (CIA) adopt the objective of establishing a position of “Medicare Actuary” at the federal level and perhaps in the larger provinces. [There are many options for the title of “Medicare Actuary”; this title is used in the report only for convenience.]

The CIA should pursue this objective publicly by issuing monthly press releases, and privately using contacts developed through our government relations firm and through our individual members. We should also be prepared to issue rapid responses to the Romanow report and other significant reports (private or public) on this subject.

In addition to the Committee on Health Care Practice, which will continue to develop our position on the technical issues, we will need to form a number of “SWAT Teams” to prepare the press releases. We should also have a task force to respond to the Romanow report.

In order to ensure that our message is clearly articulated, we should use the same spokespersons for each of our press releases. These spokespersons should be selected based on their profile experience and success in dealing with the media. At least one should be bilingual.

Finally, we should appoint someone to coordinate our efforts. This person should logically be a Board member but, more importantly, someone who is committed to this issue and is willing and able to contribute a significant amount of time.

The above recommendations will require a significant increase in volunteer effort and increased expenditures for media and public relations assistance.

The CIA must take immediate action to achieve this objective. In particular, a press release on the need for a Medicare Actuary should be prepared and released in September.

Members of the Task Force on Actuarial Involvement in Public Health Care Financing are:

Gery Barry*                          Claude Ferguson
Jim Brierley                          Darryl Leach
Robert Brown                         Peter Morse
Randy Dutka (Chairperson)               David Oakden

* Not enrolled in the Institute.
ISSUES

It is generally accepted that Canadian health care costs are expected to escalate at a rate that threatens the sustainability of Medicare. Although much of the blame is cast on changing demographics (the aging population), it is not the only reason. The CIA’s Submission to The Commission on the Future of Health Care in Canada, dated January 22, 2002, pointed out that new drugs and procedures add to increasing costs as does the escalating expectations of Canadians. The CIA also recommended in its submission that regular actuarial reviews of health care costs and future projections be undertaken.

Of course, the CIA has not been inactive. The Committee on Health Care Practice is already making contacts and increasing our influence. The CIA’s January submission, as well as the earlier submission to Senator Kirby, are examples of the effort made by the CIA both in meeting its social obligations and promoting the profession. However, if we are to make a greater contribution in the short term, an even greater investment may be needed.

The lack of actuarial involvement in policy setting should be of concern to the Institute. Increased involvement will meet our social obligations and have at least two major benefits to our members:

- The profession’s image will be enhanced by direct and objective involvement in the debate; and
- Increasing actuaries’ credibility in this area will lead to increased actuarial employment.

It is interesting to note that this issue is also being dealt with in other countries with similar health care systems. In the UK, this issue has been addressed in a paper prepared by the Institute’s Social Policy Board. Like us, they prepare submissions to government but little professional actuarial health delivery work is done. The same is true in Australia where the Institute’s Wider Fields Subcommittee of the Health Practice Committee is addressing the issue. The US is in a completely different situation because of the existence of the Medicare Actuary. An Issues Brief of the American Academy of Actuaries dated January 2002 defines the actuary’s primary role as “to provide policy-makers with an accurate assessment of the financial condition of Medicare.” Current short-term and long-term financing as well as the overall cost of the program are addressed.

We must recognize the barriers to greater actuarial involvement. Many would not welcome realistic longer-term projections, especially those that show costs increasing at an unsustainable rate even if the system were unchanged. Others would very much welcome a dose of reality. The fact that very few Canadian actuaries have in-depth experience in this area could be seen as reducing our credibility. We believe that bringing an actuarial point of view to the health care arena is more than just adding a short- and long-term perspective to plan costs. Our experience in dealing with future contingent events is essential to an intelligent redesign of the system.
LONGER TERM POLICY OPTIONS

Given that the objective of the Institute is to get actuaries involved in the management of the public health care system, there are a number of ways of defining the CIA’s longer-term options. Essentially there are two major policy options:

- Does the CIA invest in the development of a financial/actuarial model?
- Does the CIA proceed alone, with partners, or seek additional financing from other sources?

It is important to keep in mind that, unfortunately, politics, balanced by fiscal constraints, are likely to be the major determinants of health care policy decisions. Nevertheless, decision-makers and influencers should all be interested in a better understanding of the long-term consequences of decisions made today. An actuarial model is required to assess the financial impact of changes in policy. Such a model must be capable of projecting the population (the easy part), take into account the usage of the system by age (a bit harder), and anticipate future changes (the really hard part).

This task force has not been able to discover an existing actuarial model that can deal with the complexity of projecting health care costs. Developing a model is expensive and time-consuming. It may be possible to use a model developed in another country or build upon another existing system. Nevertheless, creating a Canadian model, including the development of assumptions based on data that may have to be collected, is a major project. A partner or partners could add credibility to our message and help to reduce the Institute’s costs.

However, one of the first hurdles an actuary would have to overcome in performing such work is the lack of data. Unlike the US, which has a “procedure-based” system, Canada’s emphasis is more on government funding of hospitals and doctors. There is a need for better data on current costs and utilization that may not be easily available. Reliance on the experience of other countries may not be entirely relevant.

The task force believes that this option need not be considered at this time. There is an urgent need to increase our visibility in the short term. Longer-term options may be considered later.

RECOMMENDATION

PROMOTE THE ROLE OF THE “MEDICARE ACTUARY”

The CIA’s major objective is to convince a public body to establish a “Medicare Actuary” and assist in developing its terms of reference. It may be at the federal or provincial level, or another independent body. We can use the conclusions of recent reports to demonstrate that it is important and responsible to have such an entity. For example, Romanow referred to an “Auditor General.” Perhaps some research into the work done by the Medicare Actuary in the US may demonstrate the usefulness of the position and the work that can be done.

A major advantage of this approach is that we already have many contacts in government and have access to a public relations and a lobbying firm to support us in this effort.

We need to be aware that such activity may be seen as self-serving. In addition, the politics are complex due to provincial/federal division of responsibilities, as well as the fact that politicians often have a short-term orientation, and those wanting increases in health care spending may not want to see the long-term impact of these changes demonstrated.
**SPECIFIC STEPS**

- We should be prepared for a rapid response to the Romanow report. A task force of six to eight actuaries should be “on call” to provide a press release for Board approval within 24 hours of the report’s release.

- A series of relatively short papers should be released to the public at approximately one per month. Each paper should deal with one issue that was covered in the January CIA report or the Kirby submission. We suggest that the workload be distributed over six “SWAT teams” with a coordinator. The first paper, for example, could address Romanow’s “Auditor General” concept, to be replaced with the “Medicare Actuary.”

- We should have at least two senior, fully-briefed members available to the media at all times.

- We should seek one or more partners, such as the C.D. Howe Institute or the Conference Board, to increase our credibility and to strengthen our, and their, message.

- The CIA should seek out any political contacts our members have with a view to increasing personal lobbying with politicians. In addition, we should make an effort to network with other policy influencers such as academics and industry groups.

- A coordinator selected from the Board must be appointed to oversee all of these activities.

- These activities will require a significant increase in volunteer resources and additional expenses with respect to public relations and lobbying. It will be necessary to involve a considerable number of members in the necessary work, rather than relying solely on the presence and persuasiveness of a small number of leaders in the profession.