

CHAPTER I

Introduction

In General

This Guide describes a menu of risk, actuarial and administrative work-products and services that may be offered to a broad group of users in a structured manner using new millennium methods.

The Guide is jointly-sponsored by Self-Funding Actuarial Services, Inc. and its affiliate Actuarial Work-Products, Inc. The Guide has both commercial and educational goals. Because of this joint sponsorship, the Guide is comprised of (a) a book and (b) a companion website www.awpse.com.

New millennium methods includes the most recent developments in (a) risk practices, (b) cybernetics, (c) modeling (d) statistics (e) information technology and (f) business and professional ethics and practices.

A good starting point for the user is to understand the Guide's (a) scope and purpose, (b) motivations and standards and (c) structure and practical uses.

Scope and Purpose

The scope and purpose of the Guide is to offer (a) a complete review of all of the risk, actuarial and administrative aspects that would be of interest to health actuaries and (b) a companion website that serves to demonstrate the practical aspects of such survey for both commercial and educational purposes.

- Only self-funded plans are considered in this Guide whether they be (a) single or multiple-employer, sponsored or (b) trustee (qualified or other) or (c) non-trustee.
- The risks include the wide range of health care risks excluding workers' compensation. Tax-qualified deferred compensation plans are excluded; insured health care plans are excluded; and benefit arrangements requiring FAS 106, GASB 43 and GASB 45 are excluded.
- Risk and actuarial should be viewed as a single function.
- Actuarial work-products are those contemplated by the Academy of Actuaries (Academy) and must meet all standards established therewith. Administrative work-products are those (a) offered through the companion website (risk or administrative in nature) that (b) do not have to meet the standards of the Academy.
- The companion Website (www.awpse.com) should be considered an Attachment or Appendix to the Guide at least to the extent that such Website is open for general viewing (i.e., not privacy-protected).

- All of the professionals and/or practitioners who have an interest in the topic are considered in the presentations (accountants, brokers, actuaries, risk managers and consultants, HMOs, etc.).
- All of the described risk, actuarial and administrative services are (a) work-product in format and (b) computer-prepared and managed using the most recent (a) mathematical, (b) cybernetic and (c) information technologies.
- These benefits are included in the Guide: (a) medical, Rx, dental, vision and hearing; (b) critical illness, dread disease and organ transplant; (c) disability (short or long term); (d) death and dismemberment; (e) long-term care and (f) legal care.

Motivations and Standards

Trade and Commerce laws

This Guide believes that the actuary, as any professional or business firm, is *obligated* to seek and provide the better and cheaper product and service and to do so fairly. This should mean the willingness, if not the enthusiasm, to adopt new thoughts, methods and motivations.

Work-Products

A work-product is defined to be (a) computer-produced and computer-maintained and (b) highly structured as to data-input and format and (c) offered using a pre-set fee (without billable time, e.g. The Guide offers two forms of such work-product: (a) actuarial (i.e., meeting Academy standards) or (b) administrative (not being subject to Academy standards). The Academy standards permit an actuary to provide non-actuarial services; the interests of the Academy arise only if such services are actuarial in nature.

Technological Advances

The latest in technology (i.e., cybernetics, statistics information technology, mathematics, communication) should be used; old practices should be reconsidered, discarded or updated. All practices should be *green* in the current political-ecological sense. Specifically, these techniques should be used: predictive modeling, Monte Carlo simulations, stochastic modeling, etc. As respects communication, multiple viewers should be able to view and edit the same screen from multiple locations in real time and simultaneously make changes and direct emails to each other.

Shared Responsibilities

This Guide permits the duties and/or responsibilities to be shared typically as follows

- **Consulting, Delivery, Etc.**
Typically by the engager or the representative of the engager
- **Preparation of the Work-Product**
By the sponsor of the Website; i.e., the actuary
- **Data Handling**

May be performed by the engager or by the actuary or both or a shared basis. Any data yielding an actuarial or certified work-product must be carefully edited (but not audited) by the certifying actuary.

These rules are intended to produce a better work-product at less cost.

Fee Considerations

The ability to provide all defined services at the lowest fee is a major consideration of the Guide. This motivation is based not only on (a) traditional economic logic but also by (b) the recent national alarm voiced by health care reformists that health care plan costs are excessive. Thus, the Guide is a cost container consistent with national policy.

Conflicted Interests

This Guide restricts its interests to self-funded plans that are TPA-administered. This is because the other risk arrangements (i.e., fully insured and ASO) have conflicted interests that the Guide purposes to avoid. The recent Supreme Court decision in *MetLife v. Glenn* held that the presence of conflicted interests with a litigant carries with it a legal onus on such litigant.

Range of Users

This Guide, and its companion Website, believe that risk, actuarial and administrative work-products should be readily accessible and easily affordable *by the many and not just a select few*. As a response, the work-product range is wide and varied and expansive, thereby being of interest to many users. At the very least the plan sponsors, practitioners, service providers, professionals, etc., *en masse* will have reason to use the Guide.

Professional Standards

All of the present Academy pronouncements and standards should be honored both in spirit and letter. A few variances adopted by the Guide are these:

Professional Practices

In the actuarial work-products endorsed by the Guide these two actuarial opinion conditions are required:

1. The certifying actuary is a fiduciary with respect to this work-product.
2. A PDF link to the actuary's E&O declaration page is provided.

These are not required by the Academy.

Code of Conduct

Because the certifying actuary is a fiduciary with respect to the work-product, these two practices will *not* be followed:

1. Having any conflicted interest, even if such is disclosed.
2. Using billable time as basis for fee setting.

Innovations

This Guide believes that self-funding can serve the needs of the public by creating *mutations* of the following: (a) new benefits (death, critical illness or long term disability) and (b) new markets (i.e., self-funded supplemental coverages with a very modest employer contribution).

Sarbanes-Oxley

The letter and spirit of this law and any relevant regulation should be honored.

Risk Management

Some aspects of risk management use *heavy-duty* mathematics (predictive modeling, Monte Carlo simulations, data-mining, e.g.); some are less demanding (traditional or enterprise risk management, e.g.). Smaller employees, not suited to enterprise risk management, may find selective or special-purpose work-products a reasonable alternative to ERM, even though such is not mandated.

Requisite Features

This Guide and its companion Website have a wide range of requisite features: (a) full transparency, (b) ease of audit, (c) full privacy and security, (d) maximum storage and minimum maintenance, (e) user-friendliness (f) highest professional standards, (g) lap-top computer accessibility, (h) instantaneous work-product production, (i) extensive database capability, and (j) computerized pricing and billing capabilities:

Structure

This Guide is divided into these Chapters and Appendices:

Chapter 1 – Introduction

Shows the scope and motivations for the Guide and the companion Website.

Chapter 2 – Actuarial Profession

The rules, practices, history and functions of the profession are discussed.

Chapter 3 – Professional Liability

Important litigations are briefly discussed. These show that the actuary, as a professional, may or may not escape a liability claim.

Chapter 4 – Trade and Commerce Laws

This topic is discussed in considerable detail because it was one of the primary motivations for this Guide and its companion Website.

Chapter 5 – Introducing www.awpse.com

This is the companion Website that serves to demonstrate and prove-out the principles, practices and recommendations of the Guide.

Chapter 6 – Work-Products

The menu of work-products (both actuarial and administrative) is briefly discussed.

Chapter 7 – New Self-Funded Benefits

A range of new candidates for self-funding is presented. Such include those that will likely survive and/or prosper post-health care reform.

Chapter 8 – Risk Management

This chapter offers a review of the wide sweep of risk issues that might confront the user of the Guide.

Chapter 9 – Advanced Topics

This chapter briefly reviews some of the more advanced topics that will occasionally be of interest to the reader.

Appendix

Includes (a) Academy's code of Professional conduct, (b) Employer Database, (c) Data-Handling Instructions and (d) AWPSE helps users.

Practical Uses

The interested visitor to this Guide and companion Website has a wide choice of options:

1. Browse and gain knowledge or information.
2. Be a user and receive work-products by email.
 - i. Let AWPSE control the input.
 - ii. Enter and control the data with AWPSE limitations.
 - iii. Be proactive with AWPSE.
3. Have AWPSE customize such user's work-products.
4. Be a franchisee (or lease the program) and create its own system.