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OPINION SECTION

Best Practice: A Model for Future Medical Directors

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Best practice of life insurance medical directors may be achieved most easily by contracting with a consortium or group of highly trained professionals. This group would manage itself to the specifications of the hiring company and provide product in a timely cost-efficient manner.

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Flexible, nimble, creative, and innovative all describe the successful company of the next decade. In return the company can reasonably expect efficiency, efficacy, profitability, shareholder value, and success in competition. These descriptors and objectives are what is happening to business as we enter the 21st century. Further, they add up to an exciting equation whose solution is *change.*

Every day we see merger, takeover, and consolidation of companies and industries. The financial and insurance industries are doing all of the above. Within this changing milieu in the life insurance industry, all the different functions and operations are being reevaluated, reengineered, and reconsidered. Not the least of which are the functions of the medical department. Traditionally the life insurance company has hired medical directors to perform various functions for the company. The employer and the employee do not view all these functions the same way. For instance, participation in an annual sales conference for the high achievers may be simply providing medical cover in some exotic location, for minor medical problems such as sunburn, travelers' diseases, and other accidents. This is extremely important for morale and even liability from the employers' perspective but somewhat pedestrian for the physician.

From the perspective of the medical director, in some companies, there is a devaluing of the traditional medical director's role. Physicians who had spent time only on the underwriting side find themselves in production- and market-oriented activities. To reflect this change, the multitiered physician reporting models are changing. Traditional titles (such as senior vice president, chief medical director, vice president, medical director, and associate medical director) are disappearing. Often a medical director will report to a layperson and have his or her performance measured by that individual. Several life insurance companies have opted for part-time medical consultants. Such arrangements let

companies maintain a proficient level of medical expertise at a substantially lower cost.

Furthermore, to reduce costs, some companies are securing clinical specialists who have little or no industry experience to support their new business area. As clinical practice continues to change, as the medical information systems continue to improve, and as the science of clinical outcomes measurement expands paradoxically, a higher degree of knowledge and more sophisticated training in clinical epidemiology and medical wisdom are required—not less. Indeed, the requirements now are such that it is almost unreasonable to expect that a single individual can function at this level.

The challenge for medical directors of life insurance companies, on the one hand, is to be versatile and from a technical standpoint highly trained. There is considerable risk, though, if on the other hand, medical directors cannot anticipate the changing requirements of both the industry and the company for which they work, as they will be replaced. The question then becomes, replaced how?

As more and more companies define their core skills, they begin to focus on them and outsource those areas that cannot be regarded as key. Indeed, there are insurance companies who regard marketing skills, customer service, and low-priced product as their marketing differentiating features. These same companies may, in fact, view functions of a medical director (such as consulting with the medical underwriting staff, calculating morbidity and mortality statistics, teaching underwriters, and updating underwriting manuals) in the same vein they view financial controllers, audit functions, compliance officers, and maintenance staff. These functions are not core functions and could conceivably be outsourced. Other disciplines that life insurance medical directors may practice including disability medicine and employee health care may not be the kind of market differentiator that the company values.

The life insurance company could well consider that trade-off for areas that it does not consider core values, or market differentiators would be better handled by world-class professionals, specifically contracted to perform these tasks on a defined contractual basis. The alternative would be to request the medical directors to focus on areas in which they were not necessarily expert. A life insurance company might employ one person, a consortium, or a managed group to develop a manual, which would contain the company's underwriting philosophy. The time frame for development would depend on the wishes of the employer. A physician with an occupational medicine background may be a far better contractual employee for running employee health than when the requirement is to be one of a number of duties for a full-time medical director who has no experience with occupational medicine.

For the company to change its philosophy regarding the hiring of a full-time medical director, there are obvious questions about management and identification of the resource. A number of companies are somewhat ambivalent about the management of highly trained and paid technical staff. The management technique used has often been based on experience, with fewer well-trained and more lower paid staff. These latter employees are often expected to have flexible hours remunerated by overtime or bonus payments. The focus of such a manager then becomes on punctuality and time spent in the office, anecdotal feedback from other employees, and time spent in intracompany meetings, rather than on skill, productivity, accuracy, and reliability.

It is likely that the successful life insurance company of the future will be able to identify roles for the highly trained physician. These roles will include additional and innovative tasks and responsibilities. Several of the roles will be handled by improvements such as computer reading of electrocardiograms and other graphics. Others such as teaching medical knowledge will be done on a contractual basis by a group or consortium that provides a syllabus, pretests, and posttests, giving objective evidence of the process. The development of unique manuals for medical under-

writing will be done by groups of world-class experts, rather than by one in-house physician. The uniqueness of the manual is not the medical knowledge, which should be of the highest standard, but it is from the addition of incorporating the unique underwriting philosophy of the company. Not only does this include knowledge of the specific markets and distribution avenues of the individual life insurance company, but it also takes into account the reinsurance company or pool of reinsurers. This ensures that the manual developed is truly unique; even though this type of manual may be developed by a similar group of physicians and clinical scientists, the specifications by definition will be different.

In conclusion, there are clearly good reasons for a life insurance company to employ an all-around full-time medical director. But we believe that some companies will want to contract with world-class providers of specific product for one time on a contractual basis. It may provide a higher quality product, more quickly at a lower price. This method of filling the roles of a traditional life insurance company medical director will obviate the traditional management style and replace it with accountability, accuracy, authority, and timeliness at a more reasonable price. It is likely that the successful life insurance company will also be one that has the best quality of medical knowledge on which it can base its premium.