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REVIEW

The Cognitive Versus the Cookbook Medical Director

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The ultimate responsibility of an insurance medical director is to complement the underwriting department by establishing evidence-based medical underwriting rules and to accurately apply these rules to referred cases with the goal of placing competitively priced, profitable business in their company portfolio. A second responsibility is to train and set an example for the underwriters to engage in accurate mortality risk selection.

Case 1: The medical director signs off on a final rating of 22 debits.

Case 2: The applicant has multiple impairments including obesity, type 2 diabetes, sleep apnea, hepatic steatosis, and hypertension. Each is individually debited per the medical impairment manual, and the debits are summed for a final rating.

Case 3: The same case as above but the medical director identifies the probable primary cause of mortality, considers the contribution of the other impairments, and makes a final offer.

There are two methods to underwrite a case. One is cognitive, which is competitive and profitable to the company. The other is cookbook, which is neither competitive nor profitable. Which are you?

Cognitive medical directors evaluate a case in its entirety, examining all impairments in context with each other. When possible, the key impairment or proximal cause of mortality risk is identified and debited. The ratings for other impairments are adjusted upward or downward based on their risk contribution to the mortality impact of the primary impairment. The medical impairment manual is used as a guide, not as a didactic mandate. When the cognitive medical director deviates from the suggested manual rating, their underwriting note explains the rationale for the action. Their decisions are logical and competitive in the marketplace and profitable to their employer.

Cookbook medical directors underwrite strictly "by the book" with no deviation nor forethought to the interactions of all impairments. They fail to understand risk selection and mortality. They are not decision makers. All debits are arithmetically summed, and the case approved. This underwriting practice is detrimental to both the applicant and company.

The former is charged an excessive premium, and the latter loses potentially profitable business because the case is not competitive in the marketplace. They set a bad example of risk selection to the originating underwriter.

Let's examine each case and a possible underwriting action.

CASE 1 ASSESSMENT

Case 1 was assessed 22 debits per the manual. The medical director approved the rating. A strange rating to be sure. The question to be answered is this table 1 or a standard risk? How does this rating fit into the debit/premium structure of the company? The most sensible and best medical decision would be to simply approve the case a standard issue.

CASE 2 ASSESSMENT

Case 2 could be high or moderately substandard depending on whether the medical director is a cognitive or cookbook underwriter. In today's highly competitive environment, the most important facets are fairness to the applicant and underwriting profitable business for your company. Simply summing up all the debits fails both tests and indicates a failure to understand the basic concepts of mortality and risk selection. Cognitively assessing each risk with its relationship to each will produce an outcome that meets accurate risk selection and profitability.

New medical directors are, by necessity, cookbook and strictly adhere to the manual recipe for a given impairment. They have little or no knowledge of the fundamentals of risk selection, and their sole guide is the impairment manual. As they mature with experience, hopefully guided by an experienced cognitive medical director, they can wean themselves from their impairment manual and become cognitive. Unfortunately, some never achieve this intellectual independence.

What about cases where there are two or more potentially early mortality impairments? Again, there are two approaches. One is to cookbook the case, fully debit each impairment, and quickly sign off the case. The other approach is to cognitively analyze all impairments and decide which is most likely to be the ultimate cause of death and debit appropriately. Then, evaluate the other impairment(s) and decide whether or not they have the potential to influence or contribute to the major impairment mortality and produce a further increased risk.