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Rx = Dx

Part Two

In February, this underwriter addressed the core concept behind the odd equation *Rx = Dx* (pharmaceutical information and twenty-first century underwriting) and, in so doing, posited that pharmaceutical information could be effectively employed to *facilitate* the underwriting process.

Facilitate is a broad term.

How might knowing the exact medication a proposed insured is taking (whether prescribed or purchased over the counter) allow an underwriter to realize his twenty-first century mandate (to speed up the risk selection process) while, at the same time, not forsaking his accountability for mortality results?

By using this exact pharmaceutical information to triage medical histories and to distinguish risk scenarios which are approvable as presented from those which truly justify further underwriting. And, in so doing, *not* ordering physicians' records (and other expensive, time-consuming requirements) he really doesn't need in the first place!

In the February "Rx = Dx" essay, a statement was briefly made to the effect that our industry needs to trim back on its use of the APS. There are imposing issues and considerations which, taken collectively, compel us to deal with what is clearly a prevailing industry-wide state of APS *over*dependence.

These issues include the need for acquisition expense control, faster application-to-issue turnaround, and the potentially more ominous impact of increased clinical genetic testing and government-mediated mandates with regard to confidential medical records.

What percentage of APS reports, currently ordered, might be expendable?

The answer will vary greatly from insurer to insurer, driven by a wide range of variables including mix of business, distribution system(s), average face amount, quality of underwriting support systems, experience and savvy of underwriters, perceived protective value of other risk assessment enhancements, reinsurance arrangements, and so on…

Are any APS reports absolutely essential?

Imagine trying to properly appraise a history of Level IV melanoma or four-vessel bypass without critical details which can only be derived from an APS! But these cases are, after all, the exceptions, aren't they?

The fact remains that most impairments affecting most proposed insureds are less portentous than invasive cancer or advanced atherosclerotic lesions!

If we combine what we learn from Part II of the application, a telephone interview, and a lab test profile with accurate information pinpointing the proposed insured's use of Rx, we should be able to render many proper

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underwriting decisions without that *inexorable* APS.

As in histories of colitis representing potentially life-endangering bowel disease versus those likely to be self-limited with no excess mortality. Or perhaps in cases of chest pain needing further investigation versus those which, based on what is already revealed to us, are clearly not germane to risk. And so on…

Where does the underwriter find accurate information about current/recent Rx use by proposed insureds? There are two sources. One, as old as underwriting itself. Another, brand new and quite novel.

The first source is the application process. Which means all that is recorded on the Part II (virtually every application asks at least a semi-adequate question about medication use), embellished by what is said in the cover letter (you do cover letters, right?) and disclosed during the telephone interview.

As the producer, this is largely under your direct/indirect control. So take these opportunities to provide accurate Rx information.

Here is a list of questions which, asked and answered, should assure full disclosure of risk-salient Rx facts.

- What is the precise name (generic/proprietary) of the drug?
- For what reason does your client believe he is taking it?
- How long has he been doing so?
- In what dosage; how many times a day?
- By mouth, via patch, by injection, etc.?
- Have there been any side effects or complications from this drug?
- Does his physician perform periodic testing (blood, urine, etc.) directly associated with the use of this drug?

Encourage your client to be forthright and thorough when he is interviewed. *There is no such thing as too much Rx information.*

Furthermore, know that this issue extends beyond medications prescribed by doctors to include whatever your client chooses to take of a medicinal or health-enhancing nature… whether that happens to be an aspirin a day, a strength-enhancing supplement, 400 units of vitamin E, or ginkgo biloba.

The second source of Rx information is as new as it is innovative. It is also very good news indeed for producers, insurers and clients alike. Whenever prescriptions are filled using pharmacy benefit cards, data are recorded and stored by entities known as pharmacy benefit management (PBM) firms. These data are used in pharmaceutical marketing and various kinds of demographic studies. They are also accessible, within certain limits, for use in risk selection.

With a proper authorization, an insurer can request Rx record information on insurance applicants. Some proposed insureds will have a record of having filled one or more prescriptions. Others will not.

The information about prescribed medications revealed on these records should, of course, match what is disclosed in Part II, in your cover letter, or during the telephone interview.

Two firms are actively marketing proprietary products providing the insurer access to these kinds of Rx data. And their deployment in underwriting is increasing. This is good news for producers and clients, because many more applications should now be approved (or at least approvable) faster, with fewer long delays caused by ferreting out redundant physicians' reports.

And given that every proposed insured is asked—at least once—about Rx use, this new underwriting tool is really no more "invasive" from a consumer's perspective than the insurance application itself.

More to the point, informed use of Rx information should have the effect of greatly reducing insurer use of the APS…a development, experience teaches, certain to be greeted with "cheers" from customers.

I do believe the potential to greatly expedite approval of the vast majority of life applications appears to be at hand—at long last. ○