

BENEFITS CORNER



A \$1,000 Tax—You Are Currently Paying!

Almost everyone that I speak with is very concerned about the high cost of health insurance. The major reason that health insurance is so expensive is that the cost of care is very expensive. There are many reasons that the cost of care is so expensive—as a society, we demand the best level of care in the world; our population is aging and needs more care; and on the whole, our country's level of fitness and overall health is not the best.

However, one of the hidden costs in your health insurance bill is due to the cost shifting placed upon your health care providers by the Medicare and Medicaid programs. Medicare is the federal health plan that covers primarily those over age 65. The Medicaid program is the joint federal and state health plan that covers low-income residents. In both cases, these plans set the reimbursement level that hospitals and other providers receive. There is no negotiation in these payment rates; it is a take-it-or-leave-it proposition.

Over the past several years, this payment reimbursement level has not kept up with the general rate of inflation and certainly not the rate of medical inflation. When this happens, hospitals and doctors are forced to balance their total payment structure in the only place they can—those of us insured in the private marketplace. Hospitals in particular are very good negotiators with private health plans to receive a higher rate of payment. This allows the providers to pass along the lack of underpayment by

Medicare and Medicaid to you and me.

This underpayment and the cost shifting it causes results in an average \$1,000 increase in a typical family's annual health insurance bill! This is essentially a hidden tax to support Medicare and Medicaid. This tax is only going up.

As of January 1, 2007, Medicare actually decreased its rate of reimbursement to physicians by three percent. Medicare will allow hospitals a three percent reimbursement increase if new technologies are adapted and implemented, otherwise reimbursement rates will hold at last year's level. Medicaid reimbursement levels are tied to Medicare. Cost shifting will only get worse.

When was the last time your costs for a particular service went down?

A recent study completed by Milliman Associates in conjunction with California's Blue Shield Health Plan has documented the effect of this cost shifting in that state. In 2000, the cost shifting cost each privately insured family an additional \$213 in premiums. By 2004, the last year statistics were available, the cost shifting resulted in an additional \$951 per year in premiums. As you can imagine, since the government has actually decreased their reimbursement levels, the cost shift is now well over \$1,000 per family! Colorado's cost of care and Medicare reimbursement levels are very similar to that of California's, so the comparison should remain valid.

To see a complete article go to www.managedcaremag.com/archives/0612/0612.costshift.html

The thing that irks me the most about all of this is that the politicians are once again becoming very active in their pursuit of reforming the country's health care and financing system. One of the common mantras heard from politicians in both parties is the need to make health insurance more affordable! I would be among the first to agree that there are many things that need to be fixed or improved. However, the fact that our leaders could make health insurance more affordable to the tune of \$1,000 per year for every family—and they don't even admit to this—makes me very nervous about what they might have in mind to "fix" a system that they have directly contributed to breaking!

Beware any government who official who says, "I am from the government, and I am here to help" (particularly in the field

of health care and health insurance).

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