

BENEFITS CORNER



Mitch Michener
Evergreen Benefits
Group, LLC

Top Ten Dirty Little Secrets of Health Reform

I am writing this article as the year winds down and have noticed the numerous Top Ten lists being published. I have seen the normal lists of Top Ten movies, TV shows, music, trends, etc. I have not seen anything dealing with the Top Ten problems with health care. As we enter into full swing of the political debate surrounding the presidential election, I thought I would offer my own Top Ten list, but with a twist. My Top Ten list is the Dirty Little Secrets of the health care/financing debate—things that go to the heart of the issues, which most of the politicians running for office will likely gloss over in their race to the best sound-bite.

So here is my Top Ten List of the Dirty Little Secrets of the Health Care Reform Debate:

1. Health Care/Financing Reform will cost all of us something! The cost may be in the form of higher taxes, less choice among plan options, or lessened access to care; but there will be a cost. The cost may even be that if you currently do not have health insurance, you may be forced into buying it!

2. Medicare and Medicaid are the biggest disrupters in the financing of health care today. On average, these two programs reimburse doctors and hospitals less than 88 percent of their break-even cost. The reimbursement rate increases over the past five years have averaged less than 3 percent. The only way for the providers to stay in business is to charge those in privately insured plans more. This is called cost-shifting. As it is, only 20 percent of all doctors will currently accept Medicaid patients and only 25 percent will accept Medicare insured patients. A typical family of four pays more than \$1,000 per year in extra premiums to make up for these two federal programs' underpayments.

3. The uninsured are not the biggest problem we face today. Yes, there are 45 million Americans at any given time without health insurance, and that is a concern. However, this population consumes

less than 5 percent of all health care. Further, most of this population has not placed health insurance high on their priority list. Forty percent of the uninsured are between the ages of 18 and 34, and they typically do not see the need for health insurance. Another 40 percent of the uninsured have household incomes of more than \$60,000 per year, but do not feel the need for insurance. Another 20 percent of the uninsured are eligible for Medicaid or Medicare, but have not taken the necessary steps to sign up these plans.

4. The state and federal governments do not make it easy to sign up for Medicaid or Medicare. Due to budget constraints, most politicians do not want to make it easy for the Medicaid eligible population to enroll. If all of Colorado's Medicaid eligible signed up tomorrow, the state would have to find over \$100 million in the budget. When was the last time you saw an advertisement of any kind letting you know how to sign up for Medicaid? The next time you hear a politician talk about the uninsured, ask them what they are doing to make it easier to get this segment of the uninsured covered.

5. Medicare currently pays for more than 50 percent of all hospital day stays. As the baby-boomers hit Medicare eligibility, this number will only increase. You think cost shifting is bad today—just wait a few years! The hospitals are in a catch-22 on this. Even if a hospital wanted to accept only privately insured patients in an effort to lower the amount they have to charge the rest of us, they effectively cannot. A hospital cannot really open its doors without a federal accreditation. To get a federal accreditation, the hospital must accept Medicare mandated reimbursement levels. The cost-shifting continues.

6. Health insurance premiums will continue to rise, even if the demand for care stays the same. This is because most care is delivered in a contracted network environment today. The contracts between most health insurance carriers and the providers have an automatic reimbursement increase of between 5 to 9 percent every year!

7. Americans are not very healthy. It would be political suicide for an elected official to say that his or her electorate is fat and lazy, but this is not far from the truth. Americans have the highest obesity rate ever. Even "healthy" Colorado has seen more than a 25 percent increase in our obesity rate over the past twenty years. This places a tremendous strain on our demand for health care in the form of more cardiac issues, more diabetes, more joint issues, etc. A conservative estimate links more than 50 percent of all claims paid in this country to obesity or tobacco use.

8. Americans demand the best care—right now! We have built a system that allows us to get the care we want without waiting. The cost to maintain this type of system is huge. You can get scheduled for a test on a multi-million dollar piece of equipment tomorrow—can you say MRI or CAT Scan? Colorado alone has more MRI machines than all of

Canada. Canada has a population of 35 million, Colorado, 4 million. When we have more supply than demand, the provider community either has to create demand, try to charge us more to maintain the oversupply, or more likely, both.

9. Health insurance companies are less efficient than they should be. The cost for a private health plan to administer claims, premium billing units, maintain their networks of providers, pay their employees, and to pay for office space is typically around 10 percent of the premium dollar. When you hear that Medicare can run their plan for 4 to 5 percent of total claims, this figure does not include their office space cost, premium (tax) collection, and some of their salary overhead. Medicare passes these costs along to other federal agencies. I do question insurance companies why their target claims payout ratio has been 80 percent of premium for the past thirty years. One would think that with the advent of more efficient and computerized systems that this number would change. I wonder if the health insurance companies' movement to publicly traded status in that same time-frame makes them answer to Wall Street before answering to their policyholders?

10. Politicians may not be transparent in their health care solution objectives. Politicians and their parties have agendas. These agendas may not necessarily be to find a way to come up with the best and most affordable solution. This is true on both the state and federal level. Simple sounding solutions will not probably be the best for those of us who will someday need care (isn't that probably all of us?). I always cringe when I hear a politician say they want to make health insurance more affordable for all of us. If they were to fix items number two and four on this list, that would be a great place for them to start!

I am sure that you could easily add to this list. One thing to keep in mind is that health insurance is expensive because health care is expensive. Another thing that comes to mind is Disraeli's phrase made famous by Mark Twain, "There are three kinds of lies: lies, damned lies, and statistics." There sure are a lot of statistics in the health care debate!

Mitch Michener, RHU, REBC, can be reached at Evergreen Benefits Group at The Stone House Business Center. (303-670-0935) mitch@everben.com.

As printed in Colorado Serenity

COLORADO
Serenity