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Bylined Article

Survey Says: More of the Same for Health Insurance Clients

By Sharon Alt, Alt Benefits Consultants & Eric Johnson, Benefit Mall

Are your ears burning? They should be. Seems that lately everyone's talking about us, or at least about our industry. You can't turn on the television nowadays without hearing yet another story about America's health insurance crisis. This is an issue that isn't going away – in this heavily contested presidential campaign, health care is at the top of the domestic agenda, and for good reason. As Michael Moore so eloquently points out in his new movie "Sicko," our current health care system is broken. Millions of Americans have no coverage at all, and those of us with health insurance aren't that much better off.

The Council of Insurance Agents and Brokers recently released the results of its spring Employee Benefits Market Survey. After soliciting feedback from some of the top agents in the nation, here, in a nutshell, is what they found: health insurance is expensive, and costs continue to rise at an alarming rate. Shocker, I know. I'm not so sure we needed a survey to tell us that.

To me, what's more alarming about the Council's findings is that employers are still slow to adopt consumer-directed options like HSA's and HRA's to help offset costs. Instead, they've opted to stick with more traditional co-pay plans and shift part of the cost to employees in the form of higher deductibles. Let me make sure I understand – employers are reluctant to move to high deductible health plans, so instead they've chosen to increase the already high deductibles on their health plans. Clearly, I'm missing something here.

Different is Better

Let's recap. Last year's renewal increases were high. So employers crossed their fingers, hoped for the best, and stuck with the same old plan. And, lo and behold, this year's renewal increases were high as well. So what do employers do? They again stick with the same old plan. Seems like a bunch of misguided employers to me. Shouldn't somebody out there be guiding them? Oh, wait a minute, isn't that us?

Whether you believe consumer-directed health plans are the magic bullet or not, at the very least we can all agree that they're different. And when the current strategy isn't working, different is better. But let's take the argument one step further. Getting consumers involved in their own health care decisions just might work. I mean, why wouldn't it? Consumerism is what our entire economy is built on. People aren't helpless – they are able to make wise purchasing decisions in other areas of their lives; so why not health care? What is it about health care that makes it so unique? We must strive to simplify these issues and empower consumers and clients through objective education.

Is it the cost? I don't think so. Sure, health care is expensive, but it's not that expensive. We certainly pay more for other things in our lives than we do for doctor visits – things that we don't finance through an insurance mechanism. No, the bigger issue is that really we don't have a clue about how much health care actually costs, and that's why we're so scared to get rid of our beloved co-pays. If we knew how affordable routine care was, we might not be so reluctant.

So what can a poor health care consumer do if she doesn't know how much a procedure or a prescription is going to cost? Simply ask. True, she might not get a good answer, but the very act of inquiring about the cost of services would be a big step up from where we are right now. And guess what – if enough people ask, health care providers or health insurance companies or both just might step up to the plate and start telling us the price of the most common procedures. But consumers aren't going to ask as long as they're shielded from the cost by co-pays. Why would they?

Fortunately, some insurance companies see the writing on the wall. They want to avoid a government-run, single-payer health care system and they know that consumer-directed plans give us our best shot of doing that. So they've decided to quit waiting on the providers and have already started to publish cost and quality data on their websites. The tools are out there now, and they're continuing to get better. Maybe we should start using them.

More for Less

Every summer, around the 4th of July, I'm amazed at some of the sales in the grocery store. Often times you'll see a 12 pack of Coke on sale for less than the price of a six pack. Seems a little counter intuitive. What's even more amazing to me, though, is that some people still buy the six pack. That's sort of what's happening with HSA-compatible plans. Many of these plans offer more comprehensive benefits than traditional co-pay plans but at a lower premium. Still, the number one reason both agents and employers give for not moving to an HSA plan is that they're just not priced right. These may be the same people who are buying the six packs because the 12 packs are way too expensive.

Perhaps an example would be appropriate. Where I live, most employer groups have already moved to a fairly high deductible to help keep costs down. It's not at all uncommon to see a co-pay plan with a \$1,500 deductible and another \$3,000 in coinsurance risk. So the member's total out-of-pocket exposure on the plan is \$4,500 plus the cost of co-pays. Co-payments, of course, do not count toward the deductible or the out-of-pocket maximum. Hit with a big renewal increase, the group might decide, with the agent's blessing, to move to a \$2,000 deductible plan, adding another \$500 to their employees' already high out-of-pocket exposure.

What I would recommend instead is moving to a \$3,000 deductible, 100 percent HDHP. With this plan, the member does not have the protection of co-payments to shield him from the cost – he has to pay the full price for all services until the deductible has been reached. But to help him out, he does get the benefit of the discounts the insurance company has negotiated with contracted providers, so in reality he's not actually paying the full cost of those services. And, even better, the amount the member pays for all services, including those historically covered by a co-payment, does count toward his deductible. Once the deductible has been reached, all covered services, including doctor visits and prescriptions, are paid at 100 percent – the member is done for the year. So the member's overall risk on this plan is 40 percent lower than the risk on the traditional plan, which didn't even give the member credit for doctor and Rx payments.

To top it all off, preventive care is covered up front at 100 percent on the high-deductible plan, and deductible expenses can be paid with pre-tax dollars if the member chooses to set up a health savings account. All this, and the HDHP costs less than the traditional co-pay plan.

Desperate Times

Desperate times call for desperate measures, and make no mistake, these are desperate times. The health care system is in dire straits, and if we don't do something soon to fix the problem then the government will. And believe me, if the government gets involved, we won't like their solution. Neither will the American people.

Your clients trust you, or at least they should. You know infinitely more about their health insurance options than they do. You are a trusted advisor, and they're looking to you to help guide them to the right solution. Increasingly, the right solution involves a consumer-directed offering. It won't be easy at first – there will be a little pain – but in the long-run it will be the best thing for your clients and the best thing for the health care system as a whole.

About The Author: Sharon Alt is President of Alt Benefit Consultants, Inc., and the host of a nationally syndicated internet radio show The Benefits Buzz: Inside Health Insurance in America at www.voiceamerica.com.