HEALTH INSURANCE – THE CURE OR THE DISEASE

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The escalating cost of health insurance is one of the national issues that is cited by both the public and government officials as a major concern for our future. Companies grapple with the problem of how to provide health insurance coverage for their employees at a cost that is affordable yet provides a minimum level of benefits.

Health insurance today means something very different from when it had its origins back in the late 1920's and 1930's. What we now know as health insurance began as hospital insurance. The precursor to Blue Cross was founded in 1929 by a group of Dallas teachers who contracted with Baylor University Hospital to provide 21 days of hospitalization for a fixed $6.00 payment. The type of program grew and was encouraged by the American Hospital Association and eventually combined under the name Blue Cross

Insurance for physician services didn't begin until 1939 when California Physician's Service began to operate as the first prepayment plan designed to cover physician's services. Plans such as this were encouraged by the American Medical Association and these physician sponsored plans ultimately affiliated and became known as Blue Shield in 1946.

These early plans were meant to cover catastrophic expenses. The intent was never to provide first dollar coverage. This changed over the next twenty years until Managed Care became an reality under the Health Maintenance Act of 1973 (PL 93-222).

Managed care changed people's expectations of what coverage health insurance should provide. Office visits with minimal copayments became commonplace. Unfortunately, as health insurance costs have risen dramatically, employers have been forced to both reduce the level of benefits (copays that were zero or $2 or $5 ten years ago have now become $25, $30, $35 or more); as well as increase the percentage of premium paid by the employees.

Employers often feel that they are at the mercy of the insurance companies and routinely accept double digit premium increases because they feel that they have no alternative. In reality, there are ways to craft the plan to minimize the increases while still providing coverage.

The first step is to decide what is most important for your company and for your employees. Is it to have the lowest possible premium with minimal coverage? Or do you want the best coverage possible without regard to cost. Are your employees willing to accept a high front end deductible in combination with a flexible spending account? Is the average age of your employees in the 30's or in the 50's? Are there many dependent children covered under the plan that will need preventive care and vaccinations? Do you have employees with chronic illnesses that need continuing care? Do you have employees who get medical care from providers outside of your geographic area?

Although most insurance carriers will submit a policy to you with very specific benefits (specific office visit copay, emergency room copay, deductibles, etc.) each of these areas can be changed in order to impact the premium. Areas that should be considered include:

- Office visit copayments
- Emergency room copayments
- Outpatient surgery copayments
- Copayments for diagnostic testing such as laboratory and radiology
- Out of network benefits
- Preventive care benefits
- Prescription copayments

In recent years, the greatest percentage of premium increases has been as result of drug costs. Changing from a $10/$20/$30 drug copay to a $15/$25/$35 can significantly lower your premium.

Insurance companies go through cycles with respect to premium increases. If a company has lost significant market share, their premium increases for the next few years will be lower to try and recapture business. It is now unfortunately necessary to market your coverage every year to multiple carriers to get the best rates. This is not always popular with your employees who may have to change physicians when their coverage changes.

Also do not make the assumption that all brokers get the same plans made available to them. Those brokers that do the most business with specific insurance carriers have more clout when it comes to personalizing the benefit levels for your company.

There continues to be significant concern about the future of health insurance coverage. Many companies feel that they will no longer be able to provide coverage for employees if premiums continue to rise. Health insurance will look very different in future years. Changes we can expect to see include:

- "Consumer-directed" health care
- High-deductible health plans, Health Savings Accounts (HSA's) and tiered benefit designs
- Economic incentives for consumers to seek lower-cost services
- Open choice of physicians with economic restrictions

Managing a company's health insurance is a difficult year long task. Do not be afraid to seek the advice of experts who can work with you to mitigate some of the increasing cost.

We are all in this together and unfortunately we don't' know when the spiral of health insurance costs can slow down. Being proactive can help protect your company and employees.

About the Author
Michael S. Lewis, MBA, CMPE, Director of Healthcare Consulting, joined Cowan, Gunteski & Company in 2005 after spending 27 years as a senior executive in the healthcare industry. For more information on how you could save money on the cost of healthcare insurance contact Michael Lewis at 732-349-6880 ext. 147 or mlewis@cowangunteski.com.

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