12-01-26

HEALTH CARE REFORM OPTIONS AND ISSUES;

Caveat: the individual market is not an area of interest for insurance brokers. However, it is central to the debate on the future of health care reform, and thus needs to be addressed. Our expertise in the broader sense may help inform this volatile issue.

I urge the reader not to think of what is politically do-able or palatable, but rather what will work. Our problems to-date in this area are because we have been too political and not informed by reality.

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Arguably the central problem with the performance of the individual market, the "exchanges" and the cost of premiums for individuals has been adverse selection; i.e., that anyone can obtain insurance, at any time, without qualification. Currently there is no process to get a broad spectrum of the population enrolled to balance the risk and therefore the cost. Those who enroll now do so because they need coverage, and the private insurance market cannot survive in that context.

If we assume that we want to provide private/commercial insurance policies for individuals, then the only effective way to keep guaranteed issue, with no pre-existing condition limitations, is to allow insurers to underwrite and then exclude persons with chronic conditions. However, to meet the social goal of coverage for everyone we need to shift these risks to a high-risk pool. State based, high risk pools existed in virtually every state prior to the ACA, and most worked well. They can offer roughly the same "metal" plan designs to the consumer as are provided for in the private/commercial market, but the cost of this pool would then be spread across all employers in the state using an allocation methodology. Alternatively, an insurer assessment can be structured but that eliminates the self-funded plans, which represent the majority of covered lives in any state.

Why should employers have to pay? The argument is that strengthening the pool for individuals preserves the private insurance market and supports the infrastructure that we all rely on for care. By spreading the cost over such a large base the incremental cost should be negligible for each employer.

This approach does not reduce costs, but it spreads it so that all insurers share in the cost proportionally. It differs from the Risk Adjustment Mechanism that was included in the ACA early on in that the insureds would be in their own risk pool where care coordination, case management, and other consumer oriented tools can help to focus on ensuring the most appropriate care is provided. The risk pool concept also provides a much broader potential spread of risk.

To prevent gaming, a uniform industry standard or even a federal standard would need to be developed for underwriting so that all insurers would apply the same, objective standards to determine who would be covered by this high-risk pool. Individual insurers cannot be allowed to use their own standards and thus seek to cherry pick risks.

The other concept missing in this scenario are more realistic consequences for those who fail to enroll. Although the final numbers need to be tallied, this year's open enrollment in the exchanges is much higher than in the past (despite the increase in premiums) because the phased-in penalty is now more meaningful to people.   I argue for stronger penalties.

The Republican majority does not like the individual mandate, but without it the positive aspects of health care reform (guaranteed issue and no pre-existing conditions) cannot continue using private insurance companies. The recommended approach is the same one that has been in existence for over forty years, in Medicare: i.e., If you do not enroll in a timely manner your premium cost increases by 10% (forever), and your enrollment is deferred for up to a year. This approach has been proven to be effective, and it is not new. Taking this approach is just an extension of proven processes to this emerging market segment.