

Health care reform must be more than just health insurance reform!

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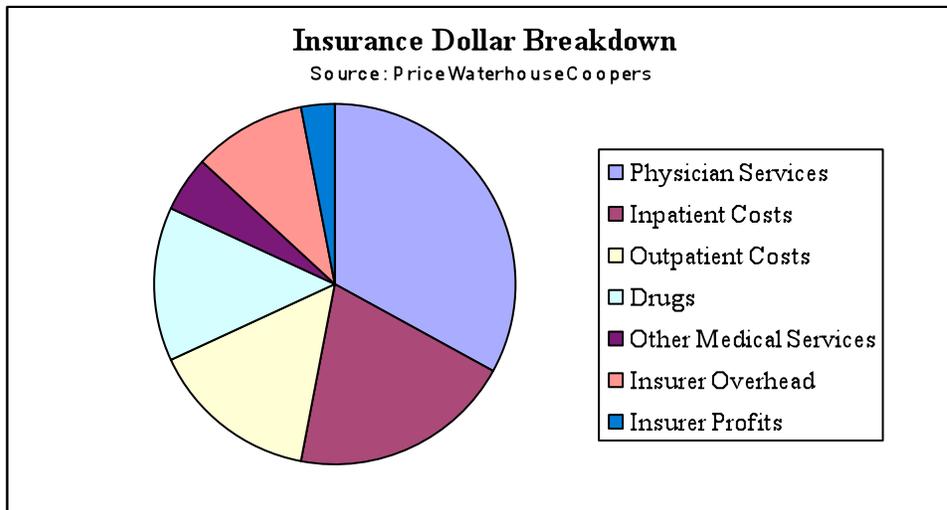
If you've been following the health care reform debate, chances are you're more confused now than you were when it started. In fact, part of the reason I waited until the last minute to write this article is that the health care debate is such a moving target I was afraid this article would become obsolete the minute I submitted it for publication. (The other part, I admit, is that my procrastination side got the better of me.) Nonetheless, as the debate comes to a year-end crescendo, I think it's safe to say we're all in for some serious sausage making on Capitol Hill.

Regardless of the side of the political aisle on which you align yourself, one thing is certain: the health care system in this country doesn't work for far too many Americans. I would submit to you there's a second reality that is inextricably tied to the first: unless health care reform encompasses more than just health insurance reform, the end result will be incomplete and will be a failure.

While five separate Congressional committees have been working diligently on finalizing a comprehensive health care reform bill, none of the bills have been able to garner support from both sides of the aisle. Nowhere has this division been more evident than the emotion surrounding the government-sponsored "public option," a proposal that has been touted by President Obama as a mechanism to "keep health insurance companies honest." While health insurers are easy targets in the health care debate, the fact of the matter is that they are a relatively small piece of the health care puzzle.

Although the different bills have several attractive components (*e.g.*, expansion of coverage to the uninsured, subsidies for low and moderate-income individuals and families, and a prohibition against denying coverage to people with preexisting conditions), what seems to be getting lost in the debate is that there are costs associated with these well-intentioned proposals that simply cannot be paid for with the promised cost savings. The harsh reality is that the only place to find the funds necessary to pay for these reforms will be through increased taxes or meaningful health care reform that goes to the root of the problem: the expensive cost of health care. Unfortunately, the idea of cost control is taboo in Washington DC and it has been completely neglected in the health care debate.

According to a recent PriceWaterhouseCoopers' study, health insurance company profits only account for three cents out of every health insurance dollar spent in the United States. Compare that to 33 cents out of every health care dollar that goes to cover physician services, 35 cents that is used for inpatient and outpatient costs, 14 cents that goes to pay for prescription drugs, and five cents that covers other medical services. In other words, 87 cents out of every dollar spent on health insurance in the United States is used to cover medical and prescription drug costs. That leaves only 13 cents out of every dollar to pay for health insurance company overhead and that "dishonest" 3% insurance company profit.



To put that profit margin in perspective, out of 53 different industrial groups on the Fortune 500, the profit generated by the health insurance industry ranks 35th, hardly a level of profit considered immoral in this country. Once those facts are out in the open, it becomes clear that unless health care reform does something meaningful to control 87% of the money spent on health insurance, (*i.e.*, unless it bends the health care cost curve), the reform movement in this country will not succeed. Don't get me wrong. It's not that I'm resistant to change in an area as important and pervasive as health care, an industry that currently makes up almost 18% of this country's GDP, it's that I'm not ready to "throw the baby out with the bath water," especially when the bath water is nowhere near as dirty as some would have us believe.

Because I don't believe the insurance industry is the root of all health care problems, I am not afraid of a public option that would compete with the private insurance market. The one caveat to that statement, however, is that the public option must compete on a level playing field. Unfortunately, the way the public option has been proposed (*i.e.*, reimbursement at Medicare rates plus 5%), it is anything but a level playing field.

History is replete with examples where the U.S. government has attempted to compete with private industry only to be outperformed, indeed trounced, by good old-fashioned capitalism (*e.g.*, USPS, Amtrak, and quasi-governmental entities Freddie Mac and Fannie Mae). When government tries to compete with industry rather than regulate it, private industry will almost always prevail. However, when government changes the rules to give itself an unfair advantage, government's chances of coming out on top are dramatically improved.

Since Medicare reimbursement rates represent but a fraction of the charges that are billed by the providers, the public option will immediately result in a cost disparity between the government-sponsored public option and the private insurance market. This will cause significant cost shifting to private insurers which will further exacerbate the cost disparity. This will cause insurance companies to increase their rates to avoid going out of business, which will further exacerbate the problem. In the end, we will reach a point where the private sector falls into a death spiral and is forced out of business. The end result will be a single

payer health care system that is void of any meaningful competition, where health care providers are reimbursed significantly less than they have become accustomed to (not necessarily a bad thing), and where choice disappears.

If a single-payer health care system is your ultimate goal, then by all means, throw your support behind the public option. One of the greatest things about the United States is that we are all entitled to our opinions and if socialized medicine appeals to you, then you should aggressively advocate for it. If, however, you believe our health care system can be reformed in less radical ways, then don't be fooled by the talk of the public option as a way to keep health insurance companies "honest" because it will dramatically, and irrevocably, damage our health care system and we will miss a golden opportunity to meaningfully reform a broken system.

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