Business Journal

www.bizjournals.com/phoenix PHOENIX NOVEMBER 24, 2000

U.S. employee health insurance is at a crossroad

MY VIEW

Playing "Russian roulette" with our health is not a preferred option, however, employers and individuals are experiencing just this with each renew- al of their health plan.

As most currently are experiencing dou- ble-digit rate increases, the choices of less- ening the impact are becoming fewer and fewer.

The lower cost reflected in higher doctor office co-pays or hospital deductibles sometimes have only a minimal effect. And in most cases employers already have cho- sen one of these.

Employees are being asked to shoulder more of the increase along with the risk of dropping their dependents or even them- selves from the health plan due to cost. '

Many already have implemented a cafete- ria plan or premium-only plan that was used to offset a rate increase.

People who purchased an individual health plan with office co-pays are having to eliminate this favorite, although expen- sive, option.

Employers who are looking for health coverage for the first time are finding it dif- ficult, if not impossible, to even get into the health care system.

For the most part, this is because health insurance providers have a financial inter- est in covering the healthiest population. And there is the problem of premiums being "adjusted" at renewal to amplify a company's stock price.

Most health care insurers are requiring "risk" questionnaires of all employees and their dependents for groups of between two and 50 lives.

This is why initial bids on a health plan for employers and-individuals are speculative at best. Factors that may affect the final rate that is charged:

- A pre-existing condition that is "controlled" and has been for many years.

One or more pregnancies.

o A variance of 2 percent in the group demographics from the time of the first bid to actual enrollment.

Multiple medications, regardless of group size.

o Multiple locations, especially in **rural** parts of the state.

o Having a majority of women employees.

, A worker population that is predominantly past the age of 50.

o Groups with five or fewer employees.

And the fact that group health care is "guaranteed issue" does not mean the pre- miums will be palatable. Carriers can assess the group extra premium to cover some of the contingencies listed here.

When HIPAA, or the Portability Act, was enacted, health care insurers were allowed to increase their rates by 15 percent above their "base" rate to allow for "adverse" selection.

Compounding this is prior Arizona legis- lation allowing these insurers to offset the same assumption of adverse '**risk** by 60 per- cent above their "index" rate. These "base" rates and "index" rates are defined by statute.

However, the actuarial data that calculate the rate deal with factors that will affect the future costs of providing health care by insurers.

Unfortunately, predicting what health care will cost is, to a layman, is a "relative" science but one that is necessary for insurers to remain viable. Those purchasing individual health insurance are under even more scrutiny. Like small employers, there has to be enough premium to support the risk.

But unlike group policies-, individual health care companies, such as PPOs **and** indemnity plans, can "rider" or exclude existing health conditions in addition to charging extra premium. Managed- care companies are not allowed to do this, so with certain circumstances their only option is to deny coverage.

This issue of cost, whether it's group or individual, is going to get worse before it gets better.

We are at a crossroad. Either all parties who are active in the delivery of health care - doctors, hospitals, insurers, pharrnaceuticals, administrators of all types - need to search for a common ground **or-** we soon will all lose our ability of choice.

Henry C GrosJean is an independent ager and benefit adviser to the Arizona Small Business Association. He can be reached at 623-435-8400 or henry@grosl'ean.com.