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A WORD FROM RICH

A RICH MEYER PRINT

May 2019
ISSUE ONE

MEDICAL INSECURITY

A SUMMARY & TAKE OF THE UNITED STATES MEDICAL INSURANCE SECTOR

Medical Insurance Insecurity & Increase: Part I

In the 60s, medical insurance was a FRINGE benefit. Today, it's a CORE benefit. As a single person in the 60s, the last thing on my list was medical insurance because it represented less than 2% of my overall compensation.

For two years in 1971-1972, I worked in the insurance industry specializing in small group policies. The monthly individual cost was about $9.00, and for a family, it was about $14. These plans were basic but good. They required a deductible of about $100 and the insurance paid 80% of the costs up to $1 million. Employers were happy to include medical insurance in the compensation package. It was "a lot of cluck for the buck."

Today it's radically different. The Wall Street Journal recently cited the horrible situation that employers and individuals endure. The headline read "*Health Coverage Cost Firms $20,000 a Family*" per year. It goes on to report that employers are increasing the deductible such that workers paid on average $5,547 out of pocket, in addition to the employer's contribution.

If the median salary for a worker is $60,000, insurance represents about 25% of the compensation package - which no longer looks like a fringe benefit. A friend of mine who has 100 employees was recently distressed over an increase and quoted similar numbers, saying that insurance represents 22% of the company's net income.

It makes no sense to have a system that almost forces employers to be in the insurance business for the benefit of employees.

Medical Expense & Insecurity: Part II

For every $20 that we spend, about $4 goes to medical services. How can that be?

My CPA offers one perspective: “Let’s look at it from 50,000 feet high.” Thus, when we look at our medical expenses from the point of the gross national product of the USA, the answer comes out to be that about 20% of all expenditures in the US goes to medical services.

Follow the money. Medical costs are disguised all along the way. When we work for a Union or large corporation, we have some visibility - if we read the paystub. Corporations typically pay much of our medical expense. But, when we look at a typical fee of $20 for dinner and a beverage, we can’t see it because the price of the meal is based on the purveyors’ costs which include various “fringe” benefits. If you are like many of us, we tend not to scrutinize a medical bill of $3000 if the insurance is paying for it; but, if our restaurant started charging $30 for the same meal, we would not only notice it, we would probably look for alternatives.

So, let me tell you some of my experiences. I had a knee injury that required an MRI, and the doctor asked if I had insurance.

“Yes,” I said, “Its a 20% deductible.”

He said he would charge $3,000, but if I wanted to use the group nearby that cost $600 cash or credit card, I could do that. What that tells me is that $2400, or 80%, might be lost in our convoluted system.

Later a brace for the same knee injury was strongly suggested. The cost was about $3,000. It was paid for by Medicare which sends a copy of the bill for what they are charged. Nearly two years later, I saw another charge for the $3,000 brace. Trying to be a good citizen, I called Medicare to report it. The response was that they don’t handle the issue; I need to contact the purveyor. Ultimately, I failed to follow through.

I wondered if this is a conspiracy whereby everyone is marching to the same drummer, including me.

In 2004, I had the honor to run for Congress, and in that environment, a candidate has the opportunity to meet and talk to many. I met a doctor who practiced in California and Canada. The natural question was “How does the Canadian system work?”

He responded that the insurance system here is so convoluted that when he prescribes something, it needs clearance from the insurance company, then it is rejected, then he calls a decision maker higher up to debate the issue. Finally, he can prescribe the medication.

This seems like an overkill of administrative work that is a source of our high medical costs.

Years later, my friend Frank, a US citizen who had lived in Britain 20 years before, went to visit Britain on vacation. He became sick, went to the doctor, and to my amazement, he was still “in the system.” At no charge, the doctor prescribed a medication. And to my great surprise,

the doctor also was able to provide the medication. One-stop shopping! Can you believe that?

Frank didn't have to go home, wait for an insurance company to debate the issue, then go to a pharmacy and obtain the medication.

What I've concluded is that our system is too awkward and complicated. That's because it appears to be controlled by big business: Pharmacy, Insurance, and Finance. We need to change the system. We need to get control of our ship. And, we need the financial participation of the patient, to a modest amount, for pricing and payment of medical expenditures.

Skin In The Game of Health Care: Part III

When I was nominated for Congress in 2004, I developed a bipartisan national medical plan. It didn't get legs for various reasons – one being that it may have been too wonky with too many numbers. Yet, we must remember there are two kinds of numbers; one of which is the spiritual aspect that says the measure of a society is how well it treats the sick, the lame, the disenfranchised.

My proposal seeks to find an economic approach that satisfies the head and the heart of the individual.

To start, we need to recognize that all sides are correct: conservatives would say, "we can't afford it," while liberals would say, "we can't afford not to." I've been members of both parties and an independent. The answer to the puzzle is that we can do both. As we take a 50,000-foot overview, several issues pop up.

With all the wonderful newly discovered medical procedures, we must ask if we can limit some. As an example, my friend said that 50% of a person's lifetime medical expense occurs in the last two weeks of life. If so, we need to bring such an issue forward or address it as I have in my plan.

Then there is the issue of having no skin in the game. In my previous blog, I cited examples whereby the system does not encourage oversight by the individual. We only ask questions when part of the cost comes from our pocket. Another issue that is evolving is why should

people who try to maintain a healthy lifestyle be required to subsidize those who choose otherwise. This is not a new idea, premiums on many life insurance policies vary based upon smoker or non-smoker, blood pressure, weight, and other lifestyle choices.

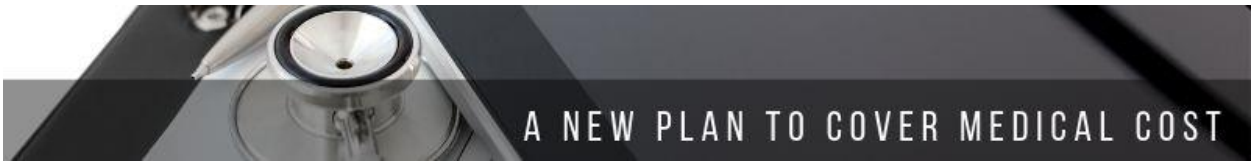
My Proposed Plan

1. The patient pays $40 per month to a health savings account. Thus, he has skin in the game. They get a free annual exam, and maybe a required physical.
2. The patient would annually pay 20% of the first $10,000 (up to $2,000) of the medical cost of which the health savings account can be used. If the bill exceeds the amount in the savings account, they run a deficit since they are established and in the system. We need to trust our citizens. They have skin in the game at this point.
3. Next, 100% of the allowed medical costs are paid by the government up to $1 million a lifetime. This ensures that the individual maintains skin in the game since it's limited. Every dollar spent reduces the unused benefit. Then, an individual could purchase insurance for amounts over $1 million which should be relatively inexpensive. The result is that:

    - Employers are no longer in the insurance/health business.
    - Governments have somewhat limited exposure.
    - Individuals don't need to live in fear if they change jobs.
    - Individuals will have an active voice in each medical decision.

My rough estimate is that the national price tag will be reduced by 25%.

Let's discuss concepts that could create additional reduced costs for people who choose to follow a healthy lifestyle.



A New Plan To Cover Medical Cost: Part IV

Reviewing *Medical Insurance Insecurity & Increase: Part I*, I pointed out that medical costs for a good basic policy in 1972 was about $100 for an individual and $170 for a family, per year. Today, prices for a family are $17,000+, a hundredfold increase.

In *Medical Expense & Insecurity: Part II*, I pointed out that every time we spend $20, about four dollars goes to medical costs; directly or indirectly. And, I mentioned my experiences and observations of some of the deficiencies of our system.

In *Skin In The Game of Health Care: Part III*, I outlined a simple universal plan which I believe would reduce our medical costs by 25%, or more, and whereby the individual has a vested interest in scrutiny of the costs and is encouraged to obtain an annual exam.

Now in part 4 of the plan, I suggest ideas that could reduce the overall cost by another 25% for some people.

In the world of aviation, as an existing pilot, I am required to have a periodic examination. This requirement saved my life. When I learned of a problem, I chose to make changes. First to save my life, and second, to again be granted the privilege of flying.

If our nation is going to provide insurance shouldn't we, the nation, follow the proven methods from the aviation world and require a modest periodic exam, so the patient and insurer understand the status of one's health? Employers frequently need the exam as part of the employment agreement; so do insurers.

Another question we need to ask, "Should we have a tiered rate system?" It's probably easy to do so in our advanced tech society. Suppose one person is a vegan who doesn't imbibe while another smokes, drinks, and enjoys heavy meats. Measuring which is which probably will show up in a medical exam. In my situation, I was surprised that the medics knew more than I did while I was in the ambulance for a few minutes on my way to the hospital after collapsing with a stroke. Insurance companies are partly in the betting business, or gamblers. So, the odds favor the person on a vegan diet. Why should they subsidize the other person by having the same rate?

And, what about addictions to opioids, drugs, and alcohol? Should our expenditures as a national provider have limits? I have regular contact with people in the recovery business,

which is booming and very expensive, yet its success rate is quite low. I recently met a person who said he had been through 18 recovery programs. EIGHTEEN! Are we wasting our nation's funds? The origin of the current era of recovery programs, which I witnessed, may provide a clue.

One of the first quality programs, other than Alcoholics Anonymous, was developed in a military environment at the VA in Long Beach, CA in the early 70s. The early proponents had a tough time getting the military to buy into the concept. The issue was that a person's personal choice was not the government's business. If a person didn't straighten out, they were expelled. Problem solved.

Then, someone put a pencil to the equation. For example, "If it costs us $200,000 to develop an officer and we expel the officer, then we have nothing. If we can assist the officer in the process of recovery and restore him to duty for $50,000, then we just saved $150,000." Thus, recovery got legs based upon economics.

Today, we often look at the world of healing with little regard to the economic impact that the disease has on society as a whole. I think we need to look at all aspects of health care as if we, as citizens, are indeed the insurance company paying the bill, which we are, directly or indirectly.
