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# EDITORIAL

## *Myths vs. Realities About Health Care Reform, Part 4*

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March 1, 2010

What a difference a senator makes. Our last installment saw the federal health care bills headed for a conference committee. If that happens now, the process will be a parliamentary maneuver known as "reconciliation". Everything we said about this ending up in the courts would still probably happen unless the finished product is substantially stripped down from what it was. Even we can't predict the short-term outcome at this date. Stay tuned.

There was a "road not taken" here. There are some things that could have been done in lieu of what is sloshing about Washington as this is being written:

1. Permit the purchase of insurance across state lines. This would not only increase competition in those states with 2-3 carriers but potentially reduce rate volatility. Interstate pools could be larger than the smaller risk pools that form within a single state, and this could help stabilize experience. This would invite more federal regulation of insurance, which is one potential downside, but even staunch libertarians have come to see this as a lesser evil than the crazy-quilt system now in place.

2. Revisit the question of mandated benefits. We have nothing against Viagra, artificial insemination, fertility drugs and the like for those willing to pay their own freight, but are these really the kinds of medical procedures for which the costs should be socialized? This is one example of a few items which should be reexamined along with the entire "mandated benefits" system. Our definition of necessity has become mixed up with that of entitlement, and this has resulted in a perverse system which sometimes green-lights Viagra for one patient even while denying a life-saving procedure or medication for another.

3. Allow the formation of a National Risk Pool. Several states have high risk pools, but all but a handful of these pools are small with long waiting lists due to limited funding from the states involved. A national pool would help spread the risk, especially since many "medically uninsurable" people aren't actively consuming medical care at a specific point in time. Examples are recovering alcoholics and addicts, cancer survivors etc. One of the arguments against such a pool in the past has been put forward by those who fear that this would be a "jump-off" for National Health Insurance.

4. Require a true actuarial justification of underwriting guidelines. Life insurance underwriting has a body of reasonably-transparent survival data that is used in the formulation of risk selection guidelines. Health risk selection guidelines, by contrast, are frequently opaque. A unilateral, arbitrary elimination of preexisting condition controls would destroy the incentive for healthy people to buy insurance, but a requirement that restrictions be actuarially justified would mitigate many admitted flaws in the risk selection system. The industry would complain vigorously at first but would adapt over time. Another discussion item might be the licensing of those who select risks based on a basic educational core. Those who sell the products are frequently required to have this; it would be fair and reasonable to have such requirements for those who actually select risks for these companies.

5. Equalize the tax treatment of individual and group medical insurance. Either both or neither should get a tax break. We favor "neither", but "both" would be a lesser evil than the current system, which places entrepreneurs and people working in service jobs at a disadvantage relative to corporate employees. If this were a marketplace disadvantage, we would have no reason to object, but it is a government-induced disadvantage which can and should be fixed.

6. Revisit the system of tax incentives regarding the health care delivery system. The insurance industry is far from the most important piece of the health care puzzle, and any solution that focuses solely upon it will not be a true solution. The cost center is the stock-model, for profit system of health care conglomerates. It wasn't always thus. Once upon a time, many of the hospitals and medical groups were not for profit. We don't know how to bring these back, but if we don't find a way, the stockholders and executives of these modern conglomerates will continue to need to generate maximum profits even if we somehow reduced (or even confiscated) the profits of the insurance industry. This is what stock companies do, it is their purpose. If we can't find a way to stimulate the formation of a reinvigorated non-profit system, everything else will be mere tinkering by comparison.

7. Allow the reimportation of prescription drugs. The most commonly-voiced argument against this is the

concern about fraud and counterfeiting, but stories already abound of that problem within the United States. A legal, regulated reimportation marketplace might actually be safer than the Wild West environment of the already-existing Internet kiosks.

8. Do some form of tort reform. This is not the magic elixir that some of its advocates claim it to be, but it is nevertheless true that malpractice issues keep some parts of the country virtually doctor-free in some specialties. Better insurance won't accomplish much if there isn't a specialist like an ob-gyn around to use it with.

9. Permit "medical tourism". Some countries such as India are set up to do non-emergency procedures more cheaply than we can here even factoring for flights and convalescence. We aren't proposing that everyone fly to New Delhi to get have their gallbladder removed, but in some cases this might actually be good economics. Where it is, let it happen. This would put more downward pressure on domestic market prices than anything government could conjure up.

These probably sound simple. Simple, but not easy. Number 6 especially is a Herculean task which probably requires study to find a way to make it happen. But right now, we aren't even asking the right questions regarding that topic. If we start, the answers may ultimately emerge.

We are going to take a little break in this series until we see what, if anything, emerges from the current debate in DC. Stay tuned.

Pages updated March 2010 by Tilford Consulting