

As seen in:

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Department *Insurance & Benefits*

Does Size Matter

This article deals with the age old question “Does Size Matter?” The usual “sometimes” and “it depends who you ask” answers should not prevent us from learning lessons that help us make better health insurance decisions whether we are individuals, business leaders, or governmental officials.

BIG IS NOT NECESSARILY BETTER

Healthcare and its financing have an unusual set of economic and social underpinnings that often prevent “big” solutions from working. For example, “buying coalitions” and “association plans” rarely hold up for more than a few years. Most PEO or “Professional Employee Organization” plans and other mass purchasing style health insurance plans are in this category. National healthcare, sometimes referred to as a single payer system, is a different issue and will be covered in a future article.

The logic of why these “big” health insurance programs fail goes like this. A new health plan is brought to market with fanfare, good benefits, low rates and sales are initially excellent. Often overlooked, however, are one or more underwriting fundamentals such as age banding. Each year’s inflation factor rate increase causes many in the plan to bid their coverage on the market. Each year, some of the younger and healthier plan members leave because they can find better rates and benefits. As time passes the “buying coalition” or “association plan” needs their annual inflation factor rate increase plus an additional rate increase due to a higher average age and deteriorating average health. As subsequent years pass the next level of younger and healthier members leave the plan. Ultimately, the plan goes into a “death spiral” with extremely high rates to cover the risk of an aging and sicker population. The “big” plan is cancelled by the health insurance company or it lingers on with no new sales, a constantly shrinking base, and outrageous rates.

Your objective is to attempt to always be in a professionally managed and balanced health insurance program. Start by not chasing the lowest costing plan being oversold by someone who is other than a health insurance expert. Stay with well established health insurance companies represented by experienced health insurance agents. Watch for signs of a sinking ship like poor service, large unexplained rate increases, no investment in automation, employee turnover, and not being presented with a range of companies and plans to select from.

SMALL CAN BE GOOD

On the other extreme one could argue that there are not millions of uninsured people; there are millions of self insured people. Additionally, one can argue that buying insurance for low costing frequently occurring predictable events like going to the doctor is not smart since this defies the definition of insurance. Many people save significant premium dollars by not having first dollar health insurance and by self insured these services.

However, all people should have a low cost high deductible health plan or a critical illness policy while they can qualify. These plans can be purchased through work programs like AFLAC “quack” or on the open market through one of the thousands of Arizona health insurance agents. Health Savings Accounts provide additional tax benefits. People not in good health need to find a way to get insurance. Options include employment or a complicated array of government sponsored or mandated programs such as COBRA, HIPAA, AHCCCS, Health Care Group, etc. Employer groups without a health plan or with significantly high rates should meet with experienced health insurance experts who will find the optimum solution for their circumstance.

FINDING THE SWEET SPOT

Many of us in the Airpark and throughout Arizona are fortunate to have reasonable health insurance from one of the many health insurance companies operating in our state. We may complain that the cost is high and the service is not always the best but we have coverage. Worthy improvements in healthcare and healthcare financing will happen over time through a combination of insurance company, government, employer and individual initiatives. Finding the sweet spot will require ongoing cooperation from us all. ☺

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