

If You Think That Healthcare/ Health Insurance is Expensive Today, Just Wait Until Its Free!

After weeks of standing by my mailbox waiting for a TARP financial bailout check from Washington, it looks as though I am not going to receive any funds. That's a shame, because a few million dollars would have helped me redecorate my office, and I had my eye on a very special \$35,000 five legged commode, a Bentley and possibly, a private jet. I am proud to be an American, and I was ready to do my part to help this economy! Stand up and be counted!

You may ask; "what is the relevance of TARP and a five legged commode to healthcare and this article?" They are the same geniuses in Washington that initiated TARP (without strings), who are going to undertake solving the American healthcare crisis, sometime in late 2009 or 2010. Makes you feel comfortable, doesn't it?

Yes, we do have a healthcare crisis in America. We have a very large number of uninsured, and although Washington tends to obfuscate when they throw around a number of 46,000,000, even one uninsured American is too many, especially the children! The "real" number is much smaller and, as such, the solution much easier than Washington would have you believe.

You may recall some statistics on the uninsured from one of my prior articles:

- The uninsured estimates are a byproduct of the Census Bureau statistics and have proven to be frequently overstated. For example, in Massachusetts, when they implemented their State plan, the actual number of uninsured was almost 300,000 less than the Census Department statistics.
- About 80% of the uninsured are employed or live in a household where someone works. We need to determine why they are not covered since 60% of all coverage is placed through employers.
- About 25% of the uninsured are eligible for a public insurance program such as SChip or Medicaid, yet choose not to participate. Why?
- Most of the uninsured are without coverage for only a very short time:
 - 37% (**over 17 million**) are without insurance for 1-4 months, probably between jobs and have not chosen to take COBRA.
 - 22% (**over 10 million**) are not covered for 5-8 months.

- 9% (**over 4 million**) are not covered for 9-11 months.
- 33% (**over 15 million**) are not covered for 12+ months. This is still too high, but perhaps a more scalable problem?
- Even the uninsureds have access to healthcare through the various safety nets and the ER.

Assuming that Congress can wrap their arms around the country's very serious economic problems, it is very likely that President Obama will attempt to galvanize support behind his campaign proposals for resolving the healthcare crisis, later this year. His program would:

- Require insurance companies to cover pre-existing conditions so all Americans regardless of their health status or history can get comprehensive benefits at fair and stable premiums.
- Create a new Small Business Health Tax Credit to help small businesses provide affordable health insurance to their employees.
- Lower costs for businesses by covering a portion of the catastrophic health costs they pay in return for lower premiums for employees.
- Prevent insurers from overcharging doctors for their malpractice insurance and invest in proven strategies to reduce preventable medical errors.
- Make employer contributions more fair by requiring large employers that do not offer coverage or make a meaningful contribution to the cost of quality health coverage for their employees, contribute a percentage of payroll toward the costs of their employees health care.
- Establish a National Health Insurance Exchange with a range of private insurance options, as well as, a new public plan based on benefits available to members of Congress that will allow individuals and small businesses to buy affordable health coverage.
- Ensure everyone who needs it will receive a tax credit for their premiums.

Reduce Costs and Save a Typical American Family up to \$2,500 as reforms phase in:

- Lower drug costs by allowing the importation of safe medicines from other developed countries, increasing the use of generic drugs in public programs and taking on drug companies that block cheaper generic medicines from the market
- Require hospitals to collect and report healthcare cost and quality data

- Reduce the costs of catastrophic illnesses for employers and their employees
- Reform the insurance market to increase competition by taking on anticompetitive activity that drives up prices without improving quality of care

On its surface, President Obama's plan seems to be a logical approach. However, in spite of the fact that the plan purports to perpetuate the current employer based system, creation of the National Health Insurance Exchange, to assist individuals and smaller employers in obtaining insurance, will gradually "select against" employer plans and will systematically destroy the employer based system. The current employer based system covers more than 160,000,000 participants and when polled, over 85% of plan participants said that they were pleased with their program.

The Democratic congress, and inexplicably, some Republicans, overwhelmingly favors eliminating the current employer based system and replacing it with a Universal System, similar to Canada, England, France and many other European countries. Given their geographical and cultural commonality with America, let's look more closely at the dynamics of the Canadian plan.

The Canadian system is a single payer system where there is a single source of money for paying healthcare providers. However, it is not a single national health plan. Rather, it is a national health insurance program which is based upon a combination of thirteen provincial and territorial programs, with one common thread. All of the programs have to be designed so that residents of Canada have reasonable access to **medically necessary hospital and physicians services**, on a prepaid and uniform basis. The National government manages the program and provides some of the funding; provincial governments govern the providers and also provide significant funding. In America, we actually have a similar program for Medicare, Medicaid and the Veterans Administration, except that the scope of their constituency is limited to seniors, the disabled and veterans, respectively.

When the American private healthcare delivery system is compared to the Canadian plan, based upon cost and outcomes, the Canadian plan is the model of choice. In the US, we spend far more on healthcare than is spent in Canada. (\$6,714 versus \$3,678 per capita). However, the universal perception is that we have far better healthcare in the US than Canada, yet the statistics would seem to indicate otherwise. Infant mortality is lower in Canada, Canadian life expectancy is 72 and age 70 in the US. In fact, the US has the most expensive healthcare in the world and is the only wealthy industrialized country in the world that does not have some form of universal

healthcare. When compared similarly, to nations like Japan, England and France, the US healthcare system is far more costly, life expectancies are shorter, infant mortality higher and the US system generally ranks behind these national systems. Could they be right and we have been wrong all of these years?

No. Like most of the other national health programs, the Canadian system is not free. There is a monthly cost of \$96.00 per participant. The national plan does not cover prescription medications, although some of the provincial plans may be more inclusive. Like our Medicare and Medicaid programs, there are exclusions and services that are deemed medically unnecessary, and are not covered. About 33% of the participants purchase free standing insurance products to supplement the national program and to provide coverage for treatment rendered outside of Canada. Unlike the US system, Canadians must request care and then wait before receiving it.

Based upon the most recent wait time statistics in Ontario, Canada, the targeted wait times are: (actual times are running slightly lower and each provincial plan may have different targets as well as different performance levels)

Service	Baseline Service Wait Time
General Surgery	121 days
Cancer Surgery	81 days
Angiography	56 days
Bypass Surgery	49 days
Cataract Surgery	311 days
Hip Replacement	351 days
Knee Replacement	440 days

The reason for the inordinate delays is simply a combination of gross over-utilization of free services, rationing to control costs and the fact that there is a lack of available equipment and trained physicians in Canada, in part, because many Canadian physicians have migrated to the

US to practice. As a patient, are you prepared to wait? As Americans, we have become used to virtually immediate treatment and state of the art technology. Will you be prepared to take a step backwards, albeit for free care? I doubt it! Time is money and if I had to wait 120 days for my MRI and then over another 400 days for my knee repair, my work would suffer as would my quality of life. Perhaps that's why I see so many Ontario license plates on the streets these days.

President Obama's plan suggests that we can greatly reduce insurance company processing and profit costs, estimated to be about \$1500 per insured per year, by moving to a universal plan. While that may be the case, let's look at why it may be the case. First, insurers are forced to include costly state and federal mandates in all of their plans, often things that make sense only to the lobbyist that twisted some politicians arm. In Florida, we have over 50 of these mandates and the Governor has just authorized a mandate free policy. Hooray! In addition, compliance with HIPAA and other state and federal operational mandates has burdened all payors and providers with outrageous expenses. HIPAA, alone, has added more than \$100,000 per year to my operational costs.

As you consider the various Universal Health proposals that come out of Washington over the next 18 months, consider the following:

- **Free** does not necessarily mean without cost to you. You have to learn to speak Washington.
- Universal coverage does not mean coverage without exceptions and limitations. Any universal plan will have limits. The difference is that the government will now be saying no rather than a carrier. Who will you appeal to?
- Are you prepared to wait for services? Universal plans ration treatment in order to reduce costs.
- Time truly is money. Can you quantify the financial impact to your organization if you or one of your key employees had a serious illness, and because of lengthy treatment wait times, was unable to work?
- Medicare and Medicaid are virtually bankrupt. Why should we expect that a universal health program run by the government will produce better financial results?
- Consider your Rx costs. The Canadian plan does not cover Rx. If you have to buy a standalone Rx plan, add that amount to your costs.
- Do you really believe that the organization that created TARP, runs Medicare, Medicaid and is cut from the same cloth as the organizations that run the post office and the state motor vehicle department, can do a more efficient job at meeting your benefit needs than

a carrier? If yes, you are a sick puppy, but probably a candidate for political office in Washington.