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# Rx

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For Health Care  
*The Advisors' Perspective*



Rx

INSTRUCTIONS

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# Rx for Health Care

## The Advisors' Perspective

The health care reform challenge is to bring uninsured Americans into the system and to reduce the high cost of health care for everyone. Of course, these two challenges are related and one cannot be solved without tackling the other.

The Association of Health Insurance Advisors (AHIA) has developed principles that would support a workable solution to our health care problems. The plan, utilizing these principles, will help lower costs and ensure coverage is available to all citizens—without resorting to new government programs or jeopardizing the high quality of care we enjoy and expect as American consumers.



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## **Provide Tax Incentives and Deductibility of Premiums**

Tax credits, full deductibility of premiums and other incentives should be adopted to encourage more businesses and individuals to purchase coverage.

## **Consider the Demographics of the Uninsured**

As a rule, the uninsured do not want to be uninsured. They want insurance; but they either cannot get it or cannot afford it. Higher premiums discourage people from purchasing insurance. An affordable basic benefit policy should be made available. Less expensive policies help the uninsured find affordable coverage and reduce the need for a mandate to buy health insurance.

## **Voluntary Coverage Preferred, Modified Mandatory May be Acceptable**

A voluntary approach to coverage is preferred. However, a given proposal will not be automatically opposed simply because such proposal includes an individual or employer mandate, so long as it includes appropriate safe-guards

designed to protect the vitality of choice, quality and competition, with such safe-guards to include but not be limited to:

- Appropriate cost sharing between employers and employees
- Establishment of affordable basic benefits packages exempt from mandated benefit laws
- Appropriate government subsidies for low-income individuals
- Availability of pooling mechanisms to which high risks may be ceded
- Real consequences for those that ignore the coverage mandate

## **Guarantee-Issue Coverage if Balanced with Maintained Coverage**

Some individuals are unable to purchase individual health insurance coverage in the private market because of their health status.



One approach taken by states to address this issue has been the enactment of guarantee issue legislation requiring health plans to offer coverage to all applicants. These well-intentioned reforms have often resulted in severe unintended consequences, including significantly higher costs for all policyholders. Elimination of all pre-existing condition exclusions would increase the cost of coverage unless coupled with an enforceable individual mandate. Guarantee-issue coverage proposals should include:

- Guarantee-issue coverage with no pre-existing condition exclusions
- Establish an individual coverage requirement with an insurance coverage verification system, an automatic enrollment process and effective enforcement of the requirement that all individuals purchase and maintain coverage
- Promote affordability by: providing refundable, advanceable tax credits for moderate-income individuals and working families; and promoting tax equity whether coverage is obtained through an employer or the individual market
- Ensure premium stability for those with existing coverage through a broadly funded reimbursement mechanism that spreads costs for the highest-risk individuals

## **Remove Legislative and Regulatory Barriers that Limit Insurance Options**

The Employee Retirement Income Security Act (ERISA) should be preserved so there is no disruption to the current employer-based health care insurance system.

Most Americans receive their primary health insurance through an employer—either their own or that of a family member. AHIA prefers reform efforts that build upon the employer-sponsored system.

## **Provide Assistance to Those Who Can't Afford Insurance**

Improve enrollment of children who are uninsured but currently eligible for State Children's Health Insurance Program (SCHIP) and Medicaid. Give states the flexibility to enroll eligible low income uninsured children in SCHIP or Medicaid when they qualify for other means-tested programs (such as free or reduced-price school lunches; food stamps; or the Women, Infants, and Children program).

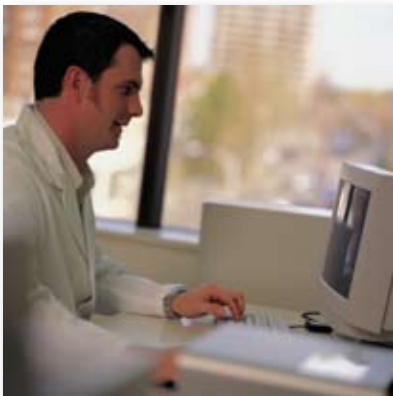
Make refundable, tax credits available for low-income individuals and families for the purchase of health coverage. The credits would

be used to purchase employer-sponsored insurance when an employer offers coverage.

Allow eligible employees to pay their share of the SCHIP premiums through the employer's Section 125 plan. As professional, licensed and regulated agents, we are enrolling the parent(s) in the employer sponsored plan. Enrolling the eligible children in the appropriate SCHIP plan is the next logical step.

## **Establish State Risk Pools**

Provide federal grants to states in order to provide health coverage for high-risk populations. States should establish high risk pools to meet the needs of the medically uninsurable. Funding of losses from such pools should be broad-based and not impose undue hardship on any single group.



## **Allow Affordable Coverage**

Insurers should be allowed to offer low-cost, basic benefit packages which are exempt from costly benefit mandates. Basic benefit policies should be structured to keep premiums low. A basic benefit package can be designed with specific benefits or specific cost coverage.

Develop consumer choice health plans which encompass a variety of approaches to health care financing designed to improve consumer awareness of the costs and quality of their care. Research has suggested that higher cost sharing along with identity of cost and quality of care reduces spending—particularly when compared to plans offering free care—with little or no adverse effects on health.

## **Eliminate Cost Shifting**

Efforts should be made to mitigate cost shifting by federal, state and self-insured programs. Artificially discounting the cost of care for these people not only results in higher costs and premiums to private payers, but also creates incentives for providers to avoid treating public patients.

## Reduce Administrative Expenses

Cost savings potential exists in reducing redundant and unnecessary health care administrative expenses. Those savings can best come from the efforts of competitive private health plans. Facts show that the alternative – government-run health care – is unacceptable because public health plan administrative costs are actually higher.

CMS 2008 annual reports of health expenditures show government health programs' administrative cost in excess of 14 percent (exclusive of the cost of collecting the taxes to pay for the programs). The same report indicates a comparable administrative cost of less than 10 percent for private health insurance plans.

## Establish Comparative Effectiveness Research

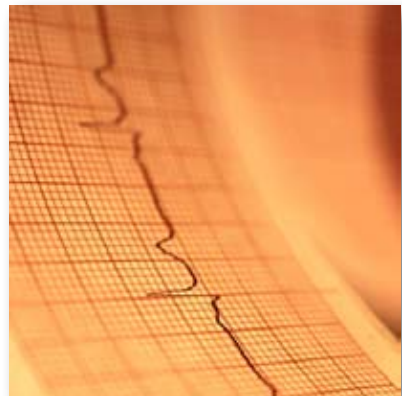
Significant evidence exists that more expensive care does not beget higher quality care. Research should be conducted to compare the impact of different options that are available for treating a given medical condition. Public and private insurers should incorporate the results into their coverage and payment policies in order to affect the incentives

facing doctors and patients. Initiatives should include:

- Evidence-based medicine
- Pay for performance programs
- Electronic health records
- Electronic prescription programs
- Hospital error reduction programs
- Wellness programs

## Increase Consumer Education

Over 70 percent of all health care expenditures is for medical conditions that are directly related to poor lifestyle choices or behaviors. These conditions are preventable. Consumers need to be personally responsible for those poor choices that impact their health and their need to consume health care services.



Increased education is needed to help consumers better understand their role in the health care marketplace. Providing consumers with information on fees and treatment options will lead to more price-conscious behavior. Education programs on disease prevention, proper diet and exercise will encourage healthier lifestyles, thus reducing the financial burden on the healthcare delivery system.

## Expand Wellness & Disease Prevention Programs

Cost-effective wellness programs and preventive medicine should be expanded. Chronic disease not only affects health and quality of life, but is also a major driver of health care and thus health insurance costs. According to the CDC, chronic disease accounts for about 75 percent of



the nation's aggregate health care spending - or about \$5,300 per person in the U.S. each year. In taxpayer-funded programs, treatment of chronic disease constitutes an even larger proportion of spending - 96 cents per dollar for Medicare and 83 cents per dollar for Medicaid.

Tax incentives for employers who offer long term wellness and disease prevention programs should be considered.

## Create Cost Transparency

If we want individuals to act as informed consumers of health care services, we must provide them with the necessary information. Providing information about payment rates, the quality of care and services empowers patients to make wise decisions about health care.

A recent survey showed that 68 percent of individuals who had received recent medical care learned the costs of their treatment after the treatment, 11 percent learned of the cost before treatment, 7 percent at the time of treatment, 11 percent never learned the cost and 2 percent were not sure.

## Reduction in Defensive Medicine

This could be accomplished by adopting a system of peer approved practice protocols, which would establish guidelines for providers to follow for specific procedures and impose limits on a provider's liability if such guidelines were followed in a non-negligent manner.

Enacting medical malpractice and tort reforms could save billions of dollars.

## Modified Community Premium Rating

Pure community rating will only continue to insulate individuals or employer groups who perpetuate poor lifestyle choices and behaviors.

Modified community rating provides the opportunity for those who take the initiative to improve their lifestyle and health status to be rewarded in a premium cost variance. Rating based upon individuals who present the same class characteristics should not vary more than +/- 30 percent from the modified community rate set because of health status, claim experience or any other factor. Provide Consumer Assistance

Choice, quality, competition and professional service must be a part of any health care reform effort. Licensed, regulated, fairly compensated, insurance agents offer a cost effective means of achieving personal and professional assistance in the selection of insurance coverage for individuals and employers of all sizes in all markets.



**About AHIA:** Founded as the official health conference of the National Association of Insurance and Financial Advisors (NAIFA) in 1990, the Association of Health Insurance Advisors (AHIA) provides advocacy, services, and education to professional advisors in order to support a private, competitive health care insurance marketplace. Visit [www.ahia.net](http://www.ahia.net) to learn more.



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