

## Response to Commentary on Health Insurance “Reform” March, 2005

Dear Dave,

You wrote, "Tell me I am wrong on this." Yes, you are wrong. But here is your full quote to bring everyone into the loop:

*Health Insurance "Reform": As I predicted in my 10 events of 2005, health plans are going into the investment business. The latest is BCBS of MN's partnership with Charles Schwab in their "Options Blue" program.*

*This allows members to move a portion of the HSA into an investment account, with the possible option of later opening a self-directed brokerage account with Schwab. This may eventually lead to conflicts of interest on bottom line fidelity of plans to premium payers, healthcare providers, and "investors."*

*In setting premiums, we could also see conflicts between those who invest and those who do not, as well as between those who invest at BCBS and those who invest their own HSA. Wouldn't it be better to assist people in receiving higher quality healthcare information than investment advice? Tell me I am wrong on this.*

**My comment:** (Bear with me in health econ 101 so that everyone is on the same page.) Indemnity insurance means you insure major medical (financial) risk with some company, but take your own risk for the high deductible. HSAs are nothing more than tax free money for the deductible. It is money you don't send into the insurance company. If you did not use an HSA type indemnity policy, you would have taxed money to spend on investments or whatever else you might want. But, if you save the money in an HSA for future health expense, it's tax free. With the HSA law, the indemnity insurance package has the same tax treatment as does the HMO package. This means new and very real competition for HMO/MCO corporations, a frightening aspect of HSAs to managed care folks and believers.

I know this is health econ 101, but follow me further. If you have put aside HSA money for future health care, you do not have to invest the savings with some off-shoot of the Blues (or UHG, another “banker”), but it is convenient and is a competitive area. You can decide for yourself where the savings are kept.

Now, how about those poor old HMO/MCO corporations that don't get to keep all the family medical budget for themselves and their stockholders when and if the patients don't spend get care? This is the old “use it or lose it” game for families where the corporate managers get to decide if what you, the patient, needs is “necessary” or is better used by showing fidelity to those many oft-criticized corporate goals or more recently to “quality” (as they define it).

Patient-centered quality of care has diminished wherever the family budget is controlled by a MCO--corporate health services in the U.S. and nationalized health services abroad. I hope we agree that systematic erosion of medicine's infrastructure by price fixing of services and

queues has created a quality problem in all developed nations dominated by MCOs--including the US. The literature reveals no MCO nirvanas anywhere but does show MCOs adept at transferring onto clinics the blame for managed care system failure. The MCO folks denigrate clinic care as incompetent, indolent, or avaricious (too much variation, too little care, or too much care). The real culprit is the creation of infrastructure erosion as noted above as well as the sheer incompetence of a few MCO managers asked to regulate a too complex micro economic sector like medicine where millions of transactions take place daily between millions of people.

Therefore, I don't think all the protestations of MCO managers about now "needing" all the money for (their brand of) "quality" (or anything else) is an argument that any but the most gullible should buy. The fact is that given the system, MCO folks have not been able to control politically driven ("free" care) inflation. Note that inflation is more covert abroad but little different from here as spending is 92% related to national income in developed nations; (*Newhouse, J.P. The Economics of Medical Care. Addison-Wesley Publishing Co., Reading, Mass., 1978:85.*)

MCOs have not been able to deliver quality patient-centered care even though for over a decade they have controlled most of the family medical budgets in America. (MCOs are 90% of commercial health insurance). The literature reveals that variability and quality of care are the same in all developed nations: (1) *Newhouse, JP. Why is there a quality chasm? Health Aff. 2002;21(4):11-25; Hussey PS, Anderson GF, Osborn R, Feek C, McLaughlin V, Millar J, Epstein A.; (2) How does the quality of care compare in five countries? Health Affairs 2004;23 (3):89-99., McGlynn EA.; and (3) There is no perfect system. Health Affairs 2004;23(3):100-102).*

With HSA indemnity insurance policies starting to roll, MCO managers will fold or have to become indemnity companies and encounter real competition like in any other area of casualty insurance. It sounds like they are learning and in the case of the Blues, are recommending some reputable investment firms to families with savings. I think it is time to let families keep part of the premium money and bank it where they want. Sounds to me like the Blues (and UHG) know what they are doing, and that Americans can regain control of the family medical budget with HSAs. The pity is that policy makers and MCO managers abroad are so locked into their authoritarian systems, that they are decades away from the kind of changes nascent in the U.S. I suppose their government-backed draconian measures will keep their economies from going bust while we will be enjoying real control of inflation and real quality of care as families regain control of their medical budgets with those health care savings you have worried about.

So yes, Dave, you are wrong. There might be problems with the new HDHP packages, but not the ones you mentioned. Keep up the good work--I enjoy your insightful Commentary notes.

As always, best personal good wishes,

Robert W. Geist, MD