

**Unintended Consequence
We Could All Live With**

By Dick Goff

Since we don't have the ability to accurately read the future, we are always surprised by the side effects of big events. These are known as unintended consequences and they can be either positive or negative. One example is learning that the common pain reliever aspirin can help prevent heart attacks or strokes. That's certainly a positive unintended consequence.

I believe that in future years we will look back on the advent of ObamaCare in 2010 as the time the migration of employee benefits toward self-insurance and alternative risk transfer gained momentum, and that will be known as a positive unintended consequence of the federal government's clumsy attempt to dominate healthcare.

While there is no discounting the frightening "big brother" style mechanism that has been forced upon us by the current occupants of the politburo, there remain opportunities to apply nimble, creative ART methods to keep control of healthcare plan design and costs.

I believe we can stay in the healthcare business – and even thrive! – while meeting the surface objectives of ObamaCare, which are to extend coverage, restrain costs and protect individuals from their own bad behavior. By that latter point I mean ratcheting up wellness plans to condition people against their unhealthy excesses of gluttony, sloth and smoking, which practices are said to account for a majority of all chronic health conditions.

I'm betting that ObamaCare will have the unintended consequence of spurring a proliferation of captive insurance companies that will provide healthcare benefits more efficiently than anyone in the government could imagine.

The model is not experimental: it's been available for a while but never carried such urgency as now. Nearly anyone can play: a large employer, an insurance company,

a TPA or MGU – any organization that can aggregate a number of lives to exploit the principle of large numbers.

The sponsoring organization – one of the above structures or even a trade or professional association – can form a captive and take as a partner a traditional health insurer to issue medical policies that appear to be fully insured. In practice, members of the captive may opt to hold first dollar coverage as if they were self-insured plans. The fronting company would cede a layer of stop-loss to the captive that may be structured either in segregated cells for individual plan security or in a pool that spreads the risk. The level of catastrophic risk retained by the fronting company would come at far less premium cost than conventional insurance.

This ART structure could accommodate employee-and-dependant groups of any size, even down to the mom and pop consultancies or service firms that have proliferated in the age of decentralized technologies. Remember, most of the uninsured Americans work for small businesses that have not been able to afford health plans of their own.

That looks to me as if we have accomplished the long-pursued goal of association health plans, and without forcing legislation through Congress, which is the political equivalent of pounding sand.

Benefits captives would be able to manage pre- and post-loss risk with an emphasis on wellness as cited above. They would establish and control their own PPO networks and negotiate with hospitals to achieve transparent menus of costs. Don't stop there: add pharmacy, dental, eye care – what the heck, throw in some benefits that those HHS gumballs would never think of. You talk about mandates? We'll call your mandates and raise you a few.

Such an ART mechanism would become the vital supply chain of revenue rather than just a small fish in the big self-insurance pond. It would enjoy the leverage of millions of dollars in premiums with accountability, efficiency and control.

I know of three kinds of organizations that are currently edging toward this scenario: a retail benefits agency with its own in-house production force; an independent producer, and a benefits wholesaler.

Those alert to ART opportunities share the ambition to still be doing successful business when ObamaCare really kicks in four years from now. But sad to say, without

taking the control that ART provides, many benefits service providers will join the buggywhip makers and blacksmiths in the museum of obsolete enterprises.

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