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Addressing 'medically uninsurable' instead of costs is illogical

To the Point

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I think it is safe to say that the overriding consensus among Arizonans is that health insurance costs seem excessive.

The Flinn Foundation confirmed this when it revealed that over a half-million of Arizona's citizens are without health insurance, yet 80 percent of them are employed.

The one issue, however, that is being addressed by our 40th Arizona Legislature is the fact that of these uninsured, about 1 percent are classified as "medically uninsurable," which means some medical condition precludes them from obtaining health insurance.

Several health legislation models, which conceivably will end up as bills, are being considered: allocation, reinsurance and risk pools. These potential bills, whichever one is decided upon, address this issue of the medically uninsured.

For example, more than 20 states now have risk pools, with Connecticut enacting theirs last June. It is designed for employer groups of three to 25, with health insurance being issued on a guaranteed basis.

Employees within the Connecticut risk pool answer health questions with point values being assigned for each "notable" health condition. Collectively, these points dictate whether the premiums will be discounted, standard or "loaded" (extra premium).

If a group is charged anything over 200 percent of the manual or standard rate, it is then assigned to the state risk pool, in which the insurance carrier can cede only \$5,000 on any one claim and must absorb the rest.

Interestingly, one insurance company I talked with in Connecticut has had a 40 percent increase in new business under this scenario. It credited this increase to its "expertise" in medical underwriting.

The risk pool model being touted here in Arizona would allow medically uninsurable groups as well as individuals to "buy into" the Arizona Health Care Cost Containment System (Arizona's statewide Medicaid program) and the Health Care Group.

It was surprising to hear testimony at one of the state Senate committee hearings as to the alleged lack of insurance plans available to small employers throughout Arizona. Here again, the issue of being dangerously unaware continues

to be symptomatic amongst the so-called "experts" who provide self-serving, erroneous information to our state Legislature.

There are, in fact, more than 50 health insurance plans available statewide for employer groups of one, two or more, several of which can be obtained on a non-medical underwriting basis. But this seemingly significant information appears to be but a footnote when dealing with this issue of the uninsured.

The two other models being considered are that of allocation and reinsurance. They are similar in many ways, in that they would increase the availability of health insurance to small employer groups of between three and 25 lives. They also would provide pre-existing condition limitations, guaranteed renewability of coverage and premium rate restrictions.

The primary difference between the two models is the sharing of risk among the insurance companies.

Under the reinsurance model an insurance company could elect not to participate in the risk-sharing mechanism (reinsurance) and simply assume the liability of insuring an individual or group that is deemed medically uninsurable.

Insurance companies that decide to participate would pay a premium to a reinsurance pool to cover losses in excess of \$5,000 a year for each individual.

In addition, if there are any excess losses to the reinsurance pool, they would supposedly be offset by further assessments to the participating carriers and from other funding sources, which were never clearly defined at the committee hearings.

Those insurance companies that decide to opt out of the reinsurance pool would have to offer their products on a guaranteed-issue basis, meaning that no health conditions would preclude a group from obtaining coverage.

Unlike reinsurance, allocation would require that all insurance companies participate and would call for them to accept medically uninsurable groups by way of a state program.

Insurance companies would be allocated a percentage of the groups that have medically uninsurable individuals, according to the number of lives they currently insure in the state.

Interestingly, by its design, the allocation process sets up a different treatment for the very groups of people the model attempts to reach. Under this model, high-risk groups have limited (if any) ability to control how they obtain their health coverage.

They would be assigned to an insurance company, and employees within the group

could view this treatment as a penalty for having a high-risk individual within the group.

What kind of negative peer pressure does this model encourage? Is this simply

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an exacerbation of the problem we currently have with high-risk individuals being stripped out of groups and thrown into high-risk pools? Is this an acceptable outcome?

And then there is the issue of having access to the insurance company of your choice, which is inherent under reinsurance but not allocation.

What will employees think if, in guaranteeing them access to health insurance, they are told they must go to the carrier the state assigns them? What if that carrier does not offer the range of benefits or cost control the employer is seeking? What will the employees within that group think if they're dissatisfied with the carrier they are assigned?

Under allocation, they must wait two years before they can be reassigned to a different insurance company, and I wonder whether this would be an acceptable response to employees.

Not surprisingly, none of these models was able to project the inherent administrative costs that would come as a result of their implementation.

Furthermore, the only projections as to the effect the three models would exhibit on the current rates being charged for group health insurance was that they could cause an increase. Obviously, by the time each of these models — allocation, reinsurance and risk pools — are in bill form and viewed by the entire Legislature, they will be materially different than what was heard in committee.

When the uninsured question is looked at from the logical viewpoint, instead of what is politically expedient, one wonders if we need to substantially alter a system that is able to insure 85 percent of Arizona's population.

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