



Health Insurance Rates in a Nutshell:

The demystification of health insurance rates?

By Grethe Langeland Dillon, AAI

There are a few things I think everyone should know about health insurance. First, how their state works, and what the options are, there. Second, if health insurance is obtained through one's employment, one should know how health insurance plans are administered, who at the employer-site is in charge of them, and how much they cost the employer. Third, everyone should know what "Cobra" is and isn't. Today, the third is a little harder because things are changing! Lastly, I will briefly touch on why rates are "high" and what this might mean to us, as a society.

Let's take the state of Minnesota, where I am currently the most familiar. We have three main carriers, as well as an assigned-risk pool of sorts for people who are declined coverage elsewhere. Blue Cross Blue Shield, Medica, and Health Partners all offer different types of individual plans for different rates with different options. Obviously, the more comprehensive the plan with the most covered costs the most. Pay careful attention to maternity benefits and prenatal care if you are a woman of child-bearing age. Health insurance is not cheaper if you buy it directly from the carrier. In fact, I heartily recommend against it, as it only makes sense to evaluate more than one "brand". An independent agency, like mine, can guide you through the process of evaluating the coverage options and applying for coverage. (This is not a "get-rich" scheme in our office. We are paid about \$130 per year for each health insurance application...and it takes quite a bit of time to help someone choose the right one and go through the application process). In the state of Minnesota, rates vary depending on if you are a smoker (in the last 24 months) and whether or not you elect chemical dependency coverage. Individual health insurance can mean you, your kids, and, in some cases, your family. All individual plans will allow you to exclude a family member who is covered elsewhere. This is good-you pay for what you need.

But, what if you are in bad health? Years ago, our state created the Minnesota Comprehensive Health Association, or MCHA for short. MCHA offers health insurance to people who are turned down by the big three. MCHA is funded in roughly two ways: 50% by premiums from their clients, and 50% (or so, this can get political) by assessments to insurance companies. This could be called a tax. For example, Blue Cross Blue Shield writes so much of the health insurance in Minnesota, so it is charged a percentage or of so much or an assessment to the MCHA. (The problem is that self-insured companies, like large companies who run their own health plans, are exempt from this assessment...and so small businesses and individuals pay more in their premiums to go towards the MCHA than large companies, which doesn't really make any sense, if you think about it.) The MCHA rates are about 120% of what rates would normally be, and the things that MCHA covers are decided by our state government-which means normal stuff and then maybe some autism treatments you wouldn't find elsewhere...these things can get complicated. In short, in Minnesota, there really shouldn't be any reason to be uninsured except for true poverty.

What about health insurance that you get through your job? What should you know about that? I want everyone to know how much it costs the employer. That is right, the employer. One needs to be able to calculate what the benefit is to oneself. When can the benefits change? (The answer is once per year, at a certain time.) Group insurance rates are calculated differently than individual rates. The employer defines who is eligible and when. They must capture about 50% of the eligible employee population to want to be "covered" and they must pay at least 50% of the employee premium. When the employee signs on to the employer plan at the eligible time, they cannot be excluded from coverage due to health condition-BUT, the employer rates could go up substantially at renewal if the employer group is "sick". Employers are charged a "rate" based on a scale of 1-12. If they are a very expensive group, they will be a "12". You can imagine if one is an employee paying 50% of the premium of a "12" group, they might be paying a lot more than they might pay on their own. Fellow employees' health DOES affect our pocketbooks!

So how about "Cobra"? "Cobra" is what we call a federal law that states that employees must be offered the chance to pay their own full premiums from their former employers' health plans. Obviously, now that one might understand the above "tables", it makes sense to shop when one leaves an employer. If one leaves an employer who was a high table, it is entirely predictable that individual health insurance might be preferable rather than Cobra. If one thinks about it, it doesn't really make sense to say, "Cobra is expensive." In that sense, one is comparing too many things for that sentence to work. One, how the former employer was rated; two, how the former employee is interpreting the premium-from an employer who was paying 100% of it? Or from an employer who was paying 50%?, and three, if the "Cobra" has been compared to other health insurance plans available to the employee.

It would be completely legitimate to be caught in a difficult place with "Cobra". For example, let's think about a family with a family member in the middle of a medical situation-like expecting a baby, or even in a treatable cancer situation. (Not that babies are a "situation"-I have four! But, let's assess the medical possibilities, here). Let's further suppose that the employee has not left his/her job voluntarily, and that the employer was paying 100% of the premium prior to the job loss. Now, we have someone who has no notion of what the insurance "cost", and they can't shop around for alternative coverage. That is a true situation...which may mean that one may have to make other choices in order to continue to afford something not previously budgeted.

Cobra has been an eighteen month thing paid for completely by the terminated employee. But, with our current economic situation, our government is stepping in to pay as much as 65% of the premium and benefits continue to be discussed relative to their longevity.

So what is a fair cost? And, is there a culprit we could "exclude" in order to save everyone money? First, I would have to say that as a long-time agent, I do believe that Chair people of most very large organizations tend to be over compensated. I just don't believe that anyone's leadership is worth millions and millions of dollars...but how do we define that? I won't try, here. There are a lot of areas that are troublesome, but most of them, in my opinion, are in our perceptions. First, a health insurance premium for a family is equivalent to a fairly nice car. There are an awful lot of fairly nice cars on the roads in Minnesota.

Instead of blaming the lawyers for driving the costs of malpractice (hey, those guys serve a purpose!), or the doctors (who stayed in school longer than most of us...but don't really make that much money, if you think about their salaries and their workloads and hours!), or even the insurance companies (who are mostly comprised of careful people in cubicles just doing their jobs for modest wages), I think we have to look at a little of a lot of things. First, the CEO pay. We have to figure this out. Second, the last part of life is fraught with significant medical expense. I think we need to make our own living wills and spell out what we really want in our final days with an idea of reducing cost as well as pain. We can't sacrifice our humanity, but is that last six weeks worth millions of dollars in our remaining years of life? There will always be a conundrum of compensating the costs of research I don't know about that. Third, we need to educate ourselves on "Cobra". As you can infer, having our government spend 65% of someone's unhealthy employer group Cobra premium is wasted money compared to them buying an individual policy on their own-but Uncle Sam didn't offer to help pay for that, so we can't expect folks to leave those plans and pay more on their own. But that little wasted bit of money will take the form of higher taxes to you and me in the future. There is no free lunch.

Finally, I think we need to make hospitals streamline their fees so that they are fair to all. They can't charge Medicare (read, your taxes) one rate, someone off the street paying cash another rate, and then different health insurers another.

I will digress here to rail briefly about that system. When everyone reads their health insurance bills, they see that the insurance company significantly "reduces" the hospital bills. When a hospital quotes their write-offs due to uninsured people, they quote these higher charges that no one pays that were "written off". Let's do away with the concept of a buying club in the form of a "preferred rate" and get smart about what we are reading/talking about. Let's level that playing field so that we can all weigh in on some the costs that affect us all. To evaluate health care as only applying to one's pocketbook without contemplating the delivery of the health care benefits/dollars and taxes is therefore not effective.

I would encourage us to consider health care somewhat similarly to driving a car. Everyone needs to be able to get to work and the grocery store, and through life. In Minnesota, it is rather difficult to live without a car in most places. We don't, generally, express the high costs of driving a car with a sense that it should not cost us something. We need to adopt a similar perspective towards health care, and take the time to evaluate the coverage, options, and entire system in order to take part in making the system more effective for all of us.