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A novel idea: Health insurance you take with you

By CHERYL HALL / The Dallas Morning News

John Goodman, the father of health savings accounts, has embarked on another crusade. He wants a new form of corporate medical insurance that goes with employees who leave their jobs or get fired.

He calls it personal and portable health insurance. And he's pushing for legislation to make these individualized policies possible.

Dr. Goodman predicts an uphill battle with an industry that he sees as mired in old-line thinking.

His motivation?

The 58-year-old founder and president of the conservative think tank National Center for Policy Analysis in Dallas sees an alarming yet understandable phenomenon in corporate America.

Companies are designing health plans that subtly encourage job applicants who need more health care to seek employment elsewhere.

How?

New hires often must wait longer for medical coverage, he says. And the typical group plan's low co-payments for routine check-ups, visits to general practitioners and outpatient services are geared to healthier folks.

Go into the hospital for surgery, Dr. Goodman says, and you'll pay through the nose with high deductibles.

"The best way to keep health care costs down is to hire the healthy and avoid hiring the sick," Dr. Goodman says. "That trumps wellness programs, managed care and every other suggestion out there.

"Nobody admits to doing this. But if you ask yourself, 'If I were sick or knew that someone in my family was going to have large medical bills, would a high-deductible health care plan be attractive to me?'

"Increasingly, the answer is no."

Rogers Coleman, retired president of Blue Cross Blue Shield of Texas, agrees. He says some employers even use covert tactics to dissuade applicants with significant illnesses. "In the inquiry process for employment, they try to find out about these things and then tell folks, 'You know, you probably wouldn't be happy here.' "

Are insurance companies the driving force behind this?

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"It's simply the way industry works: Healthy people get lower rates than sick people do," says Mr. Coleman, who retired in 2001 after 25 years in the business. "If you're a small employer and have somebody with artery disease or diabetes or a chronic illness, you're hard put to pay premiums that insurers will charge."

Full-time, store-level employees at Wal-Mart Stores Inc. now have to wait six months – up from three – before they can get medical help on the company's plan. During the first year of that coverage, the benefits max out at \$25,000. The world's largest retailer won't say why it changed its policies in 2002, except to say it was moving more in line with industry norms.

'Adverse selection'

Dr. Goodman says Wal-Mart isn't being stingy or mean-spirited but is acting out of self-preservation.

"They were getting hit with adverse selection. People who were way overqualified were taking jobs there because they needed the generous health care coverage for themselves or their families.

"If you're an employer and want a healthy workforce with as few problems as possible, have a health plan that is only attractive to healthy people. It is not rocket science."

Dr. Goodman's not espousing this, is he? "No!" he fires back adamantly. "I think it's horrible. But as a small-business employer, I understand it very, very well. I want to be able to hire people based on their skills and not their health. If we had better laws, we'd still have a great health plan at Wal-Mart."

Dr. Goodman is a conservative renegade.

He believes the free-market system will, in

fact, set you free when it comes to health care. That's a widely unpopular view within the health care industry and one often dismissed as unworkable by politicians.

But, he says, it goes with the territory. "We interject new ideas into the public policy debate. If I were happy with the way things are, I wouldn't be doing what I'm doing."

Dr. Goodman, who grew up in Waco, studied economics at the University of Texas at Austin and Columbia University, where he got his doctorate because it was the only subject he could ace without studying. "Economics is 95 percent common sense. So it was natural fit for me."

He was in his mid-30s when he introduced a bold initiative called a medical savings account. In 1984, his concept was largely ignored. In 1990, only six congressmen agreed

to give him an appointment to discuss it. In 2004, a federal law made Health Savings Accounts available.

He hopes to pull off a similar feat in much less time with portable health insurance, which marries group coverage cost savings with individual policy choices.

These plans would be similar to 401(k)s: Employers would set up and help fund them, but employees would own and keep the policies as they move through the labor market.

"When you go to work for an employer, you know how much the employer is going to contribute to health insurance each year and what extra portion you'll pay out of pocket to buy the type of insurance you want," Dr. Goodman explains. "Employers don't have to worry about who's sick and who's healthy. Employees don't have to worry about losing

coverage if they lose their jobs."

Legal obstacles

Dr. Goodman was trying to find a solution for his staffers in 1998 when he proposed the idea to Mr. Coleman, then head of Blue Cross Blue Shield of Texas, while chatting on a plane. "The next thing I knew," Dr. Goodman recalls. "I was sitting in a meeting with his actuaries formulating a plan."

But then he and Mr. Coleman hit legal snags. Ironically, the Health Insurance Portability and Accountability Act has created a roadblock to portable insurance plans because it prevents employers from using pretax dollars to fund them.

The next step is to determine the specifics of how to offer a portable health plan and then craft suitable legislation. Republicans seem to support the concept. Some Democrats have raised

objections, saying that employers' costs would be fixed while individuals paid for premium increases.

Dr. Goodman says he's received wide-ranging support, "even among liberal Democrats."

Did they know he was behind it?

"Yeah, yeah," he says, chuckling heartily. "They knew."