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Who's minding your health care? Could be you

Bush, employers push consumer-driven plans to bring down costs

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The nation's last epic battle over health care ended in a high-profile failure for the Clinton administration.

Now, President Bush's plan, outlined last week in his State of the Union address, seeks to stem the health care crisis by forcing consumers to take more responsibility for reining in costs.

The idea is that consumers would be loath to spend on unnecessary health care when they have to pay for it themselves. And as they become savvier about costs, providers would respond.

Critics say that the president's approach toward consumer-driven health care favors the healthy and the wealthy and represents bad news for most employees.

Yet even as consumers, employers and health care providers all seem to agree the system is broken, few seem willing to swallow radical change.

"Nobody is really willing to come in with the kinds of initiatives that would both guarantee some level of coverage to everybody and get rid of some of the inefficiencies that are out there," said David Warner, a health care expert at the

University of Texas' LBJ School of Public Affairs.

Everyone agrees there's an underlying crisis in the health care system. The nation spends \$2 trillion annually on medical care. That's 16 percent of the economy, almost twice the average spent in industrialized countries.

One out of every six people in the U.S. is uninsured, unlike in other modern economies where citizens receive universal health care financed through taxes.

Projected cost increases in the big government health programs, Medicare and Medicaid, are widely viewed as unsustainable.

In the private sector, insurance premiums rose 73 percent between 2000 and 2005, according to the Kaiser Family Foundation, a nonprofit group that specializes in health care issues.

Over the same period, the average employee contribution to health care, including premiums and out-of-pocket costs, more than doubled to \$2,810 per employee, according to a study from Hewitt Associates, a human resources consulting firm.

Many employers, particularly smaller companies, are simply pulling back from offering health benefits. Only 60 percent of all employers offered coverage in 2005, down from 69 percent in 2000, a Kaiser survey found.

Employers say soaring health care costs are taking a big bite out of their bottom line. General Motors and Ford have cited the exploding cost of health care as one of their largest challenges.

"Employers are trying to reduce the total cost of health care or shift it in a specific fashion to people who won't change their lifestyles," said Linda Cushman, a senior health care strategist at Hewitt, which manages benefits for large employers such as Dallas-based TXU Corp.

Texas is shaping up as a key battleground in the debate. Employers in the state have been among the first to experiment with consumer-driven plans because the large uninsured population pushes up health care costs in cities such as Dallas and Houston.

"We see innovation in Texas," Ms. Cushman said.

At Texas Instruments, after doing everything it could to retool its

insurance options, the company has gone back to square one.

TI is putting more focus on its wellness programs to deal with chronic health problems such as obesity, diabetes and heart conditions

"What we realized, and what many employers realized, is that we had done all that we could possibly do in terms of reining in costs through managed care," said Lola Chriss, manager of health benefits and occupational health at the Dallas-based semiconductor maker.

"We have to find a different way of getting employees engaged in managing their personal health."

Clinton's plan

When President Bill Clinton first pitched universal health care coverage in 1993, the plan drew support of business leaders who thought their companies had been subsidizing the uninsured population through higher insurance premiums. Hospitals are required by law to treat anyone who needs emergency care, whether insured or not.

But as interest groups' requests were met and the solution became costlier, business backed away from the Clinton plan.

Critics also feared that such dramatic change might threaten innovation in the U.S. health care system, which has produced many of the world's most important medical breakthroughs.

The alternative became increasing use of cost-conscious plans from health maintenance organizations. HMOs initially stemmed rate hikes. But a backlash from consumers and providers, along with a stronger economy in the

late 1990s, loosened restrictions and sent prices back up.

Health savings accounts

Enter consumer-driven health care, which many employers now see as a way to control costs through market forces.

Bush administration officials say health savings accounts, with their built-in tax benefits, could help small businesses and uninsured workers afford health care.

Employees with health savings accounts can keep a portion of pre-tax income to pay for health care costs. Employers are allowed to contribute to the accounts as well, but not all do so.

Account holders are required to carry a catastrophic insurance plan to pay for costs above the deductible, at least \$1,050 for individuals and \$2,100 for families. The accounts belong to employees and can be taken from job to job, just as 401(k) retirement savings are portable.

"We're talking about moving to a world where individuals would own their insurance," said John Goodman, president of the National Center for Policy Analysis, a think tank based in Dallas that advocates market-based solutions to public problems. Mr. Goodman was one of the first proponents of health savings accounts.

But some warn that while consumer-driven health care might help employers control costs, it will leave most employees spending more on care. Employees will have to foot the first chunk of spending for everything from emergency visits to the births of their children.

"It's really not to the advantage of the employee," said Pat Schoeni, executive director of the National Coalition on Health Care in Washington, D.C.

Skeptics worry that consumers will skimp on preventive care if they have to pay for it out of their own pockets, leading to more expensive conditions down the road.

"People will put off prevention, which is what annual physicals are, or put off getting flu shots for the kids," Ms. Schoeni said.

Texas Instruments isn't using health savings accounts and doesn't offer high-deductible plans for its employees.

"When individuals are focused on the catastrophic care that tends to be the mindset with HSAs, you don't have opportunities to deal with some of the health care needs that are really preventive in nature," Ms. Chriss said.

Preventive care

Many consumer-driven plans do pay for preventive care, said Daryl Richard, a spokesman for UnitedHealth Group, the Minnesota-based insurance giant. Mr. Richard reports a high degree of interest in consumer-driven health care from employers of all sizes. Moreover, such plans are already showing benefits in restraining the growth of health care costs.

Health savings accounts were launched in 2003, so it's too soon to tell how widespread they will eventually become.

More than 1 million such accounts exist, according to America's Health Insurance Plans, a health insurance industry trade group.

Since some accounts cover more than one person, the trade group estimates that about 3 million people currently receive health coverage through high-deductible plans with health savings accounts.

For those with the plans, of course, not every choice is as stark as whether to get care when they're sick.

Consumers may also decide to telephone a nurse practitioner instead of visit a doctor in some cases, said Claude Snow, vice president of Plano-based Electronic Data Systems' health insurance industries division.

"Let's say I have a cold or I think I may have the flu. Do I really need to see my physician and pay – between me and my insurance

company – \$145 for an office visit?" he said.

A nurse practitioner could review the patient file, offer a limited diagnosis and a prescription over the phone.

"If you don't get better in a few days, you go see the doctor," he said.