

DOCTOR'S DIGEST PODCAST



The Health Insurance Dilemma

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If there's one thing everyone agrees on, it's the fact that our healthcare system in this country badly needs fixing. Patients, physicians, healthcare institutions, and even the federal government have voiced complaints. According to one study, the United States spends more than twice as much per capita on healthcare as five other developed countries; yet, compared with those same five countries—Australia, Canada, Germany, New Zealand, and the United Kingdom—we ranked last or near-last on various measures of quality, access, efficiency, and health outcomes.

Exactly how much are we spending on healthcare in this country? Over two trillion dollars a year! And that figure is expected to more than double in the next decade. Despite what we're spending, Census Bureau statistics tell us that sixteen percent of our population is uninsured, and that number, too, is growing steadily. Many more people have some insurance but are underinsured, and they may discover too late that their insurance company pays less than they expected—or even nothing at all for certain treatments or tests. A Consumer Reports survey showed that nearly half of adults below the age of 65, including those with medical insurance, feel unprepared to deal with a costly medical emergency. Another survey showed that Americans are more worried about being able to pay for healthcare than about losing their jobs!

The American health insurance system faces the vexing challenge of supporting high-quality medical care while trying to control rising costs. In recent years, physicians have had to cope with an alphabet soup of insurance innovations, from HMOs and PPOs to DRGs and RBVUs. And now there's still another ingredient in the mix: CDHC, or consumer-driven healthcare plans, which offer lower premiums in exchange for higher out-of-pocket expenses. Will CDHC help us control healthcare costs by offering more affordable coverage and giving patients incentives to lower their health risks and costs? And exactly how is this plan likely to affect the practice of medicine?

Certainly the concept of CDHC is an intriguing one. Unlike other health insurance models, CDHC puts the patient himself in the driver's seat. The patient will decide when he needs medical care and what medical services he is willing to use his own money to obtain. In essence, the assumption behind CDHC is that patients themselves, acting as independent consumers, can hold down healthcare costs. Presumably, the patient will be motivated to make economical choices and to demand high-quality care when he himself is footing the bill.

If the patient is going to pay a larger share of his medical costs, it would be helpful for him to have some money set aside in advance for that purpose. A key component of a CDHC plan is the health savings account, or HSA. This is a personal savings account that allows consumers to pay for qualified medical expenses with pre-tax dollars—that is, without paying income tax on what they spend. An HSA has to be used along with an eligible high-deductible health insurance plan. An individual can deposit up to twenty-nine hundred dollars in such an account for his own health costs, or up to fifty-eight hundred dollars for family coverage. People over age

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fifty-five can deposit somewhat higher amounts. And all that money is deposited tax free. If all of it is not spent within a given calendar year, the rest can stay in the account for the next year without incurring a tax penalty.

Some physicians are concerned that their patients may not have enough information to enable them to make informed choices when they shop around for healthcare. Others worry that price-shopping will become the most important consideration in making those choices. On the other hand, some have suggested that patients will demand the maximum benefit for their healthcare dollar, insisting on quality care. If they reject inferior services and think twice about unnecessary office visits or tests, they may ultimately improve the overall quality of healthcare.

As a relatively new entry into the health insurance marketplace, the jury is still out on whether CDHC plans and health savings accounts can really make a dent in the staggering cost of healthcare in this country. What is clear is that this new variation on the health insurance theme is already having a pronounced effect on the business and practice of medicine.

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