Hospital Concerns about Defined Contribution Health Plans

EBRI Seminar
May 3, 2001

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Why people prefer health insurance

• To transform a variable expense into a fixed prepayment (with only a minor variable component)

• To guard against catastrophic costs by pooling risk with others
The insurable risk:

20% of the population uses
80% of the health resources
Cross subsidy approaches

- Hospital “cost shifting”
- Insurance pooling
  - Primarily employer-based
- Government taxes
Defined contribution meanings

- Fixed payment to selected options
- Fixed payment with no selection
- Cash compensation without benefits
Hospital concerns

- Individual insurance market not stable
- More uninsured:
  - 10% not enrolling = +35% uninsured
- More uncompensated care
- Multi-tier hospital system will match coverage but not match regulatory and accreditation