

# **Hospital Concerns about Defined Contribution Health Plans**

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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**