Healthy Consumer-Driven Health Care

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EBRI-ERF Forum
May 2, 2002
Introduction

- Variation in health care expenditures
- Nature of individual health insurance marketplace
- Myth of “consumer choice”
- Winners and losers
Variation in Health Costs

Variation in Health Care Costs of People with Employer Coverage, 2000

Lewin HBSM AHRQ MEPS (1996)
Possible scenario

- Cash or voucher to purchase insurance
- Employee determines coverage
- No more employer pooling of risks
Is the individual market ready?
Individual marketplace

- High premiums
- Denied coverage: uninsurable
- Exclusions of individuals, body parts, body systems
- Reunderwriting and premiums of $58,000
- Recent Kaiser Family Foundation study
High Risk Pools

- High premiums
- Limited benefits
- Waiting lists
- Cost shifting to small business
- Modeled on flawed individual market
What happens to the healthy?

**Winners:**

- Find high deductibles relatively attractive
- Might “go bare” (out of risk pool)
- Low premiums
- More choice
What happens to the sick?

Losers:

- Prefer lower deductibles but would probably face higher deductibles
- Face higher premiums
- Limited coverage: riders and exclusions
- Possibly uninsurable
The Myth of Choice

- Health insurance is different
- Adverse selection
- Death spirals
- Healthy and sick have different options
- Studies: crowd-out of low deductible coverage
Information Consumers Need

- Risk-adjusted quality information about providers
- Disclosure on W-2 forms of employer and employee premium payments
- Underwriting practices (denials, exclusions)
- Re-underwriting practices
- Payment schedule
Public Policy Implications

- Tax credits for individual coverage (economic stimulus, trade adjustment, free standing)
- Medical Savings Accounts
- Tax policy: Incidence by income and health status
Conclusion

- Variation in risk
- Important employer role: risk spreading
- Healthy could come out ahead
- Sick will face higher out-of-pocket costs, higher premiums, reduced access to affordable, comprehensive coverage