

THE RAUSER REVIEW

AUGUST, 2004

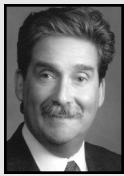
VOLUME 6, NUMBER 2

A VIEW FROM THE CROW'S NEST

In case I was the only one watching NBC's Dateline Special "Critical Condition," on Friday, August 6, I'd like to introduce you to Paul Esposito. He is the 24 year old uninsured (former) waiter who had the misfortune of being on the ill-fated Staten Island Ferry when it crashed months ago.

Young Paul - like so many of the 44 million uninsured in this country- budgeted his limited personal resources to pay rent, auto payments and auto insurance, but not for the purchase of health insurance. At 24, who needs it? Right?

Among the many injuries young uninsured Paul suffered



Jon C. Rauser

only one watching NBC's Dateline Special "Critical

RAUSER 'JOINS' CURRY-PIERCE

Got your attention!?! Later this month The Rauser Agency, Inc. moves two blocks to the east in downtown Milwaukee. Our address as of August 30th is 400 East Wisconsin Avenue, Suite 200, Milwaukee 53202. The Curry-Pierce building was constructed in 1866 by James Curry (a confectioner) and Amos Pierce (a grocer). We are excited to make this historic building our new headquarters.

Chris McArdle, Mara Demien and I have been fortunate to serve an ever growing clientele, but the market for 'private sector health solutions for small business' cannot be fully served without bringing additional professionals and technology under one roof. The new, larger space will afford us that opportunity.

MEET TIM HARRIGAN

The first of several changes we are proud to announce is the immediate addition of Timothy B. Harrigan to our sales team. Tim has been living in Maine for many years where he was a senior agent, achieving a national sales ranking of # 4 with United Group Association (UGA), an industry leader in health and life insurance products for the self-employed market.

Many of you will recognize the name Harrigan from the local commercial real estate company (Tim's dad). Tim is a graduate of Marquette High School and UW-Madison. Like most good insurance professionals, Tim is an avid golfer but also has a passion for fly fishing and bird hunting.



Tim Harrigan

Noting that Individual Retirement Accounts (IRA's) were slow to gain acceptance many years ago, Tim thinks Health Saving Accounts (HSA's) have even greater tax advantages and thus should be considered by most every self-employed business person. We're delighted Tim

SMALL GROUP vs INDIVIDUAL POLICIES

As smaller employers - in particular, but not limited to those with fewer than 10 employees - receive health insurance renewals that approach those offered by HIRSP (the Health Insurance Risk Sharing Pool for the uninsured offered by the state of Wisconsin), it is not surprising these employers are wondering at the wisdom of continuing group coverage.

Elsewhere in this newsletter, I entertain the notion of requiring **ALL INDIVIDUALS** to buy their own health insurance, however, without legislative changes, that idea is fraught with problems.

Regrettably, processing individual applications through underwriting is problematic. Insurers can, and do, exclude conditions



STATS

- \$1,000: Lowest HIRSP deductible offered (for applicants under age 65)
- \$1,524: Quarterly premium for HIRSP Plan 1, Option A, female age 45 (53202 zip)
- \$3,021: Quarterly premium same Plan, male age 61 (53202 zip)
- \$1,000,000: HIRSP life time limit
- 18,273: Number of people enrolled in HIRSP as of 5/31/04 (up 7% from 6/30/03)
- 375: Address on West River Woods Parkway (Glendale) where 'miracles' are performed!

Crow s Nest Continued

in this tragic accident, were badly mangled legs that had to be amputated.

Not counting state of the art donated prosthetics (at a cost of some \$80,000 each), Paul's hospital and rehab bills reached \$213,000. Over the course of the one hour feature, narrator Tom Brokaw marveled over "the genius of health care" in contrast to "the financial madness." In other words, the care Paul Esposito received was incomparable. He did after all recover. But at a cost that is - apparently - "madness."

BALONEY!

We laugh or nod approvingly at little things in life that are "priceless," as relayed to us in a popular series of commercials for a credit card. Yet, when the "genius of health care" miraculously heals the injured and sick, we balk at the cost. Interesting.

In my own little world, just recently a gifted cardiologist and surgeon repaired my 82 year old mother-in-laws failing heart so that she is home and climbing stairs without effort when only weeks ago, just getting out of bed left her breathless. Medicare limits what her doctors will be paid for their "genius." Trust me, it isn't enough!

Yet in NBC's world, apparently government intervention is preferable to private sector solutions. How do I know? Well, we were also told about Audrey Biase who was injured in the same accident, but unlike Paul Esposito was covered by her employer's health plan. Her insurer - Aetna - had (the audacity to put) certain limits on her coverage, most notably for physical therapy. Uninsured Paul had no such limits. The message was clear. You are more likely to receive the "genius" of health care without insurance!

Perhaps they have it right in Switzerland where every INDIVIDUAL is required to buy health insurance. Below

certain income thresholds, the government does (only) provide premium subsidies. Without adverse selection, insurers accept all applicants and compete over policy features and benefits. The path we are on today begs the question. When will those paying for care be outnumbered by those who are not? What then?!?

Group vs. Individual Continued

revealed in the application or decline coverage. Younger, healthier individuals can easily secure their own coverage from Blue Cross, WPS or any of the many other carriers that offer plans. Older employees, however, those that bring more skills to the business, may also bring along some health conditions. Thus, with HIRSP as the only option to seemingly healthy people, are employers ready for the reaction from such a decision?

Another problem with this strategy is the non-discrimination rules and/or the tax consequences of assisting employees with the purchase of their own policies. An employer would presumably provide a fixed amount of money to each employee to help with their health insurance purchase. Such monies would be additional (taxable) compensation unless processed through a Section 125 Plan and non-discrimination rules would have to apply.

One last concern I might address in this limited space. State of Wisconsin small group reform regulations prohibit an insurer from billing multiple individual policies to an employer.

Although I have encountered one or two employers who have terminated their group health plan altogether, a better strategy is defining an affordable level of coverage through a "Qualified" High Deductible Health Plan, coupled with Health Savings Accounts that empower employees to be better consumers.

THE RAUSER AGENCY, INC.
the practice of insurance
Since 1981

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The Rauser Agency provides group health, dental, life and disability income brokerage and consulting services to small and medium-sized employers. We identify, underwrite and help implement insured, and partially self-funded, employee benefit plans utilizing only top-rated insurers and providers with a consistent record of cost containment. We believe in employee advocacy and efficient, but personal service.

Jon C. Rauser, President