

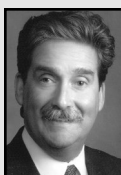
THE RAUSER REVIEW

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A VIEW FROM THE CROW'S NEST

Making the Consumer Directed Model Even More Effective



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Here's a Health Plan Design addressing the

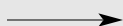
many short-comings of the now *in vogue* Consumer Driven Health Plans. Call it **THE SOLUTION.**

This plan would have no deductible and no Office Visit or Drug Co-Pays.

From dollar one, **ALL** "medically necessary" charges would be covered at 80%. The annual maximum out-of-pocket limit would be at least one times the individual's annual earnings - maybe even higher.

We don't have to limit *Direct to Consumer Advertising*. We just have to remove the disconnect from the product and its price.

Get rid of Co-Pays.



HIPAA PRIVACY VIOLATIONS EXPECTED TO OVERCROWD JAILS

That's about the only headline I haven't seen as the April 14th HIPAA compliance deadline for smaller employers draws near. Somewhere between panic mode and common sense is a reasonable accommodation of people's privacy that will keep you out of trouble.

In the context of group health insurance, think of the many ways you may have access to employees' "Protected Health Information" (PHI). Small group enrollment forms that ask for detailed health histories must be carefully guarded. Claims reports that have *individually identifiable health information* may have to be reconfigured and/or shredded. EOBs should be under lock and key. When an employee asks for help with claims' issues, you are welcome to transfer the risk of a privacy violation by referring them to us. With a signed

"release" from your employees, by virtue of the "Business Associate Agreements" we've recently signed with all our insurers, we can still be their advocate.

For fully insured health plans, the insurer bears most of the responsibility for HIPAA compliance including providing a Notice of Privacy Practices. Self-funded plans require a little more care. (*Note: Section 125 FSAs and Section 105 HRAs are considered self-funded health plans.*) Most third party administrators of self-funded health plans are providing excellent guidance.

Take steps to be informed on the basics of HIPAA privacy rules and be proactive. Document your actions. And *then* come visit **ME** when I'm doing time for giving *this* legal advice!

HEALTH SAVINGS ACCOUNTS:

Great Idea Meets Implementation Obstacles

The trend toward higher deductible health plans has many people confused about their eligibility for Health Savings Accounts (HSA).

Most news stories on HSAs refer only to the \$1,000 minimum deductible. However, if a health plan covers office visits and/or prescription drugs outside the deductible--meaning, they are subject only to co-pays--the plan does **not** meet IRS guidelines.

The proper policy form for a "Qualified High Deductible Health Plan" also includes

an unusual family deductible that must be fully satisfied before other benefits are paid. Most traditional insurers, who cover the vast majority of all employees, are still working on the policy modifications needed before you and I can open an HSA. My best guess is it will be 2005 before the market responds to a growing demand for HSAs.

Kudos to Fortis, Golden Rule and Trustmark for getting a jump on this market. *Now, if I could just get interested buyers through their underwriting!*

STATS-Top 5 Selling Prescription Drugs & Their Costs (30 Day Supply)

- | | |
|--|--|
| 1. Hydrocodone - Generic Vicodin (narcotic pain reliever), 100 10mg tablets \$64.99. | tablets, .137mg. \$64.99. |
| 2. Lipitor a "statin" used for cholesterol control - 20mg \$95.99. | 4. Atenolol - Generic Beta Blocker (controls blood pressure), 60 tabs, 50mg \$10.99. |
| 3. Synthroid (hypothyroidism treatment) 100 | 5. Amoxicillin, 30 250mg chewable tablets \$12.99. |

Source Walgreens Website

ZERO PREMIUM FOR AGE 65+ EMPLOYEES

An Offer Too Good To Refuse!

The recent Medicare Reform legislation contained provisions for increased payments to Medicare Choice HMOs.

Accordingly, as of March 1, I am able to offer Medicare-eligible employees high levels of coverage, broad provider networks and a monthly premium that is \$0. (*Annualized, that also comes to ZERO !*) The "rules" for one such program are that any employer with an eligible group can offer this plan. "*Eligible group*" is defined as any two active, or retired, employees age 65 or over, enrolled in Medicare.

Nearly every group has one or more older employees. When Medicare is primary (small group), the premium savings

per month might be \$300 or more; for large groups (>20), where Medicare is secondary, the savings are far greater. (And, of course, the employee and/or retiree presumably would enjoy their share of a zero premium.) Furthermore, because there is **NO** underwriting to create such a plan, in some cases we might be carving out of the group one or more higher risk individuals, thereby making the remaining group *healthier* at the next renewal.

Rich levels of coverage+provider networks including most docs+zero premium+no underwriting = OPPORTUNITY. Without changing your current insurer, we look forward to showing you this option.

View From Crow s Nest Continued

If consumers have to pay 20% of the cost at the time of purchase, behavior will change. *Good-bye purple pill, I'll manage just fine with an over the counter antacid. Better yet, maybe I'll adjust my diet to get at the cause of the problem!*

The higher deductibles of many consumer-driven models are meaningless to the 70% of the relatively healthy individuals--in every group plan--who continue to overuse discretionary care, vis-a-vis co-pays on most office calls and drugs. And, for the 12% chronically ill individuals who spend 75% of all health care dollars, the higher deductible is also meaningless. Within a few weeks of each new year they blow through their *out-of-pocket maximums* and freely spend someone else's dollars.

There has been endless debate on mandates versus exclusions for certain conditions. Witness Wisconsin chiropractors' recent success at killing AB 814 - a bill that would have allowed small employers to band together to form self-insured multi-employer plans. Many self-

insured plans operate outside the state rules that mandate certain coverage including chiropractic care. Likewise, insurers routinely amend contracts to exclude expensive emerging technologies. The bariatric procedures I recently wrote about are an example.

THE SOLUTION takes the question of what to cover out of the hands of insurers, lobbyists and politicians. With every visit to the chiropractor costing the consumer 20% of the charges, I'll wager the number of visits will decrease. With a \$50,000 price-tag costing the consumer 20%, I'll wager diet and behavior will change before bariatric surgery is considered as a medically necessary last resort.

Recently the Home Office Senior Vice President of Marketing and Product Development (*try and fit that on one line of a business card!*), for a major national insurer was in my office for a brainstorming session designed to help bring new products to market. We discussed at length **THE SOLUTION**. I'm hopeful such a plan design may actually come to market in the near future. Of course, I've already started spending my royalties!



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Jon C. Rauser, President