

Rising Healthcare Costs – A Problem That Will Not Go Away, By Itself!

Most of us are really tired of talking about the double-digit annual increases in health insurance costs – why? Because it seems that no one has been able to do anything to significantly improve the situation. It almost seems that the insurance companies are able to force us to change our business model, diverting our resources from productive uses, so that we can pay the premiums that they tell us we have to pay! Even if we raise our co-pays, or reduce the coinsurance, on our plans, we might reduce the premium increase to 11%, but we will have the same meeting, this time, next year!

Do we give up on the American “experiment” of free enterprise in the case of healthcare? What would happen to the quality of health science research, and the development of new medicines, if healthcare was managed by the federal government? The mental image of standing in line at the post office comes to mind... Our policy experts and economists, however, believe that the best chance that we all have for significantly reducing the rising cost of health insurance is for the private sector (that’s all of us!) to reform our healthcare system – at least, as much of the system that affects our employees and income statements! Our federal government has actually been active in providing tools and incentives for the private sector to implement. The most significant tool is the Medicare Act of 2003, authorizing the creation of the Health Savings Account (“HSA”).

There are also several private, nonprofit organizations that are functioning as a “bridge” between Capitol Hill, The White House, and the private sector. These are organizations like The Center for Health Transformation, The HSA National Awareness Campaign, and the HSA Coalition, which your company may join to build economic and political clout for future improvements and threats to the reform.

Even though we are in the early stages of the HSA movement, there has been a phenomenal rate of adoption with 346,000 families choosing an HSA in just nine months after they were introduced.¹ Employee benefits consultants have published a number of articles, and we are starting to see education and training seminars for the insurance agents and brokers become more prevalent. Large employers, mid-sized companies, small businesses, nonprofit organizations, and even federal and state employees are all represented in the number of organizations who have already adopted these new tools. President Bush recently announced that he had signed up for an HSA, himself, through the new federal employee plan. So, what is driving this rapid pace of adoption? Pure and simple - economics...

¹ “Health-savings accounts popular with individuals; employers next” by Kent Hoover. American City Business Journals Inc.; Published: January 24, 2005

The health insurance business is already in an uproar! Employers are reducing their health insurance premiums by increasing their deductible levels through the HSA program. If their carrier is one of the “gorillas” in their market, employers may realize little, if any savings, because many of the “gorillas” are continuing to fight for their premium dollars – sometimes reverting to inappropriate tactics to try to keep their clients paying the higher premiums! In Georgia, currently, there are over seventy-five (75) insurance carriers that provide HSA-compliant plans, so there are many choices. The challenge for employers is to find quality plans at the best prices!

Unfortunately, the health insurance industry is not known for providing concise and intelligible consumer information. This makes finding quality healthcare options at the best market prices a daunting task – similar to someone purchasing their first car! One of the new market improvements will be the emergence of value-based organizations. These new value-based organizations provide full implementation services with the client’s best interests in mind, such as facilitating their client’s procurement process to find the best price and appropriate high deductible insurance plan for the employees, finding the best trustee for employee HSA accounts, and providing education services that enable the employees (and their families) to become better consumers of healthcare. These value-based organizations will necessarily be based on a different economic model than the current commission-based market participants.

The penalty to employers for doing nothing is an estimated 14.2% increase in your health insurance premiums, this year. The national average annual cost for an employee with family coverage is approximately \$10,215 per employee, excluding the internal and/or external administrative, compliance, and COBRA administration. The potential savings for implementing an HSA-compliant program range 35-50% (\$3,575.25 to \$5,107.50 per employee), plus the elimination of the 14.2% increase (another \$1,450.53 per employee). With such compelling economics, companies are rapidly becoming participants in the private sector reform of the healthcare system.

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