

From the President: The Health Care Choice Act

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I was a member of Bill Simon's Healthcare Taskforce when he was running for Governor of California. I also advised Gov. Arnold Schwarzenegger's transition team on healthcare issues. In both cases, I was asked what I thought was the most important reform that we could make on the state level. My reply was immediate and direct. It was ignored.

My suggestion was to develop a special exemption for high-deductible medical insurance that would exempt such policies from the many mandates imposed on medical insurance policies. These mandates significantly add to the cost of insurance. The Council for Affordable Health Insurance (CAHI) estimates that mandates may increase the costs of policies by as much as 45 percent. Undoubtedly, there are individuals who do not purchase insurance because of this added cost. High-deductible policies could be very affordable, were it not for the needless mandates imposed on them.

I also suggested that one could take the populist high ground with this issue, if you will. The way to present this isn't in a wonkish recitation of the correlation of policy cost to mandates. Instead, one could state that we have a problem with people who can't afford insurance, and a special category of high-deductible policies can provide a solution. One could show a compassionate effort to find a way to provide insurance for those unfortunates who couldn't afford it, rather than talking about how we could reduce domestic health expenditures.

At the same time, of course, a major advantage of pushing for a mandate-exempt category of high-deductible policies is to further the spread of Health Savings Accounts (HSAs) and similar vehicles. The lower the cost of high-deductible policies, the more money that can be put into an HSA, and the more businesses and individuals will see that there is no increased out-of-pocket exposure in changing over to HSA plans. It has been very difficult to find a reasonable high-deductible policy in California, and the situation is even worse in some states. This is a very important barrier to widespread adoption of HSAs, and needs to be addressed.

It would be a difficult political battle in California to institute an exemption to mandates on high-deductible policies. No doubt it would be equally difficult in many, if not most states.

Thus, I'm very happy to hear that there is a possibility of addressing this problem on a national level that has a realistic chance of success. I'm referring to the Health Care Choice Act (HR 4662) proposed by Rep. John Shadegg (R, AZ). This bill would allow consumers to purchase insurance policies from any state, not just their state of residence. This would allow consumers to have

much wider choices of policies so that they can choose one that best fits their needs. It would reduce the cost of medical insurance significantly for many uninsured, who would then have the chance to obtain coverage. In a quick check on an insurance web site, I found that the least expensive \$5,000-deductible PPO plan available for a single 25-year-old man in Pennsylvania was \$378 per year. A similar plan across the Delaware in New Jersey, where there is community rating, costs \$4,513.

If the Health Care Choice Act passes, it will have a tremendously salutary impact on the medical system. Consumers will certainly seek out insurance from states with fewer mandates and lower costs. Indeed, the bill is written so that insurance companies will have to declare a primary state of issuance, and one can be certain that they will declare a low-mandate state as their primary state. There will be competitive pressure for high-mandate states to reduce their mandates. Those who fail to heed that pressure will simply be irrelevant. This is really a way of reducing the barriers to interstate commerce, which our Founders intended. This bill only applies to individual insurance coverage. However, I think that one welcome effect of the bill may be to help people move from employer-provided insurance to individual policies. It is quite possible that individual insurance could become so relatively inexpensive in many states, compared to group policies, that people would welcome receiving the employer's cost of purchasing their policy as salary, so that they can purchase their own policies and reduce their own increasing out-of-pocket costs. This is particularly true if employees take into account the advantages of a high-deductible policy in connection with an HSA.

The Health Care Choice Act would be a tremendous help in spreading high-deductible policies and HSAs by removing the barriers of state mandates. This will go a long way toward pushing third-party payers away from payment of small bills for expected medical care, which make up the majority of medical expenditures. This will, of course, greatly reduce the price inflation in our medical system, caused by the distortions that result from channeling most payments through third parties.

The Association of American Physicians and Surgeons supports the passage of this extremely important bill. I don't think one can underestimate how powerful the passage of the Health Care Choice Act would be in returning some sanity to the medical system—and to our own medical practices. I would encourage all AAPS members to aggressively advocate for the bill with their patients, friends, colleagues, and especially their legislators.

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