

# California Health Care NAIFA California Policy Statement

## Purpose

Agents and Brokers working in California know well the current state of our health care delivery system. With continued escalation of costs adding economic pressure to employers and individuals making the uninsured situation worse, proper steps need to be taken soon to reverse this trend. The following ideas and positions (identified as Important Concepts) are based on our unique perspective of the frustrations of both businesses that provide benefits to their employees and individuals who purchase health insurance directly. We believe they are necessary to consider before legislative action is taken.



## Important Concept #1: Understanding and Promoting Consumer Driven Health Plans

Many individuals and businesses have embraced what some consider new types of lower cost health insurance plans, those with higher deductibles and higher out-of-pocket maximums than more recent, mainstream plans. **NAIFA-California supports the development and expansion of these “Consumer Driven” or “Cost Driven Health Plans.”** In fact, these plans are not actually new at all. In addition to their lower cost, these plans essentially reintroduce the true concept of insurance, which is to protect an individual or family from a severe financial hardship, rather than to provide coverage for every conceivable medical occurrence.

## A Little History

In the 1950s, major medical insurance policies were introduced with a \$100 deductible. Adjusted for medical inflation, that same \$100 deductible policy today would have a deductible in excess of \$2,000.



## Important Concept #2: Employer-Basic *Basic* Health Insurance is Good, not Bad.

NAIFA-California supports the development of a *basic* healthcare policy for employers to purchase. Such basic policies would be devoid of first dollar benefits and expensive legislative mandates. **In lieu of Association Health Plans, a variety of health plans should be developed and marketed free of the myriad of financially burdensome legislative mandates.** Such plans, with both comprehensive coverage for catastrophic illnesses and injuries *and* attractive low premiums have wide appeal in other parts of the country. Basic health plans with higher deductibles and without the host of legislative mandates can offer lower premiums which is critically important in addressing the affordability issue.

## Important Concept #3: Health Savings Account Plans



Today, many high deductible plans fall into the category of being “Health Savings Account,” compatible. This means that individuals covered under such plans would be eligible to open a companion Health Savings Account, whose purpose would be to accumulate dollars to meet future plan deductible expenses. Monies deposited would be eligible for a Federal Tax Deduction. We believe strongly such incentives work to induce more people to purchase coverage, and that **California should pass legislation providing conforming state tax benefits for Health Savings Accounts, like most other states in the nation.**

## Important Concept #4: Affordability

Even with reform measures in place that encourage the availability of lower cost policies (no frills plans with higher deductibles), it is likely that some individuals and businesses will find health insurance premiums still unaffordable. As such, **NAIFA-California supports the development of health plans that would interface with governmental programs already available.** In this instance, State aid would be triggered only when, say, \$25,000 of benefits had already been paid by private insurers on behalf of an individual.



## Important Concept #5: Guaranteed Issue Basic Coverage for Individuals

NAIFA-California believes that health care should be available for all Californians. While a safety net is currently provided to the financially indigent through Medi-Cal, many working poor choose not to obtain needed coverage, claiming the cost is too great. While maintaining the existing health insurance infrastructure, as well as existing government programs for children and low wage earners, **NAIFA-California believes all Californians should have access to a *very basic*, affordable health care policy.**



Affordability of such coverage is obviously critical. To that end, very basic policies should be structured to keep premiums very low with features such as the following:

- ✓ \$20-\$35 Office Visit Copay (5 Max per Year)
- ✓ \$500 - \$1,000 Deductible
- ✓ 50% Coinsurance
- ✓ \$25,000 - \$50,000 Annual Maximum

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## Important Concept #6: Private Sector Solutions are Best



NAIFA-California, as well as most Californians, continue to believe **the private sector should remain the basis for the development and the delivery of their health insurance.** Government run, single-payor style health insurance will *not* provide

promised long term savings. Rather, it will limit many of the health care choices individuals now enjoy. At the same time, wait times for non-life threatening procedures will increase dramatically, while much sought after new drugs and treatments will slow in their development under a government program.

## Important Concept #7: Administrative Efficiency is Paramount

NAIFA-California **supports efforts to make the health care delivery system more efficient**

administratively. It is clear to us that the cost of medical insurance can be reduced if significant steps are taken to implement an electronic records system across the entire industry. In addition, computer based enrollment and eligibility systems should be encouraged as they also create significant administrative efficiency which can be passed on to the consumer.



## Important Concept #8 Beware of Further Cost Shifting

NAIFA-California believes **extreme caution should be exercised in creating “solutions” which ultimately shift cost from governmental programs to the private sector.** While it



may appear that such actions lower the cost of healthcare, in reality they simply shift costs from one bucket to another and place an unfair burden on employers to pay for a share of cost that is really the responsibility of the public sector. Such “phantom solutions” will not ultimately create a better or more stable health care system. Rather, they will undermine the actuarial validity of the data available to determine the true costs of healthcare.

The process of shifting unreimbursed costs from the uninsured to hospitals and insurance carriers continues to impact us all, with insurance costs increasing fully 20% to cover this loss. Government reimbursement levels for current State programs need to increase at realistic rates. If these reimbursement levels do not keep pace with real

costs, providers will be asked to pick up the tab, which in turn will further increase private insurance costs.

NAIFA-California supports equitable distribution of healthcare cost between the private and public sectors and believes that legislation enacted should actively avoid further cost shifting.

## Important Concept #9 Health Promotion is Critical

NAIFA-California supports all efforts to promote healthy lifestyles within our State. While health promotion alone cannot alleviate necessary healthcare utilization, it is critical to the efficient utilization of the healthcare resources that do exist. Additionally, health education is known to be a major factor in critical disease management and the prevention of unnecessary (and expensive) urgent and emergency care treatment.



## Important Concept #10 Change is Necessary, but Retain the Good

The health insurance system we know needs to be overhauled. It does not need to be thrown out, with new, untried “reforms” in its place. NAIFA-California believes the above issues should be part of the overall legislative debate as true reforms are considered.

This outline of health care facts is brought to you by the National Association of Insurance and Financial Advisors (NAIFA-California). Members of NAIFA-California work with individuals and employers every day to find health insurance solutions for businesses and families. The realities reported in this summary reflect the collective wisdom, experience, and observations of people who are “in the field” everyday finding solutions for individuals and employers who need health care.



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