

Employee health benefits are in critical condition

By Rick Maier

Our health care system is in bad shape. The problems are so complicated and unpleasant that we turn away, leaving the treatment to political witch doctors who focus on surface issues while the primary systems deteriorate.

I'm no medical expert, but I can tell you from an employer's point of view that, after years of containment, costs are growing at an unacceptable rate again. One way or another - through sharing employer cost increases or higher taxes - we all need to prepare for a bigger chunk of our personal monthly budgets to go for health care.

The media report on cases of greedy pharmaceutical companies and intrusive managed care administrators. They focus on *needs* such as prescriptions for seniors, but ignore the fundamental lack of *resources* that is causing hospitals to cut back, nursing shortages and insurance companies to drop out of the business. No wonder the public is confused.

Employers are running out of ways to absorb the 20% plus annual increases. Some businesses are considering giving each of their employees a \$4,500 raise and dropping health care benefits. That sounds tempting unless you have a condition that an insurer won't cover or get seriously sick in the future.

We spend more time shopping prices and managing the maintenance needs of our cars than on our own health. Most of us hand over nominal co-pays of \$15 or \$20 and let the doctors decide what we need. We pay a flat \$10 fee to the pharmacy without much concern that some medications cost hundreds of dollars per month. The laws of economics fail when those who make the decisions aren't paying the bills.

Many people think that some big, rich insurance company is paying all these medical costs. Not true. Your company pays the bills either directly through self-insurance, or through insurance premiums that adjust annually to whatever the claims were the year before. There is little pooling of risk for employers - the insurers and third party administrators simply redistribute your company's money.

Some big, successful companies minimize or even avoid paying health benefits by hiring only part-timers, seniors or others who don't need coverage or get it from a spouse or other source. These companies may pass on lower prices, but we all pay higher premiums or taxes as a result.

Medical breakthroughs and new miracle drugs allow us to live longer, healthier lives, but we haven't really faced up to how we'll pay for it all. Americans now feel entitled to the highest quality care at little or no personal expense.

We have all sorts of procedures done in the name of prevention, but sweating small stuff costs a fortune. Hey, why not go for it if someone else is paying?

The toughest medical issues involve complex judgement calls. Some people are quite macho and seldom go to the doctor. Others go when they get the sniffles or feel overwhelmed. Of course it's important to detect and treat diseases early, but who will explain to a young mother that she *really* is taking her baby to the doctor too often?

Insurance once covered life-threatening conditions – heart failure, cancer treatment, accidents and such. Today, prescriptions are the fastest growing costs, and many of those dollars go for conditions such as high blood pressure, depression, ulcers and allergies. Employee benefits have expanded from saving lives to improving life to enhancing life-styles.

Organizations try not to consider medical claims as a cost of employing an individual, but did you ever stop to think that elective surgery for one marginal worker can cost an employer more than giving fifty highly deserving veterans a much-needed raise?

There are three treatments we should consider. First, we consumers must get more involved in the process. Paying 20% instead of \$20 (with something like a \$2,500 annual family maximum) would encourage each of us to roll up our sleeves and get involved in the details of our health care.

Next, we must take better care of ourselves. If our share of the costs were proportionate to how much effort we spent on our own wellness, we would be exercising more and eating better. Let's raise the deductible for anyone who requires medical care as a result of not wearing a seat belt, smoking, overeating, or other manageable, risky behaviors.

Finally, we must elect strong, creative leaders who will step up and address the real issues. Government programs are not the solution. We need statesmen and stateswomen to lead us in doctoring up our existing system.

Rick Maier is the CFO at Wesleyan College.

Reply to rmaier@wesleyancollege.edu