

## BENEFITS CORNER



Mitch Michener  
Kennedy, Michener Benefits, LLC

“But I Didn’t Even Use My Insurance!”

It’s a statement I have heard hundreds of times when a client receives their annual health insurance renewal. Many people think their premiums should only increase when they have utilized health care services- like what happens with car insurance if you have a wreck or too many speeding tickets. That’s not how health insurance works.

Claims for individuals and employers with fewer than 50 employees are all lumped together in a big pool. The premiums that you have paid have actually been used to pay the claims of your neighbors and co-workers that may not have had the same fortune of good health you have enjoyed. The carriers have not created a personal “trust account” that is accumulating over time to pay just your future claims.

In fact, health plans are now required to pay at least 80% of all premiums collected in claims for their health plan members. This requirement is part of the Affordable Care Act. 2011 was the first year that this minimum claims payout statute was in effect. If a health plan does not meet this 80% payout, then the plan is required to give you some money back!

So, why then do premiums keep going up? There are many factors, but here are a few:

*More Costly Technology, Used More Often-* Medical technology is the key driver of healthcare spending, accounting for an estimated half to two-thirds of spending growth. As new tests and more costly equipment become available they get utilized; even if the new stuff is not necessarily more effective than existing less expensive services.

*Prescription Drug Costs and Use-* Nearly two-thirds of all Americans fill a prescription during the year and the average American fills 12. From 1993 to 2013, spending on prescription drugs increased nearly six times over; making drugs the fastest growing segment of health care spending.

*Services People Don’t Need-* Tests that have already been done. Treatments used despite a lack of proof they work. The costs add up. On average, one-third or more of procedures performed in the U.S. appear to be inappropriate, unnecessary, duplicative, or offer questionable benefits to patients.

*Unhealthy Lifestyles-* Preventable risks factors like smoking, drug abuse and obesity play into increased use of healthcare services and can lead to chronic diseases, which account for over 50% of U.S. healthcare spending each year.

*Healthcare Fraud-* The National Health Care Anti-Fraud Association conservatively estimates that three percent of all healthcare spending is lost to healthcare fraud each year. That’s \$68 Billion a year or more than \$180 Million a day. That’s also enough to pay for everyone in Colorado for more than two years of healthcare services.

*Complying with Laws-* It’s estimated that private health insurers nationwide spend more than \$300 Billion per year to comply with government regulations. Some of this money is

well spent to pay for required services like screenings and preventive care. Unfortunately, more than half is spent on regulatory costs such as reporting and statistical filing.

*Cost Shifting-* There’s a significant difference between Medicaid and Medicare reimbursement rates and the rates private insurers pay healthcare providers. One report estimates this leads to a hidden health insurance premium surcharge of at least 15%, or \$1,788 yearly for a family of four. This cost is part of your premium.

*Inflation-* Just as we spend more today for a gallon of milk than we did 20 years ago, we spend more for healthcare services. This healthcare price inflation outpaces general inflation and drives a significant portion of your annual premium increase.

There is no easy answer to breaking the cycle of ever increasing healthcare costs and health insurance premiums. The best answer starts with you. Be an active participant in the delivery of your healthcare. Ask your doctor about costs and alternatives. Take good care of yourself. Don’t count on the government to solve the cost issue; the Affordable Care Act, while addressing many inequities in the access to healthcare financing and coverage, does not offer a clear road-map to lower our long-term healthcare costs.

Robert Kennedy – rkennedy@kmb-llc.com  
Mitch Michener – mmichener@kmb-llc.com  
Paul Chaput – pchaput@kmb-llc.com  
Deanna Clark – dclark@kmb-llc.com  
Kim Cavey – kcavey@kmb-llc.com  
Cyndi Fritzler – cfritzler@kmb-llc.com

Phone: 303-399-9411 Fax: 303-394-7153

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