

The United States health insurance system is in serious disrepair. We all know it and read about it every day. Premium increases average in the double digits with predictions that the average increase for 2003 will be between 16% and 25%. However, for small businesses which comprise most of the businesses in our country, the increases are closer to 40%. The effects of this are devastating. Employers have to pay more for insurance in a very depressed economic environment. As a way of dealing with this, they pass more and more of the costs along to their employees. This in turn makes it more difficult to attract and retain good employees who place a high value on benefits, especially health insurance. And for those employees who lose their jobs, it becomes a tremendous burden to pay the cost of the premium even under COBRA.

So what are we to do? Well, all is not lost. A new innovative model of health care is emerging; the "Defined Contribution Plan". This model is designed to give employees a pool of money that is used on their day-to-day routine healthcare expenses. It encourages patients to shop around for physicians and other providers, being more cost and quality conscious which therefore lowers the cost of healthcare.

One such plan on the market is offered by Destiny Health, based in Oak Brook, Illinois. In their plan design, employers contribute a pre-determined amount toward insurance (i.e., \$600) into a Personal Medical Fund and then the employee is on his/her own up to a set amount (i.e., \$900) after first using the employer contribution. Above this upper amount, the insurance coverage takes effect and pays at the coinsurance level the employer has selected. And here is the real kicker, the patient gets to keep any of the initial employer contribution that is not spent and they get interest on their money. They can also roll this money over from year to year and/or use it to help offset any premium increases each year.

Here's another innovation worth noting in the Destiny Health model— they include a wellness component. Those beneficiaries who engage in certain sanctioned prevention activities such as smoking cessation, CPR certification, exercise programs receive financial incentives (higher interest rates on the money in their Personal Medical Fund, airline miles, vacation packages, discounts on health club memberships, etc.). Philosophically, this is a sharp divergence from traditional health insurance. Not only does this encourage employees to act as consumers but the focus of the health care system is broadened to include prevention and wellness rather than merely intervening "after the fact". With participation from both the employer and the employees, perhaps health care decision-making will be more informed. The more the user of the service is a participant, the greater the likelihood of a positive outcome in a cost-effective manner.

One of the major problems of our current health care system is that it has become an entitlement leading beneficiaries to expect rather than actively engage in receiving and evaluating care. Shifting the focus to more participation in choosing a provider and the levels and types of care will make us all more informed consumers.

There are still problems with the current system however that need to be addressed. One of the biggest issues is that health care coverage is tied to employment, leaving millions of unemployed people uninsured or with substandard care. This forces costs for the care of these individuals to be passed along to those that are insured. Somehow this needs to be corrected. Only then will there be equity in quality of care. However, the current trends mentioned above are critical first steps in radically altering how we deliver and fund health care in this country. At least someone is finally looking at rewarding beneficiaries for constructive lifestyle changes and becoming more actively involved in choosing their health care.

These defined-contribution plans are not yet offered widespread but the August 2002 issue of INC magazine listed the following vendors that are currently available:

Benemax (www.benemax.com)

Health Market (www.healthmarket.com)

Destiny Health (www.destinyhealth.com)

MyHealthBank (www.myhealthbank.com)

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