

The Colorado Springs BUSINESS JOURNAL

www.csbj.com

WE MEAN BUSINESS

DOLAN MEDIA
COMPANY

February 1, 2008

DARE TO BE DULL

My \$140,000 a year high-deductible health plan?

I've been writing about personal finance for some time now, and I've got to fess up that there's one glaring hole in my family's financial plan. That hole is health care.

In fact, if my premiums keep going up at the current rate, I calculate that my annual premium will be about \$140,000 a year in 15 years, hopefully just before I become Medicare eligible.

About three years ago, I bought a high-deductible Health Savings Account (HSA) plan for my family. I was pretty stoked at the time, thinking these plans were the best thing to come along since sliced bread.

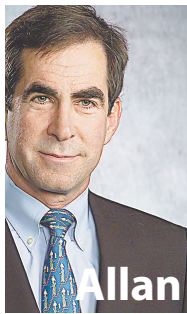
Here's how it works for me. I have an Anthem Blue Cross Blue Shield plan. I pay the first \$10,000 of family medical expenses each year, and I am thereafter 100 percent covered. I get three key benefits from the plan:

- While I foot the bill for the first \$10,000, I do get the provider discounts negotiated by Anthem. The savings can be hefty.
- I'm covered for really catastrophic events such as an organ transplant.
- I get to put \$5,800 per year of pretax dollars into a savings account that I can later use to pay for any medical expenses. Thus, Uncle Sam is footing part of my medical bill. The annual contribution limit is \$2,900 for singles with an additional \$900 for those 55 or older.

The goal here is to provide inexpensive insurance that empowers the consumer to make choices. All good in theory, but "inexpensive" is a relative term, and "empowered" is about the last word I'd use to describe how I feel about my plan.

My inexpensive plan?

My plan only costs \$363 per month, which is clearly lower than most traditional health plans. The problem is that it has about doubled during the last three years. If it continues at this same rate, in 15 years I'll be shelling out (gasp) \$139,392 per year!



R O T H

In all fairness, I've switched from Golden Rule (now United Healthcare) to Anthem, so I don't know if my rate would have doubled if I had stayed. I've mitigated my price hikes by upping our deductible from \$5,000 to \$10,000. Now, I'm just about at the government deductible limit, so I've used up all of my bullets.

I sure don't feel empowered

I've noted that among the benefits that I get with my policy are the provider discounts on the first \$10,000. Unfortunately, I apparently don't have a right to know what those discounts are. They are confidential to the point that neither insurance companies nor providers are willing to reveal how much something will cost.

That makes shopping for services as easy as picking the next Google. Consumers can't be empowered if there is no transparency in knowing what price you are paying to providers.

And if you think picking a plan is easy, forget about it. I spoke to four different customer service representatives to see what plans I was eligible for and get the prices.

The reps actually gave me five substantially different answers.

Now, I consider myself a pretty savvy consumer health care wise, especially considering I've spent many years in health care, including working for Anthem's parent company, WellPoint. So I'm pretty sure that I'm not the only one who can't understand what I'm buying and how much it costs.

I certainly don't mean to pick on Anthem because this is a national problem.

Lewis Emanuelson, Anthem's regional vice president, notes the importance of correctly communicating premium information to its members. He said that picking a health plan can be complex and that Anthem currently has "72 standardized plans" in the small group market alone. Mr. Emanuelson said that Anthem is continuing to work to give consumers the information they need to make informed choices, and in April, the company will provide consumers information about providers' prices and quality measures.

The health care problem

Figuring out the problem is easy — we have clearly mixed government and free enterprise to end up with the worst of each. We spend far more per capita for health care than any other country, yet rank a measly 42nd in average life expectancy.

Granted, our longevity issues run deeper than health care, but we should still look at it as the canary in the coal mine. That canary is telling us that we aren't getting our bang for the buck.

The health care solution

Let's face it, I really don't know how to solve our health care crisis, but I do know that something has to change. We can't all be paying \$140,000 annually for health care, or anything else for that matter.

Our current spiral is unsustainable.

My advice

It might seem like I'm trying to trash HSAs, but the truth is that I think they are better than anything else out there. The government tax break at least subsidizes some of my high deductible and the premiums are still lower than my other alternatives.

Businesses have no choice but to continue to cost shift with higher deductibles and premiums to employees. Ultimately, that will get consumers aware of the costs of services and price competition will emerge.

I'm not counting on the government to solve the health care crisis. Instead, I'm calling up providers to negotiate cash discounts, which I predict will be more common in the future.

Allan Roth is a CPA and Certified Financial Planner. He is the founder of Wealth Logic LLC, an hourly based financial planning and licensed investment advisory firm, and is an adjunct finance faculty member at the University of Colorado at Colorado Springs. He can be reached at 955-1001 or at ar@DareToBeDull.com.