



## ACA: How We Got Here and Practical Solutions for Controlling Your Costs

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Middle-class America is frustrated, confused, tired and extremely disappointed in what was promised versus what was actually delivered in re-vamping the health insurance industry through the Affordable Care Act (ACA). This is not the time to politicize the problem or place blame. ACA is the law of the land and now it's about finding practical solutions to the expected results of wealth redistribution and the unintended consequences of reforming the insurance industry. Whether you are for or against ACA, whether you have benefitted or whether you have been harmed, one thing is patently clear – unless you're getting subsidized by the federal government for your health insurance premiums, your costs have skyrocketed.

### **Understanding the Math**

For as long as the health insurance industry has existed, premiums have been a function of actuarial formulas that take into account the balancing act between the risk of becoming sick or injured with the probability of staying healthy. That balancing act ultimately led to a mathematical formula that resulted in a premium that was charged for a certain amount of risk assumed by an insurance company. The risk was assessed by an underwriting process that allowed the insurance company to protect itself from known risks (ie: pre-existing conditions) that would upset the balancing act between the insured person and the insurance company. By this underwriting process, premiums were actuarially calculated in such a way as to protect the company from known risks while insuring for unknown future risks that naturally happen over the general population. The insurance company collected a fair premium to take the unknown risk and the insured person paid a fair price to transfer their risk to the insurance company. Balancing act complete.

### **So What's the Problem?**

The problem created by this balancing act was that millions of people who already had known sicknesses and diseases couldn't get health insurance. Their known risk was so great that the insurance company had no way to collect enough premium to offset the claims associated with their health condition. Imagine a person buying a health insurance policy that needs a liver transplant in the next couple of months. They buy the policy for \$500 per month, have a \$350,000 liver transplant three months later, go through continued treatment and rehab for another 9 months and then drop their policy. So for \$6,000 and payment of their deductible, they received \$350,000 of healthcare in return and walked away leaving the insurance company to pay the bills. That's a risk the insurance company can't take and stay in business. The solution was to exclude those risks and decline them from coverage. So those that needed health insurance the most couldn't get it.

In the midst of all this, some enterprising insurance companies decided they could capitalize on this by selling limited benefit policies that covered very little of the actual cost of healthcare services. They were inexpensive, covered very little and could assume more risk because they paid out only a small portion of the actual incurred charges. Whether the lure of inexpensive premium was so attractive or people didn't understand what they were buying, the end result is



that people who had limited benefit insurance unexpectedly owed thousands and thousands of dollars after using their plans.

So in effect, the people who needed insurance the most couldn't get it and people who bought plans without minimum levels of coverage ended up bankrupt. The solution turned out to be a law (ACA) that reformed the entire health insurance industry at the hands of bureaucrats that didn't read, understand or weren't interested in solving the real problem.

### **The Mixed Message**

Private industry, unlike the federal government, must make a profit. Profit in some political circles means someone has to lose at the expense of someone who wins. But when it comes to something as personal as healthcare in the richest nation on earth, the moral obligation is to help those that can't help themselves – even if the economics don't work and profitability has no chance – a true mixed message.

### **Why The Math of ACA Can't Work**

The political solution was to fix the health insurance problem without regard to actuarial data, the laws of mathematics or the need for the insurance industry to make a profit. As stated above, there were two major problems that needed fixing – health insurance for those that are uninsurable due to pre-existing medical conditions and requiring minimum standards for all health insurance policies that eliminated a limitation on benefits.

ACA requires that insurance companies can no longer deny anyone with a pre-existing condition and health insurance plans must have no limitation on benefit payouts. Without regard to the math, both of these things are incredible improvements to health insurance policies. The only problem is the balancing act between an insurance company accepting a known risk and the premium it charges for that risk have no correlation to the actuarial formulas that have made the insurance industry solvent in the past.

If the government is right and 30 – 40 million people, many of which already have very significant illnesses and need healthcare immediately, are entitled to purchase health insurance at the same premium as those who are the same age and in perfect health, the math doesn't work (remember the liver transplant example above). The actuarial formulas are so skewed that health insurance (based on risk, probability and statistics) is no longer health insurance – it's *managed healthcare entitlements* without regard to math, economics or profitability.

### **So Who Pays?**

Middle-class America. Those that are lower income to lower middle-income are subsidized by the federal government. Those that are wealthy don't have to worry about affording health insurance. It's the hard working middle-class that will bear the burden of managed healthcare entitlements. To pay for those that are getting federal subsidies and for those that are already sick, the middle-class and upper income levels will have to pay higher premiums, higher deductibles and larger coinsurance amounts. And here's what we're hearing as 2015 approaches: a) families are now paying more for their health insurance than for their mortgage payment; b) many families are

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paying over \$12,000 per year in premium just to have insurance. Then when they need to use it, they have another \$5,000 or \$6,300 deductible before the insurance company pays anything; c) after the deductible, many families are paying an additional 40% coinsurance up to a maximum amount that is more than most people make in a year.

### **Health Insurance or Health Care?**

There's an important distinction that needs to be made between *health insurance* and *healthcare*. These are two very different things that have become so interchangeable that it has created a great deal of confusion. Prior to ACA, you had to medically qualify to get individual health insurance but no one was turned down for needed healthcare. So if you had health insurance, you could access healthcare through the network provider of your choice. If you didn't have health insurance and you needed healthcare, you were not turned away.

Because of ACA, middle-class Americans are faced with higher premiums, higher deductibles and larger coinsurance amounts. In other words, we're paying more for *health insurance* and getting less *healthcare* for our money.

### **A Practical Solution**

Innovation happens when market forces drive demand to find solutions. A practical solution today does not reside in the health insurance industry for reasons stated above. Premiums will continue to rise and deductibles will go higher. The choke hold of ACA will never allow a free-market industry to survive when the laws of economics and mathematical formulas are ignored. The solution resides in controlling your *healthcare* costs. Think of healthcare as the \$3,000 - \$5,000 of medical expenses that you pay out of your pocket whether you have health insurance or not. It's the doctor visits you'll have, the CAT scan you'll need, the prescription drugs you take or the dental work you have to have next month that you can't foresee today. It's all expensive, it all adds up to hurt your cash flow and it all comes out of your pocket (remember those higher deductibles).

**The solution resides in a *non-insurance healthcare benefit package* that takes straight aim at the most prevalent and expensive items you pay out of your pocket.**

For example, telemedicine is now far more easily accessed and less expensive than the traditional business model of physically seeing a doctor for acute, non-emergency illnesses. Medical protocols coupled with current technology has created a new business model that drives down the cost of practicing medicine while maintaining the safety and effectiveness of treatment. Physicians today can practice medicine through a telephonic or video consultation, diagnose illnesses *and call in prescriptions to your local pharmacy* without you ever leaving your home or office. Telemedicine is available 24/7/365 on an unlimited basis. Imagine the cost savings and convenience of having access to a board-certified physician network ready for your consultation within 20 minutes of your call.

At Wellspring Benefits Group, we've created a non-insurance healthcare benefit package that includes telemedicine, dental, vision, prescription drugs, chiropractic visits, outpatient lab testing,

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outpatient MRI's, CAT scans, ultrasounds and much more to help you offset the expense of out-of-pocket healthcare costs. ***All of these benefits are only \$25 per month which includes you, your spouse and dependents.***

Our goal in 2015 is to help Americans save thousands of dollars per family as they struggle to pay healthcare costs whether they have health insurance or not. There's no point in paying more than you have to, especially when we all have healthcare costs each year that tax our cash flow. ***Let us help you control your healthcare costs.***

Go to [www.ControlMyCare.com](http://www.ControlMyCare.com) or call us at 817-953-3155 and get all the details.