

June 2006

## Agents, Legislators Exchange Viewpoints at 'Day at the Capitol'

by *Connie Zarkowski, VCAHU Legislative Chair*

**D**ay at the Capitol in Sacramento lets our legislators know how valuable we are to the healthcare delivery system and what a valuable resource we can be to them. This year, we focused on CAHU's public poll where we asked how people really felt about single payer and the "think tank" analysis that CAHU commissioned on the Senator Sheila Kuehl's bill, SB 840. Under SB 840, private health insurance would be replaced with a state-run single payer system. CAHU's goal was to obtain objective information about the bill both from the public's perspective and from expert studies that would be helpful



*Assemblywoman Audra Strickland (center) meets with VCAHU members, from left, Christopher Denton, Connie Zarkowski, Bill Hanna and Robert Sichmeller.*

to legislators when deciding whether or not to vote for it. The results were interesting to say the least. You can see the reports on the front page of CAHU's website at [www.cahu.org](http://www.cahu.org).

Your local attendees were Debbie Blander, Robert Sichmeller, Christopher Denton, Bill Hanna and myself.

We visited Assemblywoman Audra Strickland and Senator Tom McClintock, both of whom oppose the Kuehl bill. Ms. Strickland (who brings her new baby to work) was appreciative of the information we gave her to help oppose the bill. Senator McClintock believes employment-based health insurance should be eliminated in favor of refundable tax credits to buy individual coverage. He is running for lieutenant governor this year and will be facing Insurance Commissioner John Garamendi.

Steve Poisner, the only Republican candidate for insurance commissioner, was the keynote speaker on Wednesday and told us about his platform, with elimination of fraud as his prime concern. He will be facing our current Lieutenant Governor Cruz Bustamonte in the November election. We went to the lieutenant governor's office and invited him to attend one of our meetings. It will be an interesting meeting if he accepts.

It is always exciting to be involved with the people who are creating legislation. It is our job to make sure they have the information only health insurance agents can provide; a view of the real world and the real consequences of their ideas before they vote on changes or new laws. We are fortunate to have excellent lobbyists and leadership that have brought our association to the forefront when it comes to health insurance issues. We have strong credibility with the legislators, and we can be proud of our accomplishments. Together we are making a difference in Sacramento.

## President's Message

Happy June! It is happy indeed. We had a great sales symposium on June 2nd! Everyone had a lot of fun and just about everyone dressed up. I am thrilled when I see folks get involved. Our panel discussion went well and James Lloyd was superb! His hour went by so quickly. He left me wanting more. We had more than 20 vendors in attendance. The carriers are always so supportive of this event. I thank them and everyone who attended that day!



As my year comes to a close, I want to thank my most wonderful board of directors. They have been amazing, and I feel blessed to have worked with them all. I wish Brandan only the best, and I hope that you will support Brandan the way you have supported me.

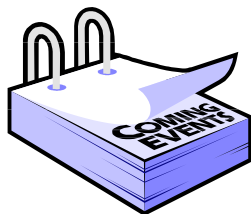
Some of you may know that I will be taking some time off this summer to be with my daughter (who is six years old). I know that she is only young once and she needs me and my full attention now. I want to be there for her and watch her grow. I will miss communicating with a lot of you on a regular basis, but I will still come around.

All the Best,

*Debbie Blander*  
VCAHU President  
2005-2006

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## Coming Events



- **July 19** - Board of Directors Strategic Planning/Leadership Training, 9 a.m. - 1 p.m., Westlake Village
- **September 19** - Monthly Membership Lunch Meeting (11:30 a.m. - 1:30 p.m.), Courtyard by Marriott, Oxnard; **Speaker: Barry J. Fisher, "Ending Life with Grace and Dignity," (1 hour CE, course number 170943)**

## Transparency in Health Care

Consumers may soon be able to shop for health care the way they shop for groceries. But in order for patients to become savvy shoppers in the medical marketplace, they must be able to discover what things cost and to compare prices as well as value. Today, that's not easy.

A recent Harris Poll found that consumers can guess the price of a new Honda Accord within \$300. But when asked to estimate the cost of a four-day stay in the hospital, they were off by \$8,100! Further, 63 percent of those who had received medical care in the last two years did not know the cost of the treatment until the bill arrived, and 10 percent never learned the cost.

Employees are increasingly being asked to make their own choices and manage their own health care dollars. Within the last few years, employers have raised health insurance deductibles and copayments, and many employees have a special account from which to pay bills directly. The medical marketplace is not prepared for these changes. Not only do patients typically not know the cost of the medical services they receive, health care providers often make price and quality information difficult, if not impossible, to obtain. Why is this so? What institutional and technological changes are needed to make such information routinely available? What is the appropriate public policy?

### Source of the Problem

The principal reason why prices for health care are not easily accessible to consumers is that prices do not serve the same function they do in other markets. Specifically, doctors and hospitals do not compete on the basis of price, and prices do not ration scarce resources as they do in other markets.

On the average, every time an American spends a dollar on physicians' services, only 10 cents is paid out of pocket; the remainder is paid by a third party. From a purely economic perspective, then, our incentive is to consume these services until their value to us is only 10 cents on the dollar. Moreover, millions of Americans do not even pay the 10 cents. Medicaid enrollees, Medicare enrollees who have medigap insurance, and people who get free care from community health centers and hospital emergency rooms pay nothing at the point of service. And most members of managed care organizations (HMOs and PPOs) make only a modest copayment for primary

*(continued on page 3)*

# Transparency in Health Care *(continued from page 2)*

care services. Clearly we are not rationing health care on the basis of price. Instead, we ration physicians' services the same way other developed countries do. We force people to pay for care with their time. The services of physicians are a scarce resource. So at a very low out-of-pocket price the demand far exceeds supply. Unable to balance supply and demand with money prices, our system rations by waiting.

Health care cannot be both easily accessible and free. It must be one or the other. Waiting is not an accidental byproduct of modern health care delivery. It is an essential component. In general, if doctors do not compete with each other on the basis of price, they do not compete at all. Because time, not money, is the currency we use to pay for care, the physician doesn't benefit (very much) from patient pleasing improvements and is not harmed (very much) by an increase in patient irritations.

## **Can Health Markets Be Different?**

To find radically different physician behavior, one must look at markets where third-party payers are not involved at all, such as the markets for cosmetic and laser vision correction surgery. Unlike other forms of surgery, the typical cosmetic surgery patient can (a) find a package price in advance covering all services and facilities, (b) compare prices prior to the surgery and (c) pay a price that is lower in real terms than the price charged a decade ago for comparable procedures despite considerable technological innovations in the interim.

These entrepreneurial activities eliminate waste and inefficiency: (a) they allow patients to economize on time and (b) they step outside the normal reimbursement channels, usually asking for payment at the time of service.

## **Is Needed Technology Available?**

If health insurance worked like the insurance people purchase for their homes and automobiles, reimbursements would cover the expected cost of care for most providers; but patients would be free to negotiate prices with individual providers and pay more for better service. However, patients must be able to access price and quality information. Some assume that we need a new government program to kick-start needed technological changes. Yet the private sector already has developed many of the tools to solve these problems.

The Web site Rxaminer.com allows patients to discover therapeutic and generic substitutes for brand-name drugs, and over-the-counter alternatives. DestinationRx.com allows patients to compare prices nationwide.

HealthMarket has developed a model that allows insurees to compare the price they would pay for any of 20,000 procedures performed by 400,000 doctors around the country.

A product developed by Subimo allows patients to compare data on the quality of performance among most hospitals in the country. A product developed by eMedicalfiles creates needed transparency for doctors as it allows medical records to travel electronically as patients go from doctor to doctor and hospital to hospital.

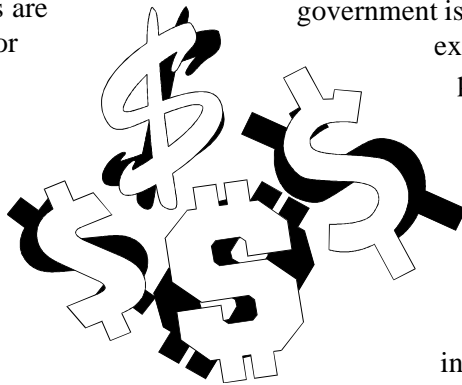
## **What Public Policy Changes Are Needed?**

If we do not need government to fund or regulate new technologies, what changes are needed? New government policies can help in two ways. First, in markets where government is the primary third-party payer (for example, Medicare or Medicaid), policymakers can use existing technology to let enrollees access price and quality information. (Some modest steps in the right direction are already underway.)

Second, we need to change the tax law to make it easier for people to self-insure for medical expenses instead of over-relying on third-party insurance. A step in the right direction is the creation of Health Savings Accounts (HSAs). Instead of an employer or insurer paying all the medical bills, about 3.2 million people are managing some of their own health care dollars through these accounts and another 3 million have Health Reimbursement Arrangements.

Health care services will be delivered more efficiently if patients are charged monetary prices for the use of the doctor's time. This will give consumers incentives to shop for the best health care available at the lowest price the way they do for other goods.

*Source: John C. Goodman - President of the National Center for Policy Analysis, as provided by Bill Robinson, IEAHU Communications Chair*



# One More Year!

by Christopher Denton, PAC Chair

As this term comes to a close, I wanted to take this opportunity to thank all of our members for making not only monthly contributions, but also thank you for what looks like to be a final second place finish in PAC contributions for VCAHU out of 12 local California chapters. We came in very close to the first place North Coast chapter.

Keep the momentum going, as I will be taking on one more year as your PAC chair, and of course since we came within a few thousand dollars of North Coast, I know that we can climb to the top in 2006/2007.

## June PAC Contributions

**Debit card donations: \$182.00**  
**Credit card donations: \$654.00**

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## VCAHU

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