

FASB

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Regarding: Annual Fee on Health Insurers for Each Calendar Year Due April 18th, 2011

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Background:

The guidance addresses an annual fee on health insurers for each calendar year in the amount of \$8 billion dollars payable to the United States Treasury. The liability is recorded in full once the entity provides health insurance in any applicable year starting thereafter year end 2013. The fee is payable with deferred cost amortized to expense using a straight line allocation unless another method allocates the fee over the calendar year it is payable.

Critique:

The member agrees with the approach taken by the Board. This is a government mandate which may increase costs to consumers. Resultingly, the employers will pay the higher prices for the health insurance. The surest way to reduce health care costs is to put better food on the grocery shelves and not to propagate a disease management health care system. A wellness based system is cheaper in the long run as evidenced by the known health benefits of the Mediterranean Diet and even the Paleolithic Diet. The wellness based health care delivery systems reduce queue lengths thereby requiring fewer servicers or medical care providers.

In addition, pharmaceutical manufacturers have paid the government already in the form of patent licensing and maintenance fees to protect the claims of the new drugs which have passed FDA approval before going into the public pharmacy pipeline. Serigraph has commented on the efficacy of the wellness based healthcare delivery systems. A summary of the Serigraph position is contained below. The reviewer will not repeat the comments of the company except to say that these comments merit careful consideration.

" Recent Washington health care reforms have done little to reduce costs - our #1 problem in health care. Instead, the focus was on improving access. John Torinus, chairman of Wisconsin-based Serigraph, took the problem of employee health-insurance cost doubling every eight years into his own hands. (Serigraph is a 61-year-old firm with 450 U.S. employees, 1,700 world-wide, focusing on plastics printing via pressure-sensitive decals, in-mold decorations, and silk-screening.) At the time ('03), health costs were the firm's third-largest expense and headed towards second-largest. Over the last seven years their increases (employer and employee) averaged 2.8%/year, vs. a national average of 7% - without cutting benefits. Changes emphasized consumer responsibility, centers of excellence, and a prime role for primary care. Previous efforts (wellness programs, some rationing, participating in a buying group, and cost-shifting to employees) had accomplished little. The firm is now self-insured, saving over \$1.5 million/year (about one-third of average expenditures), with costs now split 80/20 with its employees.

In the new plan, employee premiums dropped by about \$1,500 to almost nothing.

in return for \$780/employee in a form similar to Health Savings Accounts, higher deductibles of \$750, \$1,000, or \$1,500 (employee's choice; formerly \$300), and 30% in network co-insurance (same as before). Maximum employee out-of-pocket expenditure/year is \$3,250 to \$6,000. Other current benefits include free on-site annual mini-physicals (including blood work), rebates of \$250 (upper GI endoscopy) to \$2,000 (CABG) for use of 'Centers of Value' for specified electives, \$5 generic medicine co-pays, access to a free on-site clinic staffed by a nurse practitioner, nurse, chiropractor, and dietitian), free primary care through an on-site part-time primary-care doctor, an on-site fitness center, free elective procedures via a medical tourism program (eg. \$5,000 for a knee replacement at Apollo Hospital in India, plus \$5,000 for travel with a companion - vs. \$36,000 locally; CABGs in the U.S. average \$80,000, vs. \$25,000 in Costa Rica, \$8,500 in India, and \$34,000 at better U.S. facilities), free second-opinions on electives, and free prevention exams (mammograms, Pap tests, colonoscopies, prostate tests). Serigraph's web-site provides employees with bundled price and quality ratings for 27 electives (information accuracy verified by the local BC/BS). Employees wanting expensive brand name drugs instead of effective generics or substitutes pay the cost difference, plus \$30; expensive drugs lacking cheaper equivalents are paid for by the firm, less the \$30 co-pay. Serigraph employees also get half the savings from any billing errors they discover. Outpatient bills sometimes have half their costs accounted for by 'non-specific outpatient treatments' - impossible to decipher without lots of help, from the hospitals. Hospitals also hire consultants and staff to 'up-code' to more expensive charges, obfuscate price increases by limiting the largest increases to the least-used services and then publishing the unweighted average increase, and resisting bundled (simpler, encourages higher quality) pricing. (Bundled pricing actually was initiated by a hospital in 1984 - the Texas Heart Institute; Geisinger Health System since added rehospitalizations within 90 days to their bundled pricing.) Still another hospital network strategy is buying up primary-care practices to incentivize them for keeping within their high-priced system. Insurers, for their part, get around state limits on rate increases by reclassifying a firm's level from 'preferred' to 'standard' or 'sub-standard.' "