October 2010

Health Reform – Would You Like Fries With That?

Health reform will change a lot of things, but it won't change the cost of a Big Mac any time soon. McDonald's restaurants' health insurer got a pass from the White House on part of health reform: the requirement to lift annual benefit limits.

Unless you set up a meeting at the Oval Office, your health plan and nearly all employers' have to get rid of annual limits on certain services. It's useful to ask why health reform has this requirement at all, and what you need to do to meet it.

The downside of limited benefit plans

The fast food giant's health plan pays $2,000 for each person's medical costs annually, according to the New York Times. After the health plan pays out its maximum, the employee takes on the medical bills.

For the average person in a good year – that is to say a year when nothing too serious happens to him -- this kind of plan works well. It is inexpensive and it pays for the few services needed. Young workers in particular may have a string of "good years" and not need expensive services.

The downside only appears when a person has a "bad year" and needs a lot of services. Imagine the person is diagnosed with cancer or has a head injury. A low-wage fast food worker is unlikely to have another health plan or savings to pay high medical bills. Chances are that those bills go unpaid. Hospitals and physicians then try to recoup the money lost from other patients and their health plans.

The market calls these plans "mini med" or "limited benefit." Health reformers call them inadequate. Health reform's goal is for all people to be adequately insured. Eliminating plans that leave people under-insured is a logical step toward that goal.

So how did McDonald's health insurer persuade federal officials to let their plan continue? The Wall Street Journal reported that McDonald's threatened to drop 30,000 employees' health coverage, if the rules were enforced. Though the plan is sub-standard, the prospect of that many uninsured workers may have motivated the Obama administration.

Nancy-Ann DeParle, the head of the Office of Health Reform at the White House, said "It's the best some people can do right now," in describing the McDonald's health plan to the New York Times More negotiations will be ongoing so that McDonald's can continue to offer some level of health coverage.

Meanwhile . . . .

For the vast majority of regular businesses, the annual benefit limits rule will be in force. Employers' plans at their next renewal after September 23, 2010 have to remove or at least increase annual limits on "essential health benefits." Essential health benefits are

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative services and devices
- Laboratory services
- Preventive and wellness services and disease management
- Pediatric services, including dental and vision care

If your plan caps annual benefits for any of these services, the limit has to be raised to $750,000 in 2011. In 2012, the limit has to be at least $1,125,000 and in 2013, $2,000,000. In 2014, no limit can be put on these benefits. (And you can't put a new limit on these services and set it at $750,000. Putting in a new limit means that your plan is "new" and you have a longer list of health reform rules to follow.)

Raising benefit limits will raise the plan's costs, naturally. Your health insurer and broker can answer your questions about what health reform's changes will mean for your plan and your costs.

McDonald's may have pulled a fast one for this year. Few employers can use that tactic and perhaps even McDonald's can't make it last for long. If health reform progresses as planned – and many changes will add costs at least in the short term – the days of the cheap Big Mac are numbered.

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