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Wenzel Analytics Inc

It Matters What We Call It

When I walk into my clinic, I'm routinely asked for my insurance card before I even get to the receptionist's counter. What's the big deal about that?

Calling it insurance is not accurate.

First off, most of us don't have medical insurance. We have a medical entitlement. The difference is that, by definition, insurance always has premiums actuarially matched to risk. With Medicare we all pay based on our income and are then entitled to benefits entirely unrelated to what we paid. We even call it a tax, not a premium.

Most plans offered by employers have premiums the same for all employees and not based on the individual's risk of incurring medical costs. These plans are therefore an entitlement, not insurance. The employer may have insurance to cover part of their risk in making the promise of benefits.

For a clinic to call it insurance when it isn't insurance is sloppy. I expect a clinic to use terms accurately. If someone is coughing, it matters whether it is labeled as a cold, as TB or as pneumonia. The inaccurate use of business terms tarnishes credibility.

Calling it insurance presumes health just happens.

Secondly, insurance is for financial consequences over which I do not have control. With insurance we all share the risk of unpreventable events that might happen to anyone of us. When the clinic calls it insurance, I'm being told that I don't have control of my health. It's something that just happens to me. Overall what I eat, when I eat, how I exercise and how I live are much more determinative of health than medical services. Statistically, medical services account for only about eleven percent of variances in health. I don't like my clinic discounting my ability to influence my health. The clinic doesn't have to call it insurance. Why can't they call it a health plan? Yes, there are injuries and diseases that happen to me outside my control. Acute medical services are maybe half of all medical needs, the other half being chronic healthcare. Even so, acute care can be provided by a health plan. We don't need insurance.

Insurance is not goal and health oriented.

I learned in Insurance 101 that insurance is always for a loss, never to achieve a goal. I cannot take out insurance to make more money this year. Insurance is for possible events having a financial consequence that capriciously happen to some of us but not all of us. We prepare by spreading the risk or possibilities between us. The insurance framework keeps medicine oriented to injury and disease since that is what is paid for. However, health is a positive state of well-being. Health is a goal, not a loss. Trying to use insurance to pay for reaching goals such as health, fitness or sobriety is paddling upstream. When insuring a building, I may be required to install fire protection but that is a prerequisite for coverage, not something paid by insurance. Health insurance is an oxymoron.

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Insurance runs on compliance, not outcomes.

The way insurance works is that a claim is submitted and matched to the terms of the policy. A claim has to be specific and objective. An event or condition happened at this time and everyone looking at the data would agree. Statistically, the claims process needs reliability and validity.

What if there is not something wrong with me. I just want to be healthier or make sure I don't get sick in the future? What if I want to live longer and better? What if my labs are within the normal, non-disease parameters, but could be improved according to my nutritionist?

I have had occasion to work with a lot of people working in benefits administration as they sell or administer programs for employers. For them quality refers to claims being paid accurately and promptly. It has nothing to do with the outcome of medical or health services any more than life insurance companies report outcomes five years after claims compared to the reasons identified when the policy was initially sold. It is all about executing based on the loss, not on the efficacy of services provided. Under insurance payment is based on the problem, not the solution. Benefits administration thinks compliance, not investing as a cost relative to outcomes. As an example, people are ignored who argue with very solid data showing that treatment for chemical dependency can lower or offset acute care medical costs. Thinking within insurance is a whole different thought process than the thinking of managing investments to achieve an outcome.

Why is that important? Money matters and shapes the system. When I walk into my clinic and am asked for my insurance card even before I'm asked my name, that tells me that getting paid is the first order of business. If I think I'm the customer I should ask who is paying most of the bill. I'm not the primary customer. I'm the means for getting paid by the clinic's customer which is usually a third-party administrator.

Providers wanting to get paid must conform to the rules. Thinking creatively is not supported by insurance. If I have an issue for which I'm seeing a psychotherapist, the goals we might establish and the way we get there might often be unique to our endeavors and not fit into the prescribed insurance regimen. Health and even medical providers across the spectrum talk about the importance of relationships. Where do relationships fit into the claims administration process?

Insurance pays based on the loss, not on the outcome. Outcomes-based medicine will never get far because it is bucking the incentives inherent in financing with insurance.

Insurance rewards acute care over chronic care.

I happened to get what is known as bicycle rash. I went to my clinic to have the stones and sand removed from my face and get a couple rows of stitches. The service was superb. Beyond such incidents, we have amazing technologies and medical services for major problems. The system works great for things that fit neatly into the claims process. Chronic health conditions often do not.

Claims administration likes to know when it happened. Chronic health conditions are usually incipient, developing over years. When does one become eligible for a claim and when is the claim sufficient?

Chronic conditions, by definition, are not completely resolved. So what is an adequate claim amount? Should a claim pay for services which can't fix the problem but only maintain the current status? What if different providers see different possibilities?

Our insurance framework rewards acute medical care over chronic healthcare needs.

We often talk about medical and health care as if they are the same thing. They are not. I think of medical care as related to doctors and medicine. We talk of going into medicine as a profession. In an interesting twist, doctors prescribe medicine. Is medicine about pills?

Healthcare is more proactive and much broader in scope. Is not a health club healthcare? It has health in the name. Most long-term care is healthcare but not medical care. As such most long-term care is not covered by medical insurance or even a medical entitlement program such as Medicare. Personally, I use my medical plan for medical needs and buy my healthcare directly. Our euphemisms confuse our thinking.

In summary.

In summary, it matters what we call things. To change our medical delivery system and how it is financed is a very complicated task. However, it is not very complicated for all of us to clean up our language. The media and press could be more accurate in what they call insurance. For all of us, let's not call it insurance if it isn't insurance and we don't want it to be insurance. That includes a lot of insurance terms such as claims, coverage, premiums and risk. Risk for someone who thinks insurance becomes a market for someone who thinks business and goals. The difference is in what's in my head, not in what's out there.

There are far better paradigms for how we finance services to improve our health. There is no reason we can't buy some services directly the way we buy most everything else we value. Charity might be relevant for more than funding research with all the letters we get in the mail. Entitlements can spread the risk as does insurance but not be limited to losses and not require payments to match eligibility for services. We finance education through entitlements. I pay for a semester or pay my taxes and in return am entitled to services. We don't file claims based on ignorance or based on thousands of discrete service components. Maybe we could invest in health! There are models for contracting for outcomes instead of insuring. I worked for an employer who only paid for transplants if the patient was alive a year later. Until then the hospital was financially responsible.

Single payer doesn't change the paradigm, it just goes part way in simplifying the administrative process. Why do we even need a payer? Why can't I sign up with a large healthcare delivery system for major needs and skip the whole tedious and expensive claims detail? Would it save twenty percent of healthcare costs?

Public debates focus on who pays the bill. The bigger issues surround how we pay for services, the implicit incentives involved, and how we think about designing services. Our language influences what gets paid and even the models for how we think and conceptualize about health and the services to improve our health.