

How HIPAA's Approach to Portability Is Making Genuine Portability Impossible

**Presentation to
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by

John C. Goodman

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Next Big Issue

Personal & Portable Health Insurance



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Problems

- **No Continuity of Insurance**



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Problems

- **No Continuity of Insurance**
- **No Continuity of Care**



Problems

- **No Continuity of Insurance**
- **No Continuity of Care**
- **Perverse Incentives for Employees**



Problems

- **No Continuity of Insurance**
- **No Continuity of Care**
- **Perverse Incentives for Employees**
- **Perverse Incentives for Employers**



Problems

- **No Continuity of Insurance**
- **No Continuity of Care**
- **Perverse Incentives for Employees**
- **Perverse Incentives for Employers**
- **Job Lock**



Problems

- **No Continuity of Insurance**
- **No Continuity of Care**
- **Perverse Incentives for Employees**
- **Perverse Incentives for Employers**
- **Job Lock**
- **Baby Boomer Retirement**



Source of Problems

- **Federal Tax Law**



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Source of Problems

- **Federal Tax Law**
- **HIPAA/ERISA**



Models for Reform

- **Swiss Health Care System**



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Models for Reform

- **Swiss Health Care System**
- **Use of HRAs**



Models for Reform

- **Swiss Health Care System**
- **Use of HRAs**
- **Use of Section 125**



Models for Reform

- **Swiss Health Care System**
- **Use of HRAs**
- **Use of Section 125**
- **MA. Health Plan**



Models for Reform

- **Swiss Health Care System**
- **Use of HRAs**
- **Use of Section 125**
- **MA. Health Plan**
- **NCPA/Texas BC/BS Plan**



Models for Reform

- **Swiss Health Care System**
- **Use of HRAs**
- **Use of Section 125**
- **MA. Health Plan**
- **NCPA/Texas BC/BS Plan**



Group vs. Individual Insurance

Advantages of Group

1. Premiums Paid with Pretax Dollars
2. Economies of Group Purchase
3. Avoids cost of Individual Underwriting

Disadvantages of Individual

1. Premiums Paid with Aftertax Dollars
2. Diseconomies of Individual Purchase
3. Bears Cost of Individual Underwriting



Group vs. Individual Insurance

Advantages of Individual

- 1. Indefinite Contract
(Guaranteed Renewable)**
- 2. No Experience Rating
After Entry**
- 3. Personal & Portable**

Disadvantages of Group

- 1. 12 Month Contract**
- 2. Experience Rating
Every 12 Months**
- 3. Tied to Employment**



Hybrid Insurance

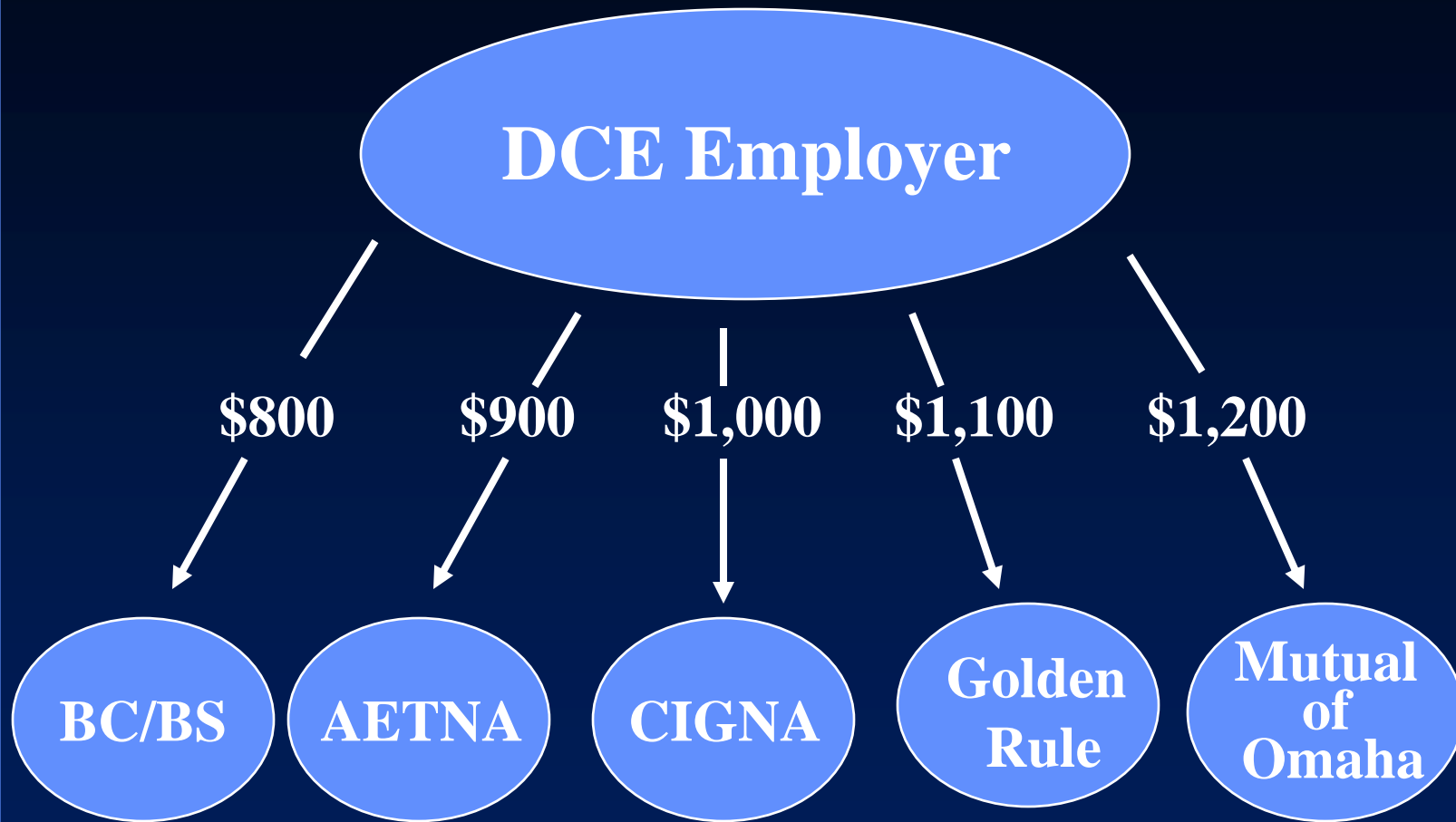
(New System Plans)

1. **Employer's share of premiums is paid with pretax dollars.**
2. **Initially, all employees enter the pool as a group.**
3. **There are individual premiums based on age, etc.**
4. **No individual underwriting (but the group as a whole is experience rated).**
5. **Indefinite contracts (guaranteed renewable).**
6. **No experience rating after entry.**
7. **Personal & Portable.**

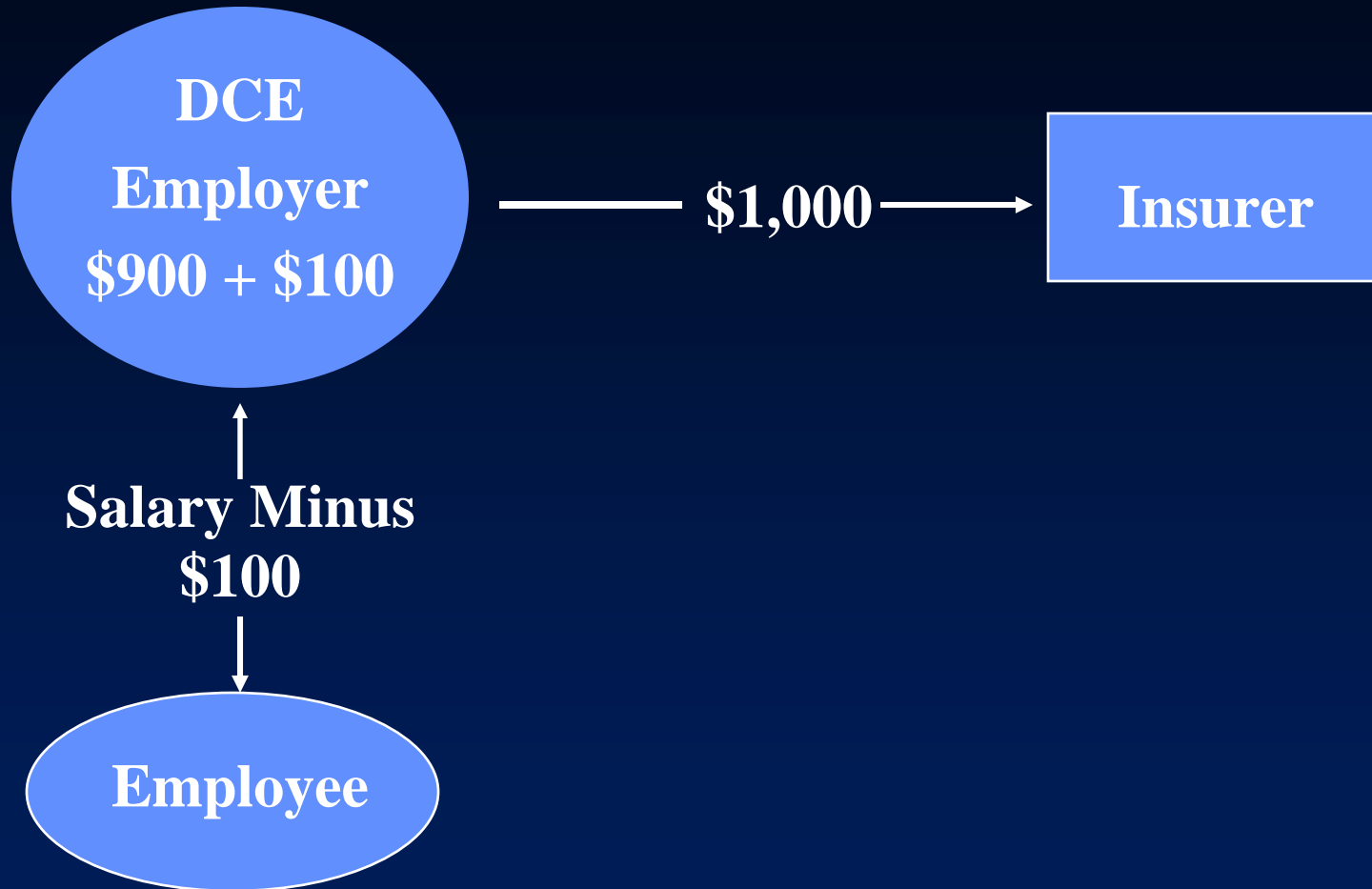


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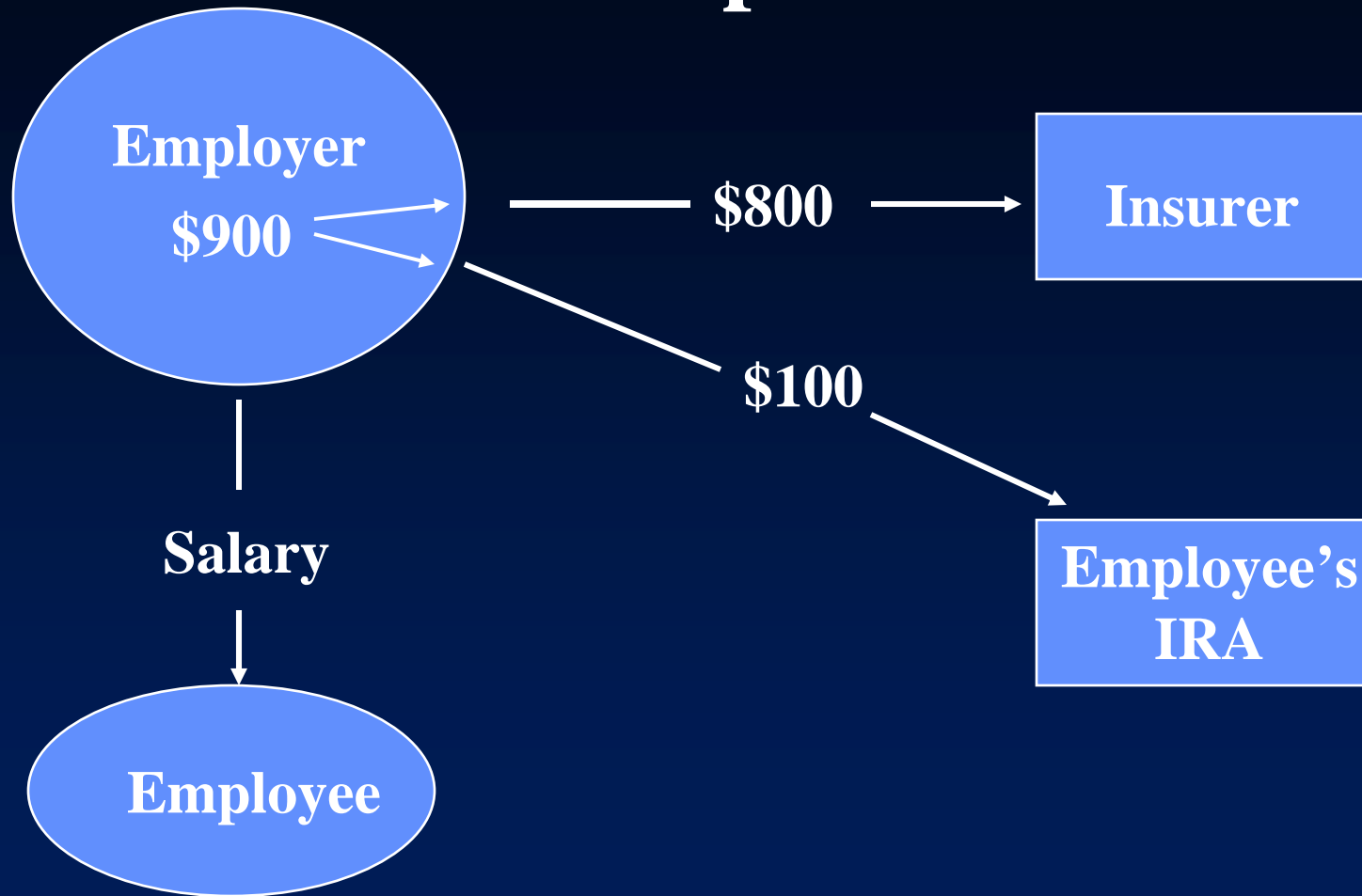
Payment of Monthly Premiums



Example: Monthly Premium



Example



Advantages of Portable Insurance

- **Continuity of Insurance**



Advantages of Portable Insurance

- **Continuity of Insurance**
- **Continuity of Health Care**



Advantages of Portable Insurance

- **Continuity of Insurance**
- **Continuity of Health Care**
- **Labor Market Mobility**



Advantages of Portable Insurance

- **Continuity of Insurance**
- **Continuity of Health Care**
- **Labor Market Mobility**
- **Employers as Defined-Contributions**



An Idea Whose Time Has Come



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