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Consumer-Directed, But Agent-Led Health Care Reform

by Greg Dattilo and Dave Racer
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Agents, health care reform is in your hands. Better put, it is in your appointment books, because the truth is that what you sell today will determine the look of tomorrow's health care system.

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This is not to say that politicians, think tanks, reform "experts" and others play no role in reform. They do, and it is precisely because of them that agents must work three times as hard to preserve what is good about the free-market health care system.

Think back to 1960, when consumers still directed their own health care. They paid 48 cents of every health care dollar out of their own pockets. They made purchasing decisions about health spending and knew the cost – costs were transparent. Catastrophic health insurance provided security against major losses: Health care insurance was insurance, not prepaid health plans. Most health care purchase decisions were made around kitchen tables, not in Congressional and legislative committees.

In the 1960s, the U.S. suffered a "health care crisis." Reportedly, senior citizens were being forced to eat dog food or purchase health care services. These seniors, about three percent of the 1960s population, could not afford major-medical health policies. Access and affordability, reformers said, were the problem, and without the government to solve this crisis, seniors were certain to suffer and die needlessly.

At the same time, politicians determined that our poorest citizens were, likewise, unable to purchase health care. Along with older Americans, politicians said that low-income Americans needed federal government intervention.

The federal government intervened on three levels: In 1964, it created the federal Community Healthcare Centers (CHCs) program. In 1965, it gave us Medicare to resolve the health care problems of aging citizens; and it gave us Medicaid to make sure that low-income citizens could get basic health care.

Medicare and Medicaid radically changed the way that recipients viewed paying for health care. The patient received nearly unlimited care – seeing it almost as "free" care – and was insulated from the true cost. The cost was borne by others.

By the late 1960s, double-digit health care inflation had already become a problem. Seniors wanted more services. Low-income people wanted everything that private-pay

patients received but at no personal cost. Technology exploded, and offered exotic and exciting cures, surgeries and treatments. Americans began to see themselves as entitled to an increasing amount of health care.

In the 1970s, agents saw the opportunity and went about doing what they do so well: insuring the uninsured. This meant convincing healthy baby boomers that first-dollar HMO plans with preventive services would bring security, better health and longer lives. Agents did what made sense. They took the challenge to resolve the health care "crisis" of their day by replacing major-medical policies with prepaid health plans. Without agents, those HMO prepaid plans never would have been successful.

The fact was (and still is) that agents are the army that drives health insurance reforms. If agents believe in a product, it gets sold. If they do not, or if vendors try to leverage them out of sales marketing, products go unsold.

Those 1970s and 1980s agents focused on finding the best values they could for clients, replacing high-deductible plans with low- or no-deductible plans. These plans had generous benefits. By all measures, these plans remained relatively affordable, especially in the booming economies of the 1980s and 1990s. Agents delivered rich plans to employers, helping them recruit and retain the best and brightest, hardest-working Americans in history. These products perfectly fit the baby boomers and their young families.

Agents did their job, and did it well. They believed the 1970s reformers, who claimed that they could control spending by negotiating health care prices for large numbers of people. They believed this would work better than individuals buying directly from providers, that is, paying their own health care bills as they did in the past. The reformers ignored the impact that entitlement thinking would have on utilization. Once insured people felt entitled to care, and knew that others paid the bills, utilization skyrocketed. So did spending.

Let's be honest: Agents sold the products that have now become unaffordable. But agents did not price the products out of the market: Consumers did. Consumers spent without restraint, and why not? Others paid the bills. In fact, they had no idea how much health services cost, because they were removed from the purchase decision. Their employers suffered ever-increasing premium expense that threatened profits and survival, but insureds continued to consume more and more services, devices and medicines -- without much financial pain...until the last few years.

At the bottom line, we must now admit that agents did a great job of selling European-style, prepaid socialized health care plans. Now it is agents' obligation to lead the new reform effort to restore to the U.S. what worked so well in the past -- consumerism. Agents need to once again Americanize U.S. health care.

In the 1960s, doctors had to please patients, because patients paid the bills. In the last three decades, doctors have had to please the insurance companies, HMOs and governments, because they pay the bills. The payers determine the way medicine is practiced. Doctors have become attuned to reimbursement plans while tuning out health care consumers.

Today, however, governments, insurance companies and HMOs admit that they cannot control utilization. As a result, Americans can no longer afford to spend without restraint.

Make no mistake, restraint is coming. The only question is: Will it come from governments imposing global budgets and rationing, or will it come from consumers spending within their means and according to their understanding?

It is time for product to change behavior once again, and now agents can make everyone a winner. As agents commit to consumer-directed health care by focusing on sales of high-deductible health plans, along with HSAs and other types of consumer-

directed ideas, they can direct free-market reform that will create a new golden age of U.S. health care. Consumers must discover cost, and the only way that will happen is when they share in it. When they spend their own money, their behavior will change.

No matter how it is said, the old major-medical, consumer-driven insurance policies that worked so well in the past will work again today.

Agents understand that their responsibility includes educating clients, the general public and lawmakers about health care consumerism.

Consumer-directed health care reform will never happen, however, if we just leave it up to consumers, as though they will stumble across a consumer-directed health plan and snap it up. Remember, they have felt entitled to all the health care they want for 40 years now. They need to be sold, educated, trained, encouraged and even reinforced in their innate belief that, as Americans, they have what it takes to decide for themselves how best to spend their own health care dollars.

This movement then, to be successful, must be agent-led. There is an army of tens of thousands of agents whose primary passion is insuring people. Take that passion one step further and complete the mission. Drive reform with what worked so well in 1960: catastrophic health insurance and consumerism. With agents once again leading the way, they not only will preserve and even grow free-market health care, they will protect Americans from government, socialized, rationed health care.

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