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Health Insurance's New Wave And the Man Behind the Plans

By Christopher Lee **December 28, 2006**

If you struggled with the choice of a newfangled high-deductible health insurance option during open enrollment this fall, you can thank -- or perhaps curse -- conservative economist John C. Goodman for the experience.

The 60-year-old founder of the Dallas-based National Center for Policy Analysis did not devise the idea of creating tax-favored medical savings accounts and pairing them with high-deductible insurance, but he pushed longer and harder in Washington than anyone else to make "consumer-directed" health plans a reality.

For more than a dozen years, Goodman wrote articles, gave speeches and buttonholed lawmakers to tout the idea, achieving only modest success before the Bush administration embraced the concept and the GOP-controlled Congress in 2003 paved the way for insurers to offer such plans.

"I went to Capitol Hill and only about five guys wanted to meet with me," said Goodman, who began his campaign more than 15 years ago. "You won't believe how negative the whole world was. The health insurance trade group was on the other side, the Chamber of Commerce was on the other side. The American Medical Association was not sympathetic. You just won't believe how little sympathy we got."

Goodman continued his campaign in the face of such indifference because he believed that the rapidly growing cost of health care -- which now represents 16 percent of the economy -- could not be tamed by anything but market forces.

Now the Texan is feeling the love. About 3 million people are enrolled in the new plans, and another 3 million are in similar ones in which employers contribute to tax-favored medical spending accounts for their workers. The numbers are only likely to grow as more businesses push employees to sign up for such plans and the White House continues to promote them as a way to rein in spiraling health-care costs.

The theory is that the plans give consumers an incentive to shop for the best price for health services and to forgo procedures that they do not need. In contrast with more traditional health plans that typically charge $15 or $20 co-payments for visits to the doctor, the new plans can require consumers to shell out hundreds or thousands of dollars of their own money for medications, physicians' services and hospital care before most coverage kicks in.

Although the plans have high annual deductibles (at least $2,200 next year for family coverage), they enable consumers to set aside a tax-free pool of money, which can be used to pay health bills and sometimes roll over to the next year. Annual premiums tend to be lower, and catastrophic injuries or illnesses are still covered.

Sen. Charles E. Grassley (R-Iowa), who, as chairman of the Senate Finance Committee, supported the 2003 legislation that cleared a legal path for the new plans, said that he was a convert to the idea years before, in part because of Goodman's tireless advocacy campaign.

"It was a long slog, but he made it and it paid off," Grassley said. "I think it's going to be one of the big directions that health care is going to move in."

Some people hope not. The new plans can be confusing for consumers used to HMOs and preferred-provider plans, and some resent having to pay 100 percent of health costs for a period even as they pay monthly premiums.

A recent Rand Corp. survey turned up mixed results about the new plans. Employers reported saving at least 10 percent on health costs, and plan participants appeared to trim health spending between 2 and 15 percent. In some cases that reduction was good, as when consumers did not go to the emergency room for problems that did not require it. At other times, people were skipping necessary care -- say, by not filling a prescription -- and potentially jeopardizing their health.

Another study, released this month by the Employee Benefit Research Institute and the Commonwealth Fund, found that people in the new plans were less satisfied with their insurance than those in traditional plans, and that consumers often lacked information about the cost and quality of care.

"Even though we're a couple of years into this phenomenon, they are still controversial," Karen Davis, president of the Commonwealth Fund, said of the new plans. "We're largely relying on theoretical arguments about their effects with only limited data available."

Goodman is confident that their popularity will grow. Just this month, he noted, Congress made health savings accounts more attractive by substantially increasing the tax-free amount that Americans can contribute to them every year.

"We are on a health-care spending path that's unsustainable," he said. "Someone is going to have to choose between health care and other uses of money. If you want someone else to make those choices for you, you can join an HMO. But if you want to make those choices yourself, these accounts give you the financial ability to make them."