

Health Finance Advocacy Statement

Insurance companies have become the scapegoat for the fact that insurance itself is ill suited to the purchase of most healthcare services. The problem is not in who writes the check, but in the elaborate system of paying for claims. Claims are always for a loss and should never be to achieve a goal such as health. That is the nature of insurance. Claims introduce uncertainty at the time when medical decisions need to be made, otherwise it would be called an invoice and not a claim. The reason for insurance is for cost to not be a problem when catastrophe occurs. It is not the function of insurance to manage costs, but rather to spread the risk and comply with the terms of the insurance policy. The fundamentals of risk management are to manage what can be managed and to insure against what cannot be managed.

Insurance works for catastrophic risks over which one has no control and the contractual obligation can be neatly specified. Moral hazard precludes insurance when individual behaviors precipitate the claim, or are an integral part of how much the insurance needs to pay. Even there, in a situation such as my brother's ALS where a cure is not available, insurance does a paltry job of paying for the ongoing nursing and physical therapy services required.

We need to be more accurate in our language. Individual underwriting is a prerequisite of insurance. Without it we are talking about entitlements, not insurance. Do we want to finance only medical services, or are we interested in financing a broader range of health care services such as nutrition, health clubs, safety programs and public health? Are we interested in financing health care, or only medical cure? Let's not talk about health care if we really mean medical cure.

The financial paradigm frames what is logical, prudent and considered efficient. The problems related to cost, quality and access in health care will persist as long as the insurance paradigm is the ruling context. Once we shift to other paradigms or systems, a whole new framework opens for us. Alternatives include entitlements, procurement by outcomes, purchase of services, charity, theft (think unpaid bills), and investments. Each of these modes of finance provide different incentives, different legal language and contexts, different administrative costs, and are appropriate for different circumstances. The discourse needs to shift from who pays the claims towards what adaptations of these various modes of finance or economic transactions would best serve our needs.

An alternative to mutual funds.

c:\Hlthfin\Health Finance Advocacy Statement.docx, 8/29/2009

Lee Wenzel

(952) 944-2699

Lee@WenzelAnalytics.com

Eden Prairie, MN 55344

Wenzel Analytics, Inc.

Registered Investment Advisor

8666 Westwind Circle

www.WenzelAnalytics.com