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FOR CONGRESS

CIVIL: Healthcare for the 21st Century

Top Priority: Plan for your health to reduce costs!

During the last few election cycles, the rhetoric surrounding the cost of health insurance quickly devolved into bromides and sound bites about protecting or defending big government health programs. Washington elites make promises that never quite meet expectations but make for great Madison Avenue advertising.

There are three key reasons for the high cost of health insurance, 1) the HMO/PPO is the most expensive solution for financing healthcare, 2) each year 5% of the patients product 50% of the costs, and 3) our healthcare is a lifetime process and our insurance policy is non-portable and an annual event.

Health Financing as a Lifetime Challenge

In 2004, the National Center for Biotechnology Information published *The Lifetime Distribution of Health Care Costs*. Average lifetime costs in 2000 dollars totaled \$316,000, about \$480,000 in 2020 dollars.

The percentage of lifetime costs by age:

- Birth to 19 years - 7.8%;
- 20 to 39 years - 12.5%;
- 40-64 - 31%;
- over 65 - 48.6%.

Were insurance policy terms decades long instead of a single year, the cost of coverage would be greatly diminished. The HMO/PPO is both an annual health insurance that we all use (legislated into our lives during the Nixon Administration with insights from insurer Kaiser Permanente) and covers every single health event in a person's life from sniffles to a heart transplant. It is the **most expensive solution** possible for insuring health care.

The cost of a typical policy for a family of four is \$1,000 per month, split between the employee and the employer. Policy costs rise or fall based on co-pays and deductibles. In terms of worker pay, the \$1000 per month insurance bill translates to \$6 an hour. Fifty percent of Americans earn less than \$16 an hour. For these workers, a thousand-dollar monthly premium is unaffordable, for both the employee and employer. For part time workers earning \$10 an hour, the financial challenge is even greater. For single men or women in their twenties having to provide their own insurance, who were mandated to purchase insurance under the Affordable Care Act, the average monthly cost for a high deductible policy, \$200 per month, was out of reach and many opted to be taxed. Because the young have less perception of need or risk, any expense for medical coverage may seem unreasonable.

Annual Versus Lifetime

For almost everyone, as we ~~you~~ age, there is an increasing likelihood of expensive healthcare expenses whether from disease or end of life expenses.

If you go to work in an office of 20 people, there is one person that will have a health event that costs over \$100,000 and potentially over \$250,000. If you and your employer pay \$1000 for your coverage, \$500 of the premium goes to pay the expenses of that one person. The person with an expensive healthcare problem changes each year. There is, though, no planning, no saving, for this expensive health event though we all know it is coming at some point in our lives, generally after 40.

The HMO/PPO isn't going away, and shouldn't, but better options, more affordable options are needed, options that take into account that healthcare costs can be planned for, especially because four-fifths of healthcare costs occur after age 40 and can be saved for during our teens, twenties, and thirties, mitigating the risk of high costs with a longer term insurance instrument.

The Whole Health - Health Savings Account - Prepaid Credit Card - Building Block Insurance Policy

A longer-term insurance policy will provide much needed cost relief, especially for from 18 to 40, because risk is spread over decades instead year to year. The longer the policy term, the better. Workers seeking their first job could invest in a 50-year policy. Shorter term policies for 30, 40, and 50-year old's are also financially feasible.

What are the features of this new policy approach? First, it needs to act ~~a bit~~ like a cross between a Whole Life insurance and Term Insurance policy. Whole Life and Term Insurance policies pay the face value upon death. Whole Life policies also have a cash value which grows over time. Whole Health Insurance would have both benefits, with a designated cash value at the end of the policy based on any residual value at the end of the term.

Second, the best usage of Whole Health is for major health costs. The policy could be used like a Health Savings Account to pay for minor health events, or for premium ~~policy~~ payments if the policy holder is out of work. Another great benefit is that the policy holder can replenish the account to maintain its value.

Third, Whole Health policies could be purchased in blocks with the ability to increase the value of the policy when risks and needs increase, especially as income increases, and, most importantly, when marriage and family increase the need to protect against financial risk from health issues.

Catastrophic insurance should be an add on. If the \$10,000 deductible policy for a single 21-year-old is about \$200 a month, catastrophic coverage for \$250,000 (what a married person with children should have today) would likely be \$20 per month or less. For families, this option would be a natural add-on.

A starter policy of \$25,000 is not unreasonable. If death rates for Life Insurance policies align with big health costs, the actuarial estimates for Whole Life Insurance Policies are about \$25 per month. This is a fraction of the cost of an HMO/PPO.

With a Whole Health Policy, a business seeking to provide benefits for workers who earn less than \$15 an hour could split the premium with the worker or pay 100% with assistance from the government for low-income families. A Health Savings Account could be funded as well. The cost of Whole Health pricing

comes in at \$.30 an hour for a full-time worker and \$.50 for a part time worker working 24 hours a week. At these rates, every business can afford to offer affordable health coverage to younger new hires and workers through age 50.. This solution could also compliment government programs like Medicaid and Obamacare.

The biggest benefit is that neither the government nor the health insurance companies will be telling you how to spend your dollars unless your costs require dipping into the catastrophic coverage. Second, this solution has no deductible or copays. Third, the cost of insurance makes it affordable for every worker/business right down to minimum wage workers. Finally, healthcare moves to a cash business which will create a downward pressure on pricing.

Whole Life Insurance should be considered one of many solutions provided by an open and freer market. The more options and competition, the more likely the needs of patient financing will be served from rich to poor.

Beyond Financing

Congress and the healthcare marketplace MUST improve pricing transparency. The patient has no idea what an office visit costs much less a specific drug or a heart transplant. To do this, our Patient Experience needs a 21st century face. Take a look at www.kbb.com. For car buyers, Kelly Blue Book anonymizes car purchase data across the nation and provides the user an estimate range of prices for model, make, year by zip code. Finding a way to do the same for healthcare costs for doctors, hospitals, and pharma would do worlds of good to supplement our decision making.

Healthcare Background: Future Trends.

The trend of personalized, genomic healthcare needs to be taken into consideration regarding new solutions for health care financing.

The life sciences and healthcare markets have two evolving price curves that are peaking. The first price curve arrives from traditional – or analog - medical innovation like the next new imaging technology or a one-size fits all drug that helps increase the life span of a cancer patient but doesn't cure the patient. The cost of these traditional innovations has tended to increase time. These innovations are not unlike innovations in the car industry. Electric door locks, air conditioning, navigation systems and safety devices produce a higher quality automobile, but also a more expensive one.

The second price curve developing around personalized, genomic medicine will deliver a price curve more like a computer chip. Over time the chip has become more powerful and less expensive. Genomic medicine – personalized medicine, price curve will be much the same, as new pharma solutions are made for the individual patient and will cure patients of a disease using DNA as a programming language – a new digital domain for medicine.

How are these two vastly dissimilar kinds of medicine different in terms of costs?

Today, if you are feeling ill, a trip to the general practitioner may produce a recommendation to see an oncologist. A likely follow up will find you at the hospital for a biopsy. A positive test results in surgery which requires a surgeon, nurses, and an anesthesiologist and a very expensive operating room. A few days in recovery in the hospital is followed by chemotherapy and additional visits to the oncologist and a menu of pharma to assist in recovery as well as anti-cancer drugs to reduce the possibility of the cancer's recurrence. The accumulated costs for all these professionals and a sterile environment for surgery and recovery, costs that average above \$150,000. With all the people and resources required the costs are easy to understand.

Genomic toolkits for editing our DNA will likely make this expensive scenario obsolete. Cures will be 'made to order' from reprogramming your broken DNA. Personalized Medicine will revolutionize medicine in two ways, 1) curatives will be made specifically for one person and the effectiveness of the pharma will be near 100%, and 2) according to one CEO manufacturing costs for this solutions will be cut 2000 times over today's pharma. Building pharma plants for current drugs cost a billion dollars to make just one drug. Future personalized pharma can make innumerable pharmaceuticals in the same plant at scale.

This new approach will be akin to the science fiction of the 1960s Star Trek. Dr. McCoy waved a tricorder over the patient and, with a curious eye, reviewed the results. In the back room lab he manufactured the cure and then injected it into the patient. Ooula, a healed patient. Our future healthcare will mimic this scenario.

Today, personalized Medicine is new. Its costs, like any new technology are high. The numbers of genomic health solutions and cures are beginning to accelerate. Sometime near mid-century expect personalized cures will begin to commoditize with costs floating down to generic drug pricing. This new approach will dramatically reduce the costs of health care and turn our sick care system into a health care system.

With healthcare remedies increasing and policies that are short term that cover literally everything, is there a better solution, or set of solutions to provide options to the workers.

Government solutions, though, have consistently constricted health financing options which has delivered steadily rising prices. The government's only tools to reign in the cost of insurance are price fixing or negotiating large-scale contracts that produce some reductions in cost. Both have limits that quickly can impair quality care and diminish access to services.

For example, those who tout they will protect or defend Medicare rely on reduced payouts for medical services and pharma, have little room left to cut prices. In Wall Street Journal, authors Benedic Ippolito and Chris Pope wrote that 'Hospitals now are effectively required to treat Medicare enrollees at rates averaging 59% less than what hospitals receive from employer-sponsored insurance plans.' Artificially reducing these costs for Medicare patients drives up costs for the 150,000,000 people with private insurance which doesn't solve the overall expense challenge. A typical worker cannot work for 59% less wages, nor a business take 59% less for their products.

Ask any business how long they will be in business if customers paid only 41% of the list price. Answer is, 'not long.' As the population ages, the mix of patients for providers rises, tilting toward the aged. If

private insurance to disappear, the medical system would crash. There is some room to artificially lower prices downward, but not much. There are better places to look for relief.

Better understanding why premiums have continually risen is essential to finding solutions that will reduce insurance costs. There are four key areas that challenge that create constantly increasing premiums: 1) the only insurance coverage available, the HMO/PPO, is the most expensive possible solution for health care financing which is great for insurance companies but not the policy holders, 2) health insurance is provided as an annual policy and health care is a lifetime challenge with costs increasing with age, 3) 5% of patients accrue 50% of the healthcare costs each year and, therefore, contribute 50% to the cost every policy holder's premium, and 4) new medical innovations are added to plans each year increasing costs of insurance policies.

Finally, when genomic health does finally commoditize near mid-century and reduce the cost of health care, Whole Life Policies will like cover future health expense for the Medicare years, too, reducing the reliance of our future elders on Medicare.