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More firms choosing individual health plans

By Rachel Brand, Rocky Mountain News
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John Wray, 63, thinks he last visited a hospital when he was in college. He often works 12 hours a day, seven days a week in his auto parts store, eats poorly, avoids formal exercise and rarely suffers from the flu or colds.

"I think I caught something once. It was when the kids were little," he recalled. "They all went into a panic and we figured out it was because they'd never seen me sick."

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When Wray, whose Marsau's Auto Shop employs 12, learned his group health insurance rates would skyrocket 35 percent last year, he devised a plan to save thousands of dollars a month.

Healthy employees - such as himself - would buy individual health insurance. Workers with previous health problems could stay on the group plan.

Individual health insurance policies cost half the price of a group membership, and interest in them is soaring.

The issue has become politically charged as well. President Bush advocates tax credits paired with individual policies as a way to help the 42 million uninsured.

And with employers cutting back benefits for dependents, increasing employee cost-sharing and lengthening waiting times to qualify for group membership, the prospect of buying individual policies appeals to many families and young workers.

But approach with caution. The benefits under individual insurance are much leaner than group insurance. And plans have made it harder for new applicants to qualify, weeding out almost anyone who might actually be sick.

The state doesn't collect statistics, but Anthem Blue Cross Blue Shield says individual enrollment rose 11 percent last year to 90,000 in Colorado and Nevada. Rocky Mountain Health Plan says enrollment has grown from zero three years ago to 7 percent of its business. Kaiser says enrollment has stayed steady around 16,000.

And Anthem is fielding 300 to 400 inquiries a day for the policies, up 20 percent from a year ago.

Calls spike during companies' open enrollment season, as workers weigh the latest round of out-of-pocket expenses against the cost of an individual policy.

A large portion of Kaiser's new members are children, "dependents" in the old world of health care.

The plans aren't for everyone: John Wray's wife, Jan, is 10 years younger than he is and suffered a bout with cancer two years ago. Jan Wray won't bother applying for individual health insurance, so she pays \$550 a month for group insurance while her husband pays \$300.

"She has no choice," Joe Wray said.

Most plans won't admit people with cancer, heart disease, diabetes or other chronic conditions, or they'll write policies that specifically exclude those conditions. Many don't cover pharmaceuticals or even maternity care without a separate policy.

The screening process is strict: Applicants have to fill out a questionnaire, take a physical and at times submit recent medical records.

"We've seen people rejected because they have a child with asthma. Or even because they have had marriage counseling," said Susan Gambriel, a policy analyst with the state's insurance division. She added that because of the plans' popularity, the division wants to gather more detailed statistics about the market.

Consumers who qualify pay \$79 to \$300 a month for a range of benefits. Deductibles in the individual market most frequently fall between \$750 and \$3,000, higher than under employer-sponsored plans.

Insurers defend their tactics.

"If we didn't (do medical screening), then the minute you get sick is the minute you'd buy your health insurance," said JeanBarker, director of sales at Kaiser.

And the plans' higher deductibles and co-pays are directly related to their low cost.

"People have an amount they can afford," Barker said. "They say, 'You know what, I can afford to pay \$100 a month for health insurance. What can I buy?' "

Barker said she believes her individual members are, on the whole, healthier than her group members.

"A good chunk of our individual members are less than 18," she said. "So the average group age is now 50 years old instead of 30 years old."

The significance of that isn't lost on Wray, the small-business owner.

He believes that as individual health plans cherry-pick younger, healthy workers out of the risk pool, group health care will end up covering the old and sick. And that will drive up costs.

"This is a short-term solution for me," he said. "It's a looming disaster for the pool."

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