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Patrick McIlheran

Pre-existing reforms at work already

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Most Americans, polls say, are pretty happy with their own health coverage. They worry, though: You develop heart trouble, you change jobs, you're toast: If your ticker's a pre-existing condition, insurance could bankrupt you.

It's a valid fear, a fear of financial ambush. Which, says John H. Cochrane, means it can be handled: "The risk of your premiums going up is an insurable risk, just like the risk of your house burning down."

He'd know. He's an economist who teaches finance at the University of Chicago. He's been writing about how pre-existing conditions needn't be the loose thread that unravels private health insurance and leaves us shivering for whatever Nancy Pelosi's knitting up. Pre-existing conditions are things you can insure against.

And to think you'd heard there were no free-market reforms out there.

Cochrane's idea is "health status insurance." To simplify, it covers the problem of individual insurance that becomes too costly as you age.

Reformers of many stripes like individual insurance, since it's portable from job to job, but the solution to aging that Congress now proposes is to force young people to overpay so as to subsidize middle-aged people.

Don't, says Cochrane. Instead, let a bit of young people's low premiums go to another policy that pays off if their health goes bad. The payoff (Cochrane suggests it get stored in a locked-up account) covers the added cost of insurance. This can be set up to follow you even if you switch insurers.

"This isn't a crazy new system," he said. It's a health-insurance equivalent of "guaranteed renewable" clauses. One big insurer offers an early version of it now. "You can get there step by step from where we are," Cochrane said. Mainly, it takes the lifting of impeding regulations.

True, it means getting invincible 25-year-olds to plan ahead. But a reason young healthy people don't buy health insurance, Cochrane points out, is that we've made it costly. "It's so regulated, what insurance has to be," he said, "it's this \$15,000 nightmare." Couple health status insurance with low-cost, high-deductible plans, and you can make health coverage an affordable proposition that stays affordable. You make it a normal part of life, like getting a car loan or an apartment.

What Cochrane describes isn't a comprehensive plan, of course. It is a reform, however, one of scores of such ideas circulating. A lot of them take an approach precisely opposite to what Congress seems about to do, which is blow up the system so Washington can reinvent it. A lot of these alternate reforms aim to fix the troublesome parts of a functioning system. Many seek to enable markets rather than merely simulate them.

And a lot of reforms are already working. Health care's expensive because patients have no stake in costs? That's what high-deductible plans coupled with health savings accounts aim to change. The data suggest that's starting to work. Manitowoc County shows [the model](#) can be as generous as traditional plans. [Indiana shows](#) it works even for the poor.

Or, having been made into consumers, patients can't decipher prices? Transparency laws would help, but so do vendors, like [Milwaukee's PatientCare](#), that find prices for a small fee. Once price is a factor, places like West Milwaukee MRI provider Smart Choice start competing on price.

To say that reform consists solely of the three plans Congress is now log-rolling requires you to ignore a decade of nascent reform. To say opponents of Obamacare are all about "no," that there's no option but the public option, is nothing but a salesman's tactic to get you to sign now and work out the payments later.

Health insurance needs to change. "The status quo is just not tenable," said Cochrane. But the idea that Congress must invent a wholesale replacement is silly. We do not rely on Congress to arrange the equally complex and vital markets by which farmers plant, bakeries bake and we all are plentifully fed. "That's not how you get your bread," said Cochrane. "It would be completely impossible to get your bread that way."

Instead, better farms and better bakeries do the trick. Funny how that happens.

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