

Turning Up the Heat

It's interesting the diverse topics of articles and reports that turn up in publications that cross my desk. If it weren't for catching a cold or the flu intermittently I don't know how I'd keep up!

Aaron Newhoff (Commentary, "The Global Warming Debate Heats Up," *Contingencies*, Nov/Dec 2000, <http://www.contingencies.org/novdec00/commentary.htm>) will be excited to know that the U.N. Intergovernmental Panel on Climate Change (IPCC) has gone farther in its current release than he mentioned in his *Contingencies* article.

The draft IPCC report issued at the very end of October 2000 indicates that by 2100 global warming could raise the average temperature of the Earth by as much as 10 degrees—substantially higher than the 6 degrees predicted by the 1995 report.

The draft further ties the activities of



humans to global warming by saying "it is likely" that gases produced by human activity "have contributed substantially" to the warming seen so far. It defines "likely" as a chance of 66 percent to 99 percent.

This is stronger than the 1995 language that merely stated there was a "discernible human influence on climate." The draft report indicates that the Earth could warm 2.5 to 10.4 degrees by 2100, compared with the 1.8 to 6.3 degrees estimated in the 1995 report. Evidently the new estimates are higher in part because they assume developing nations will cut

emissions of sulfur, an air pollutant that causes health problems and haze. Atmospheric sulfur, it's argued, also cools the earth.

Most nations, including the United States, have not ratified a 1997 treaty intended to "slow global warming." Interestingly, according to *USA Today*, a spokesman for Al Gore said the report shows that climate change will be an important issue for the next president. In the same article a spokesman for George W. Bush reportedly said that the Texas governor believes more research is needed.

Since I'm admittedly not up to snuff on the subject I'll reserve judgment just yet, thank you, as I bundle up to go off and vote today. The cool weather has apparently arrived, at least here in Washington, D.C. Local pundits with thinner blood might argue, notwithstanding the effect of global warming, perhaps "hell is about to freeze over."

(Please note that any comments made are my own and don't reflect the views of the insurance department, the government of the District of Columbia, the Mayor, Council, or representatives.)

LASZLO PENTEK
DISTRICT OF COLUMBIA

Hazardous Reading

I HATE THIS! I decided to just check out [the Booklinks on the *Contingencies* website] to see how easy it was and ended up buying the book about the Galveston hurricane (*Isaac's Storm* by Erik Larson, reviewed by Linda Mallon). The review sucked me in.

HELP ME, I'VE FALLEN AND I CAN'T GET UP! I think you're going to cost me a lot of money before I'm finished.

TED KUSS
FAIRFIELD, OHIO

Editor's note: Because Ted is buying books through the *Contingencies* website, a portion of his hard-earned money is going to support the work of the CAS/SOA Joint Committee on Minority Recruiting. Thanks, Ted, for your support.

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If the Dunce Cap Fits ...

I noticed that the text of an article in a recent issue of *Contingencies* ("Having Your Cake & Eating It," September/October 2000) included the sentence, "It's now an established fact that the mortality curve associated with alcoholic beverage consumption is U-shaped." However, in the blurb on the same page "morality" was substituted for "mortality."

I realize that it may be beyond the scope of the magazine, but I am curious as to what the "morality/alcohol" curve would look like. This may make for an even more interesting article. Thanks for making me laugh.

WILLIAM T. WILSON
CLEVELAND, OHIO

Editor: Whatever the curve would look like, it would have to reflect the extraordinary number of people who caught that typo. Thanks to Mr. Wilson for pointing it out to us in such an amusing way.

Bulking Up

The article "Small Is Beautiful" struck a responsive chord. Many times in my health care consulting practice an affiliated group tries to "bulk up" by expanding coverage to similar groups to lower administrative costs and "spread the risk." Usually those wanting to spread the risk are interested in lowering their own high costs caused by lax underwriting, an older age distribution, excessive benefits, or higher cost providers.

One example of "large is necessary" in health care involves insurers. At one time we had 10 carriers selling managed care in central Pennsylvania. Now we have three or four viable carriers. In order to enroll employers and their employees, cost is important. Low cost is achieved through low provider reimbursements. The providers are willing to take lower fee scale reimbursement, or capitation, if the volume

assured by a carrier is adequate.

No doctor wants to take three patients for \$20 per month capitation if one of them requires 20 office visits a year for his chronic condition. He would take 1,000 families at that rate.

So we find a vicious circle—a new carrier can't lower the premium rates until its provider costs are lowered because it has a large number insured, and that can't be accomplished because the premium rates are too high.

Several of the departed insurers attempted to use inadequate rates, and fortunately the remaining insurers took over their contracts without loss of coverage. One local hospital just announced termination of its fourth attempt to enter the health insurance business in order "to eliminate the middleman's profit."

Good article.

CONRAD M. SIEGEL
HARRISBURG, PA.

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Great Expectations

Peter Hendee ("We Are Overinsured for Health Care," September/October 2000) has presented an accurate description of the current health insurance environment. Today's comprehensive plans commonly result in overinsurance, creating barriers for programs to reduce the uninsured. This is because of the twin "e's" created.

The comparison of auto insurance, homeowner's insurance, and health insurance is one I have also used, with one difference. The difference is with the expectations created for the three types of insurance.

In most years, I have not repaired rock damage to a windshield. Nor have I replaced a stolen TV, VCR, and lawn mower. There were no repair or replacement expenses and therefore no expectation of insurance reimbursements.

In contrast, in most years, I or a family member have seen at least one or more

providers for medical exams, tests, and also procedures and prescriptions. There have been medical expenses. These create a strong expectation of reimbursement. The expectation of reimbursement creates more medical expenses, further increasing expectations. The expectations of reimbursement arising from the greater frequency of medical (vs. property) expenses creates difficulty in the design of viable programs to reduce the number of uninsured.

Comprehensive insurance programs, providing insurance to meet expectations, are expensive and not affordable by many employers or those working for them. Programs that may be affordable, providing either catastrophic protection or only limited, first-dollar benefits, do not meet the above expectations and are more likely to fail. Insurance companies have developed such programs only to later withdraw them.

The universal presence of comprehensive coverage, subsidized by employ-

ers (due to the tax code, as Peter Hendee points out) also creates another difficulty related to the expectations above. That difficulty is a sense of entitlement.

For example, two people may be working at essentially the same job, for the same take-home pay, one for a large employer who provides low-cost comprehensive coverage, the other for a small employer who doesn't offer coverage. The second employee likely will feel a sense of entitlement to comprehensive coverage. "Basic" coverage, as defined by insurance laws of many states, has not been a successful marketplace solution. In my opinion, that failure is because basic coverage doesn't meet the sense of entitlement felt by the uninsured.

Solutions that create meaningful reductions in the uninsured population will have to deal effectively with the expectations and sense of entitlement described above.

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