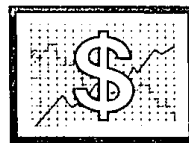


Business

Marilyn Fitchett editor/591-2300



(F9C)

Thursday, December 24, 1987 O&E

Premium advice? Health care consultant suggests changing malpractice jury makeup

By Mary Rodrigue
staff writer

Outpatient care that is more costly than expected.

An aging U.S. population.

Malpractice costs rising at a rate of 40 percent annually.

Additional equipment permitting in-office treatment that was formerly provided in hospitals.

What does it add up to? Rising medical costs — up 6.8 percent from 1986 and contributing to 11.3 percent of the gross national product.

Where does it all end? A Southfield health care and insurance consultant thinks he has some answers.

Medical malpractice is "out of control in Michigan," making an already strained financial burden on health care consumers even more cumbersome.

"We're strangling ourselves from all angles here," said Franklin J. Elias.

"Wayne County has one of the highest (rates) in the country for malpractice awards. We're dealing with a lottery mentality. (Awards) have to keep getting bigger and better."

"No one will argue compensation for ruining a life," but some of the awards have been outrageous, said Elias, citing a \$15 million settlement currently under appeal. The award was made to parents of a child who suffered head injuries when he was born in a local hospital with no medical personnel in attendance. The child is developmentally disabled.

REPERCUSSIONS include doctors moving out of Michigan to states that have lower malpractice insurance premiums. In Michigan, it's not uncommon for an obstetrician (a particularly risky specialty in terms of lawsuits) to pay as much as \$100,000 for \$100,000 to \$300,000 worth of malpractice coverage.

"You can't go without insurance, but it doesn't make sense. Are you practicing medicine or malpractice?" asked Elias.

Doctors start seeing each patient as the next potential lawsuit — and that's where the cost gets passed onto the consumer, he said.

"Doctors will run a battery of tests for their own protection," Elias said, thus pushing the cost of what a patient perceives as a routine physical examination into a high tech, high expense endeavor.

Mortgage insurance offers protection from job loss

By Mary Rodrigue
staff writer

For those contemplating buying a home, it sounds almost too good to be true.

A mortgage insurance policy is now available that will make up to 12 months worth of payments — principle, interest, taxes and other amounts held in escrow — if the homeowner loses his or her job.

If two wage earners are used to qualify for the mortgage, a policy can be written that would pay 50 percent of the monthly payment if just one spouse lost his or her job.

Pulte Homes of West Bloomfield is the first builder in Michigan to offer the program created earlier this year by Morgard Associates.

Paul Glantz, assistant treasurer for Pulte — the largest home builder in the state — said the policy was introduced here just last week "and is already being very well received."

"In truth it can be looked upon as a way to provide a comfort level for the buyer given to the travails of the economy. We think it has mass appeal."

Currently available just to new buyers of Pulte homes, Morgard officials would like to see it spread far and wide.

"The program is a godsend for consumers," said Juliana O'Leary, national marketing director of Morgard, based in Philadelphia.

Job instability across the nation was the incentive for offering the policy, she said. Morgard cites unemployment as the leading cause of rising mortgage foreclosure and del-

"It costs all of us because our medical insurance goes up — batteries of tests, invasive surgery, biopsies, ultrasounds, treadmills — all of these expensive procedures are done on a routine basis now."

"It's like the whiplash syndrome of the '60s," Elias continued. "The fraud cases have evolved into malpractice. Insurance companies contribute to it, lawyers contribute to it. Hospitals and patients do, too."

As much as 39 percent of the cost of health care — a \$450 billion industry in America — can be attributed to malpractice, according to Elias.

He suggests changing the manner in which malpractice suits are handled in the courts.

"Juries do not have a realistic view of the dollar amounts of awards. Using a panel of reasonable experts from various fields (judges, attorneys, accountants, physicians) could offer a good solution to this problem."

"Or what about no-fault medical — like the auto insurers do? If something bad happened to you while in the hospital, you'd be guaranteed full medical care for life."

Elias has 21 years in the health care, benefits and insurance field. He writes a monthly insurance column for a business magazine and is a frequent lecturer on health-related topics in the Metro Detroit area.

Other trends he sees include a move away from hospitalization, which costs an average \$500 a day and will continue to spiral dramatically. Instead treatments — ranging from physical therapy to cataract surgery — are being performed in outpatient clinics or doctor's offices.

"Hospitals are establishing small centers to handle their routine work as a cost reduction factor."

HOSPITALS WERE overbuilt in the past, often practically on top of one another, accounting for many empty beds today, he said.

"We don't need every hospital to have all the latest equipment."

Elias praised the "certificate of need," a law requiring hospitals to prove to the state that the hospital needs more space or equipment before they are allowed to expand.

"You're going to see more hospitals banding together to become more efficient," he said. "The health care industry is coming out of the dark ages in regards to AIDS, he said."

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"There's a tremendous reduction in the cost of coverage for the victim," Elias said. "The trauma and fear is over with — at least with the health care professionals. They (AIDS victims) are no longer isolated in special wards, many are handled well through outpatient care. We know what the treatment is. It's no longer required hospitalization from diagnosis to death."

Because AIDS has expanded into the heterosexual community, life insurance coverage "is almost impossible to get without a full blood study," said Elias. "We're very concerned about drug users. Insurance companies are just seeing the impact of AIDS cases."

The lack of affordable extended care facilities — nursing homes for the elderly who can no longer live independently or for those suffering debilitating disorders like Alzheimer's disease — appears to be another health care crisis.

"Most insurance policies cover three to 24 months of nursing home care," Elias said. "It all depends on your contract. Read your contract and remember that just as important as what is covered is what is excluded from your health insurance coverage."

No form of private catastrophic illness insurance covers custodial nursing home care currently; neither would President Reagan's proposed expansion of Medicare. Medicaid will cover the entire amount, but only for the indigent elderly.

"Society has turned its back on a lot of people," Elias said. "We have not determined whether health care is a right or a privilege."

Elias is opposed to standardized national health care, believing socialized medicine would take the competitive edge off what he describes as the best medical care available anywhere.

"We need a legislative edict that would establish a minimum level of health care that would be available through private means. We have a very efficient private health insurance industry to more than care for all of us."

Under such a plan, all persons would be responsible for catastrophic health insurance coverage, just like auto insurance is required for a motorist to obtain a driver's license.

Many people who work part time have no health insurance benefits. For those unemployed "a pool could be set up, and when they return to work, they would pay back the benefit."

"Usually the annual premium is \$250 to \$300, with payment up front and annual renewal," she said.

The premium for a monthly mortgage payment of \$750 would be about \$250 a year.

Many banks use the policy as a marketing tool to differentiate their product from other banks. If their rates are the same, this gives them a competitive edge.

Of course the policy must withstand the test of time.

Glantz remembered a similar program offered a few years back.

"It worked on a group basis," he said. "The builder purchased the policy for all who bought into a subdivision. That didn't last."

Morgard officials are optimistic.

"So far as I know, we are the only company offering this type of coverage," O'Leary said. "That's not to say 10 other companies won't come out with a similar product tomorrow."

The policy is underwritten by Old Republic Insurance Co. of Chicago.



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— Franklin J. Elias

A look at long-term coverage

Lack of comprehensive insurance coverage for nursing home care for the elderly points to a crisis in the American health care industry.

No one likes to think about needing nursing home care. So when the need does arise, many patients and their families find themselves financially unprepared to deal with the bills.

A major stumbling block to development of a market for private long term health care is lack of awareness among consumers of their potential needs for long term care.

Medicare and Medicare supplemental insurance policies provide limited protection. And there are income and asset restrictions on eligibility for Medicaid benefits.

A 1986 survey by the Health Insurance Association of America found at least four or five different policies in every state. But terms of those policies can vary.

In shopping for long term care, these tips appeared in a recent edition of Mature Outlook, a newsletter for senior citizens.

• What kinds of nursing home care will be included in the coverage and how long will the coverage last?

• Will in-home health care and therapy be covered?

• Will the cost of the annual premiums remain the same or will it increase as the policy holder ages?

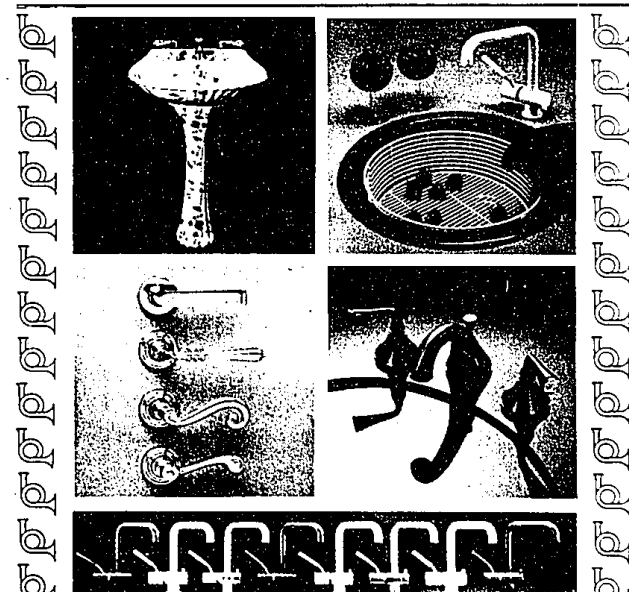
• Are specific illnesses or injuries excluded from coverage?

• Is there a deductible period before insurance benefits will begin?

• Will a specified period of hospitalization be required before nursing home or in-home care benefits are paid?

For a list of insurance companies that offer long term care in Michigan, send a stamped, self-addressed envelope to the American Council of Life Insurance, 1001 Pennsylvania Ave. NW, Washington D.C. 20004.

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