Treat the children well

By Paul Levy | September 22, 2016

What's the greatest threat to childhood health: Measles? Poor nutrition? Exposure to lead? It might be something entirely different: the design of an increasing number of health insurance products being pushed by employers and insurance companies.

I'm talking about high-deductible health plans, or HDHPs. The theory put forth by advocates of such plans is that they give consumers "more skin in the game" when it comes to demanding healthcare services. The logic goes: If you have to pay the first, say, $3,000 in costs each year, you'll be more careful about which services you choose for yourself and your children.

For the sake of argument, let's say that this logic might apply to adults. But does it make sense for children?

Not really.

First of all, the logic would suggest that a large portion of the growth in societal healthcare costs comes from discretionary — meaning, unnecessary — pediatric care. But most of the evidence suggests that the largest increases in discretionary health service demand occurs among the elderly (who are living longer) and baby boomers (who have a high degree of entitlement.) In contrast, we don't see more parents choosing to take time away from work to insist that their children go to the pediatrician or the emergency room when they don't really need to.

Second, HDHPs are regressive in nature. As healthcare costs in society rise, insurers and employers offer HDHPs to give employees the option of paying lower premiums in return for higher deductibles. Families at the lower end of the pay scale will be more likely than higher income families to opt for these plans to keep their monthly premiums low.

This is not a matter of preference; surveys shows that lower income people would prefer a lower deductible plan. They just can't afford the higher premiums. So, to make ends meet each month, they take the gamble that they won't need to pay out extra amounts as the year progresses.

Third, HDHPs create perverse incentives. There is evidence that people — especially those with lower incomes — are choosing not to get needed care for their children early in the year, when they are still liable for those high-deductible payments.

Particularly when it comes to going to the emergency room, parents tend to make the wrong choice when they think the visit is going to cost them hundreds of dollars. Harm is done. This is documented. So much for the theory of "having skin in the game."

On the flip side, there are reports that parents — even those with higher incomes — seek extra care toward the end of the year once they've paid the deductible, knowing they will face the deductible again in January. For example, one pediatrician reports that parents have asked for multiple dosages of EpiPens for their allergic children in November and December. They stock up with extra pens, more than they will likely need, so they won't have to pay for them early the next year.

Some pediatricians have chosen to underbill parents in the early months of the year to try to encourage parents to seek care when it's needed, but this piecemeal response is scarcely a systemic solution to a problem in the design of insurance plans.

In April 2014, the American Academy of Pediatrics took a strong stand on this plan design issue, concluding that the federal government should consider restricting HDHPs to adults because the plans discourage families from seeking primary care for their children — and noting that the plans especially hurt families whose children have special healthcare needs.

High-deductible plans, the AAP noted, "are at odds with most recommendations for improving the organization of healthcare, which focus on strengthening primary care."

Thus far, the AAP's plea has gone unanswered, and this serious problem has received scant attention from federal and state public officials. It deserves a response, for the sake of children nationwide.

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