WHY DON'T US HEALTH INSURANCE PLANS INCLUDE MEDICAL TRAVEL?

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Selling international medical tourism benefits to a US-based health insurance provider is difficult. Despite many years of trying, few health insurance companies offer medical travel benefits. Why has adoption been so slow? In this first of a two-part series, the complexities of the US health insurance market are unraveled, and the challenges of medical travel explained.

US outbound travel for medical care: a realistic view

Expectation of a mass exodus of American healthcare consumers to high-quality, lower-cost destinations was encouraged 10 years ago. In 2007, a Deloitte report stated that by 2015, at least 10 million, and possibly as many as 24 million Americans, would be traveling abroad to consume medical care.[i] The driver for this outbound medical travel was to be insurance companies, who would see the logic in supporting a market that promised to deliver high-quality medical services at significantly lower cost than in the US.

Reality has not met expectations. Poor data, difficulties in consumer acceptance and the role of US-based health insurance have all been identified as barriers. The most realistic estimates indicate that in 2015 between 2.5-3.2 million Americans traveled for medical services.[ii] Still a respectable number but far below the established predictions.

The reality of the volume of Americans traveling abroad for medical care have not however discouraged continued support for inflated numbers and expectations. For example, the Medical Tourism Association (MTA) in a webinar, "Medical Tourism and Obamacare: Self-Funding Employers in Search of Benefits to the Affordable Care Act", suggests that, because of rising healthcare costs, US employers will be enthusiastic to add international medical travel benefits to their healthcare programs.

Why is it so hard to add medical travel?

There have been several barriers to growth. First, there may be no other single market in the world that is more complex than US health insurance. Adding a medical travel feature to insurance coverage in this complicated market is extremely difficult.

Second, US health insurance operates in a patchwork of complicated, interrelated, state and federal legislation and regulation. Political arguments about health insurance and amendments to healthcare regulation are generating uncertainty, which means insurance providers are not sure which way markets will turn.

Then add to this complex mixture the perception of the average American, who not only believes the US healthcare system is the best in the world, but who are generally uninformed about the quality of medical services elsewhere. This means US employers reluctant to invest the extra time and money needed to educate their employees on the benefits of medical travel.

When logic fails: the obstacles in US health insurance

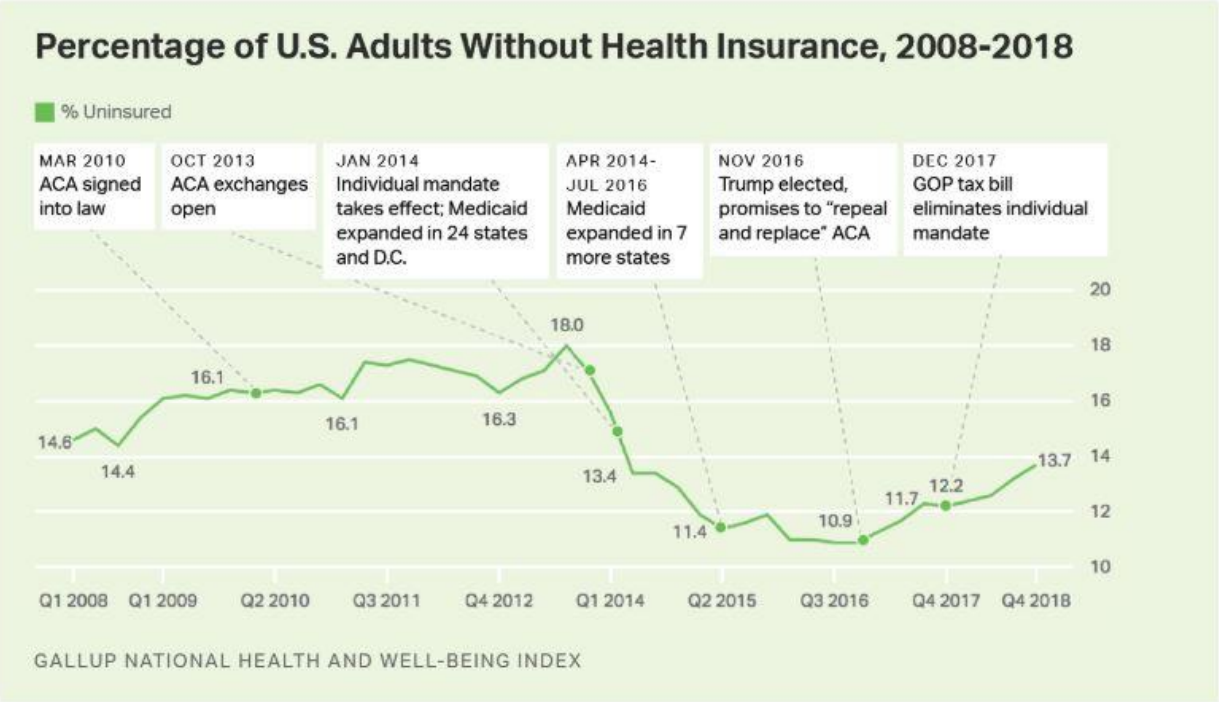
The logic of medical tourism is that if health insurance companies can save money by using high quality, lower cost medical care, why wouldn't they sign up? And if employers are paying expensive medical bills (which many do), why wouldn't employees opt-in for high quality, low cost care outside of the US, while saving the company money?

Unfortunately, we do not live in a perfectly logical world. A deeper look at just a few aspects of the US health insurance system illustrates the obstacles to logic and medical tourism proponents.

In 2010, before the passage of the Affordable Care Act (ACA, or Obamacare), 16% (48.6 million) of the adult population was without health insurance. Five years on, over 90% of the population has health insurance, with the majority 18–64 year old's getting their insurance through their employers (see figure below). Changes to the healthcare eligibility rules proposed by the Republican administration have resulted in more people losing insurance coverage.

A recent Gallup poll confirms that the number of individuals without insurance has risen to the highest percentage in the past four year, hitting children, women, and low-income individuals the hardest. "The uninsured rate rose almost 3 percentage points, hitting 13.7% by the end of 2018. That rate, a four-year high, is still far below the high of 18% reached in 2013—before most of the Affordable Care Act's provisions had gone into effect".[iii]

A further exploration for the increase in uninsured individuals is contained in the press release from Gallup[iv] regarding the latest numbers of insurance coverage that are portrayed in the chart below.



Under current US law, employers with over 50 full time equivalent (FTE) employees are required to provide health coverage to full-time employees, or else pay a tax penalty. In reality employers have three options:

- offer no insurance benefits (for some employers, it may make more financial sense to pay the penalty than to offer health insurance)
- offer private health insurance through a third party such as UnitedHealth, Humana, Aetna, Cigna and others
- choose to become self-funded (looked at in more detail below)

Employers with less than 50 FTE employees are not required to provide any health insurance. Those employees may opt to buy health insurance privately or go uninsured.

Self-Funded Health Insurance and potential medical travel benefits

Approximately 69.8 million (61%) of employees are members of insurance plans which are self-funded.[v] The percentage in self-funded plans increased from 49% in 2000 to 54% in 2005, but has since remained steady: 60% in 2011, and 61% in 2016.

Of firms offering fully-insured plans, 6% reported that they were considering self-funding because of Obamacare.[vi] It is now estimated that the average self-funded plan covers 300-400 employees. [vii]

In self-funded plans, the employer provides insurance to its employees with its own funds, and assumes all, or a significant portion of the risk for paying medical claims.

Self-funded plans are important for the medical travel markets. These plans are exempt from many of the state and federal insurance restrictions, so employers can be flexible about what they offer, including medical travel benefits.

Influence of stop-loss carriers on medical travel benefits

Employers can manage the financial risk of self-funding claims by purchasing 'stop-loss' insurance or reinsurance from an insurance carrier.[viii] While the stop-loss carrier may not have direct control over what the employer-funded benefits plan will include, the *risks* in the plan benefits are the direct concern to them.

For example, if an employer has a contract with a stop-loss carrier, the contract may preclude referring insured employees to a foreign medical services provider or any provider which does not meet US credentialing or accreditation standards. It is usual and customary for health insurance plans to stipulate that medical claims will be paid only to providers (hospitals, clinics and doctors) which meet state, federal or private (e.g., Joint Commission) credentialing requirements. If employers are self-funded, these accreditation requirements may be waived, but if the stop-loss carrier does not accept these waivers, the employer may see the risk as too great because the stop-loss carrier will not insure against the risk.

In addition, more small companies are looking to self-funding to reduce their share of the burden of medical costs. Because small companies are not able to assume the same levels of risk as larger ones (the self-funded market is dominated by large employers, with the average size over 300 employees), stop-loss insurance rates are increasing. This may limit expansion of self-funded health insurance into the small employer market.

Self-funded plans with Medical Travel Benefits

Adoption has been slow, although some employers have added medical travel benefits to their self-funded plans. Examples include Hannaford Supermarkets based in Maine (2008), HSM Solutions, a Hickory, North Carolina furniture manufacturer (2008)[ix], Casino and Hotel of the Blue Lake Rancheria tribe in Northern California (2013)[x] and IDMI Systems Inc., a software company in Warner Robbins, Georgia (2014).[xi] The willingness of these companies to adopt a medical travel benefit plan may prompt others and serve as an example for similar plans.

Summary

While logic offers a compelling argument for employers and health insurance companies to offer and cover medical travel benefits, the realities of the US market have prevailed. Consumers are uninformed about the quality of services offered outside the US borders. Employers find the investment of time to educate employees and the conservative stance of US health insurance companies are obstacles facing the medical travel sector. The complexity of US laws and regulations are yet another factor slowing adoption of medical tourism.

In the second part of this series, the structural, cultural, and financial obstacles to change as well as the opportunities that do exist in the US market will be detailed. The goal is to offer a balanced perspective on this misunderstood topic, neither hyping its potential nor painting it as totally unrealistic. The true opportunities lie somewhere in between.

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[i] Medical Tourism. Consumers in search of value. Deloitte 2007. See: https://www.scribd.com/document/47990763/Medical-Tourism-Consumers-in-Search-of-Value

[ii] Lunt, N. Ed. Handbook on Medical Tourism and Patient Mobility. Horsfall, D. and Hanefeld, J. Edward Elgar Publishing 2015.

[iii] https://www.fiercehealthcare.com/payer/adult-uninsured-rate-rises-to-13-7-highest-4-years, accessed 24 January 2019

[iv] https://news.gallup.com/poll/246134/uninsured-rate-rises-four-year-high.aspx, accessed 24 January 2019

[v] Based on Kaiser Foundation, as reported in Quora Healthcare Marketing. See: www.quora.com

[vi] KFF / HRET ibid.

[vii] See: http://www.nytimes.com/2013/02/18/us/allure-of-self-insurance-draws-concern-over-costs.html?_r=1&.

[viii] Self-funded employers that secure reinsurance contracts have been estimated at over 25%. See: Deloitte – Self-Insured Benefits Plans 2013. http://www.dol.gov/ebsa/pdf/ACASelfFundedHealthPlansReport033113.pdf Accessed 10/23/2-14

[ix] U.S. Employers Follow Path to Successful Overseas Surgeries. See: http://www.tmcnet.com/usubmit/2013/10/08/7465335.htm. Accessed 11/09/14

[x] World Medical Tourism Congress: Piece de Resistance for U.S. Employer Savings. See: http://www.medicaltourismcongress.com/blog/us-self-funding-employer-savings/. Accessed 11/09/14

[xi] Georgia Firm Adds Medical Travel to Cut Costs, Provide Options for Employers. See: http://www.companionglobalhealthcare.com/news.aspx?article=51