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Health insurance

Happy-go-lucky young

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The latest targets for insurers

YOUNG people are hard to pin down. They graduate from school. They jump between employers, or in and out of employment. They leave their parental home for a shared flat, a friend's couch, or a house they can scarcely afford. They move to New York, San Francisco, Portland, or even Austin.

And so they often wander away from the comforts of health-care insurance. According to the Census Bureau, almost 30% of Americans between the ages of 18 and 34 are uninsured. For people aged 45 to 64 the number is just 14%.

A healthy young person seldom requires medical attention. So forgoing insurance is an understandable decision. But some of those who roll the dice lose. A serious illness or accident can be financially ruinous, and lead to sub-standard care.

Having more healthy young people in the insurance pool would benefit insurers, because they are less likely to make big claims. But efforts to attract them have thus far been feeble. Various companies offer low monthly premiums aimed at the young. But they typically have high deductibles—the amount the subscriber has to pay out of his own pocket before insurance kicks in. So young people tend to shy away from them.

One company, however, is taking an interesting new approach. In September Precedent Insurance—a division of the American Community Mutual Insurance Company—brought out a line of Coverage on Demand plans. The plans are currently available only in Texas, which has a higher percentage of uninsured people than any other state. They offer low premiums, low deductibles, limited benefits, and a clever twist. If you exhaust your benefits but need more coverage, you can pay an additional “activation fee” and get more, even after you get ill or hurt. There are four levels of cover. To get to the fourth requires at least a cumulative \$9,000 in activation fees. But it then provides the subscriber with up to \$5m in coverage.

The activation fees for the higher levels are steep, but a lot better than bankruptcy. According to Mike Grandstaff, the company's chief executive officer, they only make sense if you are, in fact, in reasonably good health. If you are likely to need more than the first level of coverage, the plan is not really economical.

Even people who plan on staying well may prefer more comprehensive health-care insurance. The Precedent plans do not cover, for example, costs associated with a normal pregnancy. This is to discourage women who plan on becoming pregnant shortly after signing up. But it is, of course, hard luck on a woman with an unplanned pregnancy. Perhaps she could hope that the father works for the government and is in a marrying mood.

Young people have it tough. It remains easier for politicians to rally around the cuddly or wrinkly. This was

apparent this week, as Democrats denounced a "cruel" George Bush for vetoing, on October 3rd, the reauthorisation and expansion of the State Children's Health Insurance Programme (SCHIP). This federal programme provides insurance for 6.9m children from low-income families by providing blocks of money to the states, which disburse it. SCHIP began in 1997 and expired on September 30th, although Congress has already extended it for six weeks while the political wrangling continues.

A bipartisan majority in the House and Senate passed a plan that calls for \$35 billion in additional spending on SCHIP over the next five years, only to see it vetoed as expected. The plan would have upped the number of children covered to 10m. Mr Bush opposed the scheme mainly on cost grounds (though Democrats say this rings false, given how much he is wasting on the Iraq war) and accused him of wantonly denying children health-care insurance. This week they plainly won the political advantage. But curing America's health-care system will take more than political point-scoring and limited fixes. It will require a degree of political co-operation that is not now available.

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