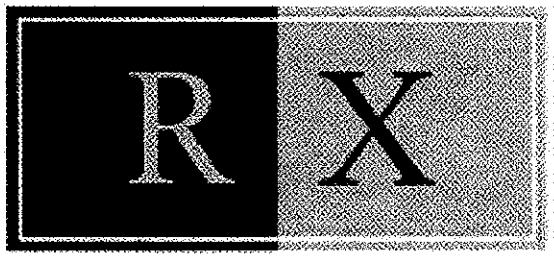
RX
INTELLIGENCE
The Source for Objective Pharmaceutical Evaluations



INTELLIGENCE

The Source for Objective Pharmaceutical Evaluations

RxIntelligence is a non-profit organization offering independent, objective information comparing the costs and effectiveness of pharmaceuticals. This information is provided to subscribers of RxIntelligence in the form of a series of reports designed to help health care decision-makers determine which pharmaceuticals offer patients superior long-term benefits at the most reasonable costs.

Mission Statement

Provide credible, objective information on the benefits, risks and costs of pharmaceuticals to inform the decision-making processes for all health care stakeholders.

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PROPOSITION

So far, CDHC has remained mainly high-deductible, high-coinsurance health insurance – because the basic conditions for CDHC can hardly be said to have been met, even in rudimentary form.

It remains to be seen whether the HSA + Catastrophic Insurance construct can become genuine CDHC. Let's wait and see.

Even then, however, this new panacea has certain SIDE EFFECTS that should be more openly recognized.

FIRST SIDE EFFECT

The tax preference proposed for the HSAs (and for the premiums for catastrophic health insurance) makes the after-tax dollar cost of health care lower for high income people than for low-income people.

This regressivity could be avoided if every individual or family were granted a refundable tax credit of, say, 30 cents for every $1 they put into an HSA.

SECOND SIDE EFFECT

The extraordinarily high deductibles and coinsurance envisaged for CDHC have the effect of rationing health care by income class.

Rationing by income class could be avoided or at least mitigated if the maximum out-of-pocket spending were tied to family income.

QUESTION: Have the advocates of CDHC ever proposed this approach?

The McGraw-Hill Companies

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MAY 31, 2004

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One in four workers earns $18,800 a year or less, with few if any benefits. What can be done?

(P.58)

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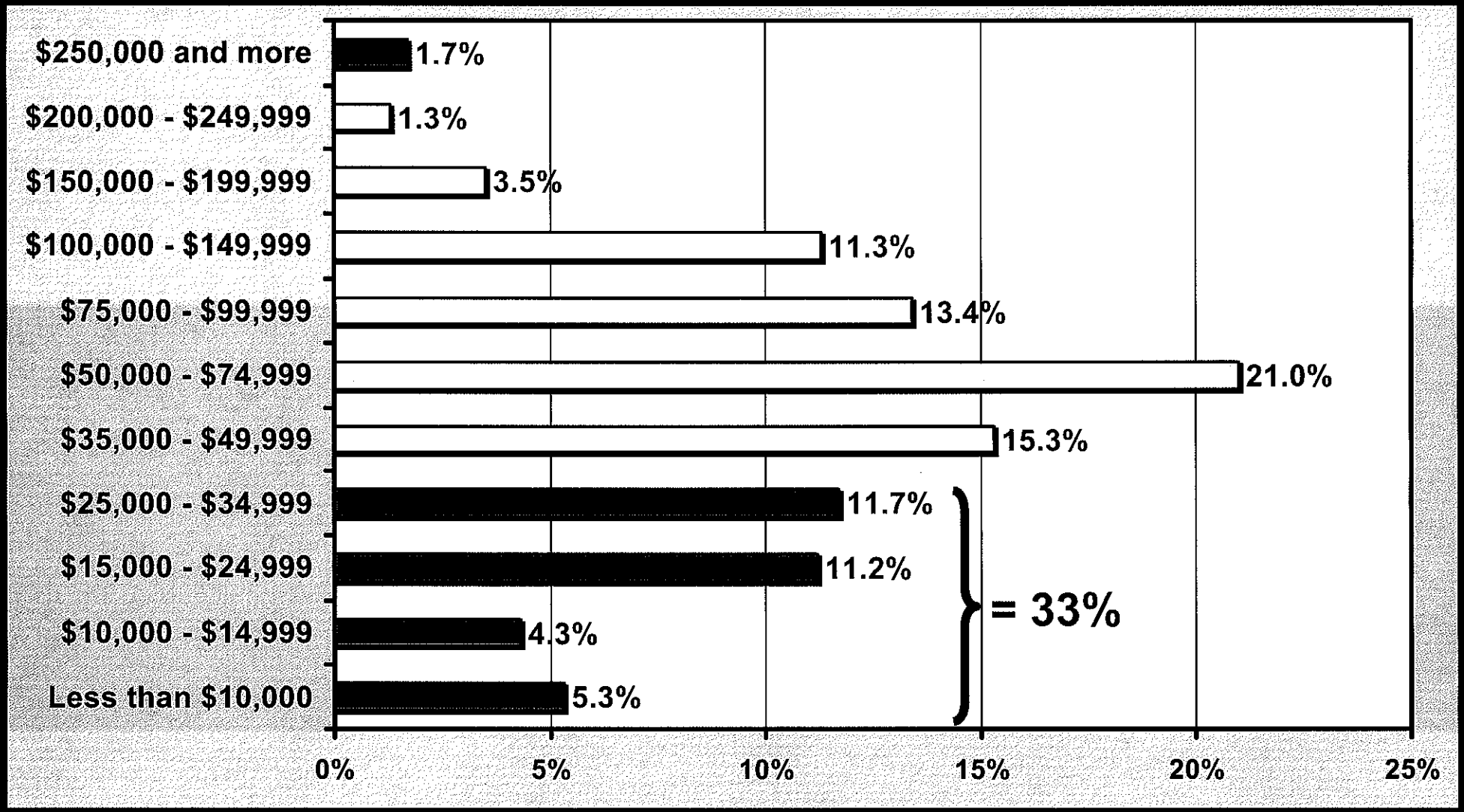
DISTRIBUTION OF FAMILY INCOME, UNITED STATES, 2002

Average income $66,970 (Median about $50,000)



SOURCE: Bureau of the Census website http://ferret.bls.census.gov/macro/032003/faminc.

Surely we do not believe that a family with an annual income of $25,000 will respond to a $10,000 deductible the same way you and I would in our health behavior, not even to speak of families making $200,000 or more.

CDHC probably has a better prospect if its is operated by by private employers, in tandem with large and sophisticated health insurers who might be able to meet the conditions set forth earlier, or even by government.

It is the market for individually purchased health insurance that gives me pause.

Fortunately, there now exist electronic markets for that type of health insurance where we can explore the products offered there. One of these is the website *eHealthInsurance.com.*