Florida's Future: Sunshine State? Welfare State?

Florida Trend

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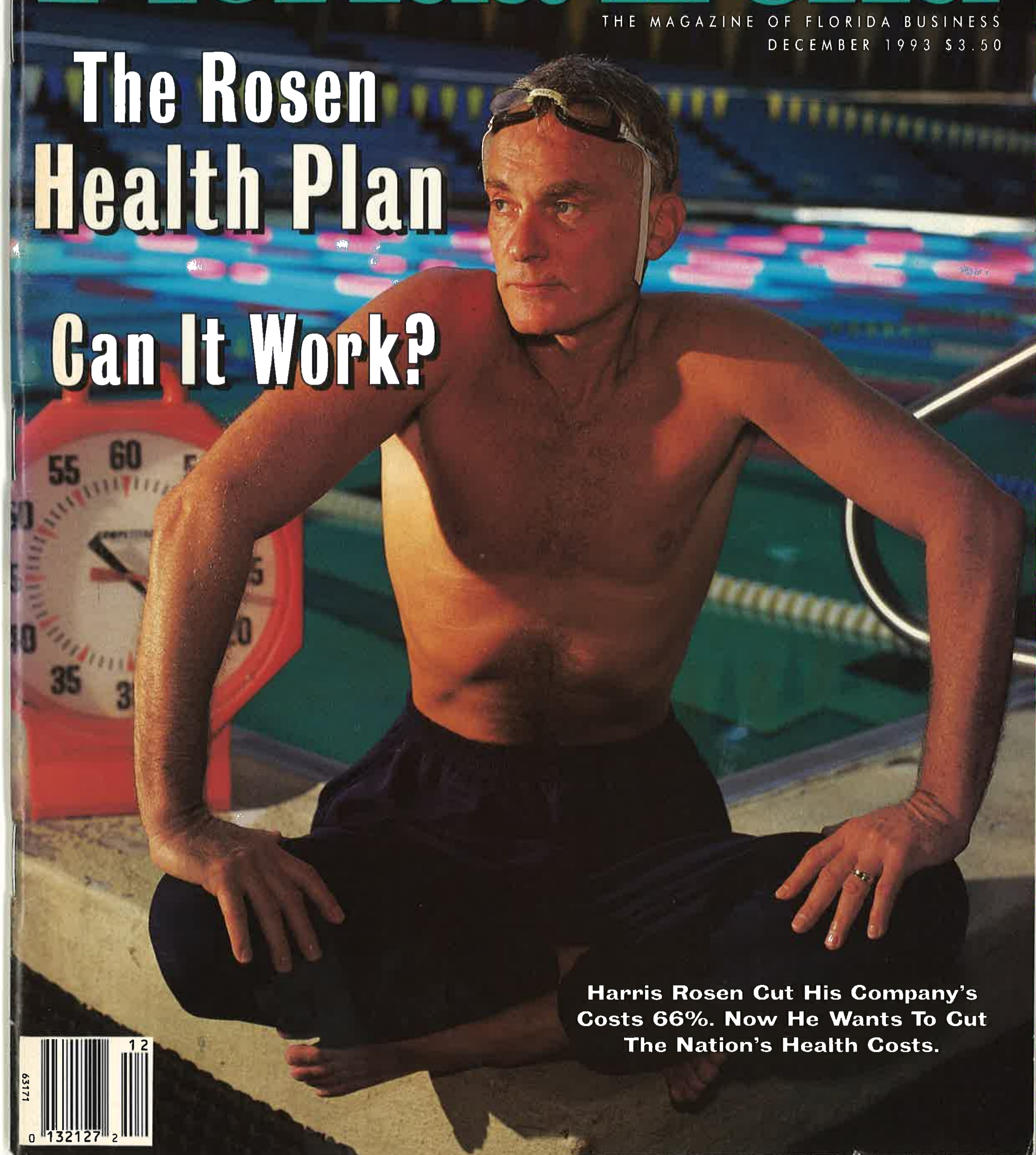
The Rosen Health Plan

Can It Work?



Harris Rosen Cut His Company's Costs 66%. Now He Wants To Cut The Nation's Health Costs.

The Rosen Health Plan

Fed up with spiraling health costs, hotelier Harris Rosen hired a company doctor and cut his company's costs 66%. Now he has an alternative to the Clinton plan.

Tamar vs. Clinton

Tamar's Current Expenses

Covered Lives: Employees 873, Dependents 353

Clinic expense	$144,792
Specialty physician	437,848
Hospital	480,374
Pharmacy	124,140
Dental	115,661
Administrative services	30,295
Reinsurance	73,070
Subtotal	1,406,180
Less: employee contribution	446,656
Total Expenses	$959,523

Tamar Under Clinton Plan

$15,725,000 x 7.9% (Total payroll x small business payroll cap)	$1,242,275
Dental	115,661
Total Expenses	$1,357,936

Current Tamar expenses are based on an annualized history for the 10 months ending September 1993. The Tamar plan includes a six-month waiting period from hire date and is subject to proof of good health, which includes pre-existing restrictions. In addition, some employees elect not to be in the plan. Dental expenses would not be offered under the Clinton plan.

BY ROSALIND RESNICK

Orlando hotelier Harris Rosen has talked to enough congressmen on Capitol Hill to be convinced: Some form of the Clinton health plan is inevitable. "My sense is," Rosen says, "you can debate the unfairness of it til you're blue in the face, but you're going to get steamrolled."

So rather than fight it – which he compares to screaming atop Mount Everest – Rosen and two associates have drawn up their own national health plan, one that is only 1½ pages long vs. the president's 1,300-page plan and one that, he says, would "mitigate against this monstrous steamroller."

Why should anyone listen to Rosen?

As owner of Tamar Inns, the 54-year-old Rosen has parlayed his acquisition of a struggling Orlando hotel 20 years ago into a chain of five hotels, 1,500 employees and a net worth that easily exceeds $100 million, according to those who know him. As proof of his worth (Rosen declines to discuss his wealth), they cite the fact he is constructing a 24-story, $75 million Omni Hotel with all equity – most of it his.

But the real reason Rosen's alternative health plan should be taken seriously is this: Tired of uncontrollable and rising insurance premiums two years ago, Rosen took his company's health costs into his own hands, designed a new benefits plan and in a year cut costs 66%. So while Bill Clinton is talking of providing health insurance to all Americans for about $4,200 a year apiece, Rosen is proving he can provide health coverage to his employees for a sixth of that – about $745 a year.

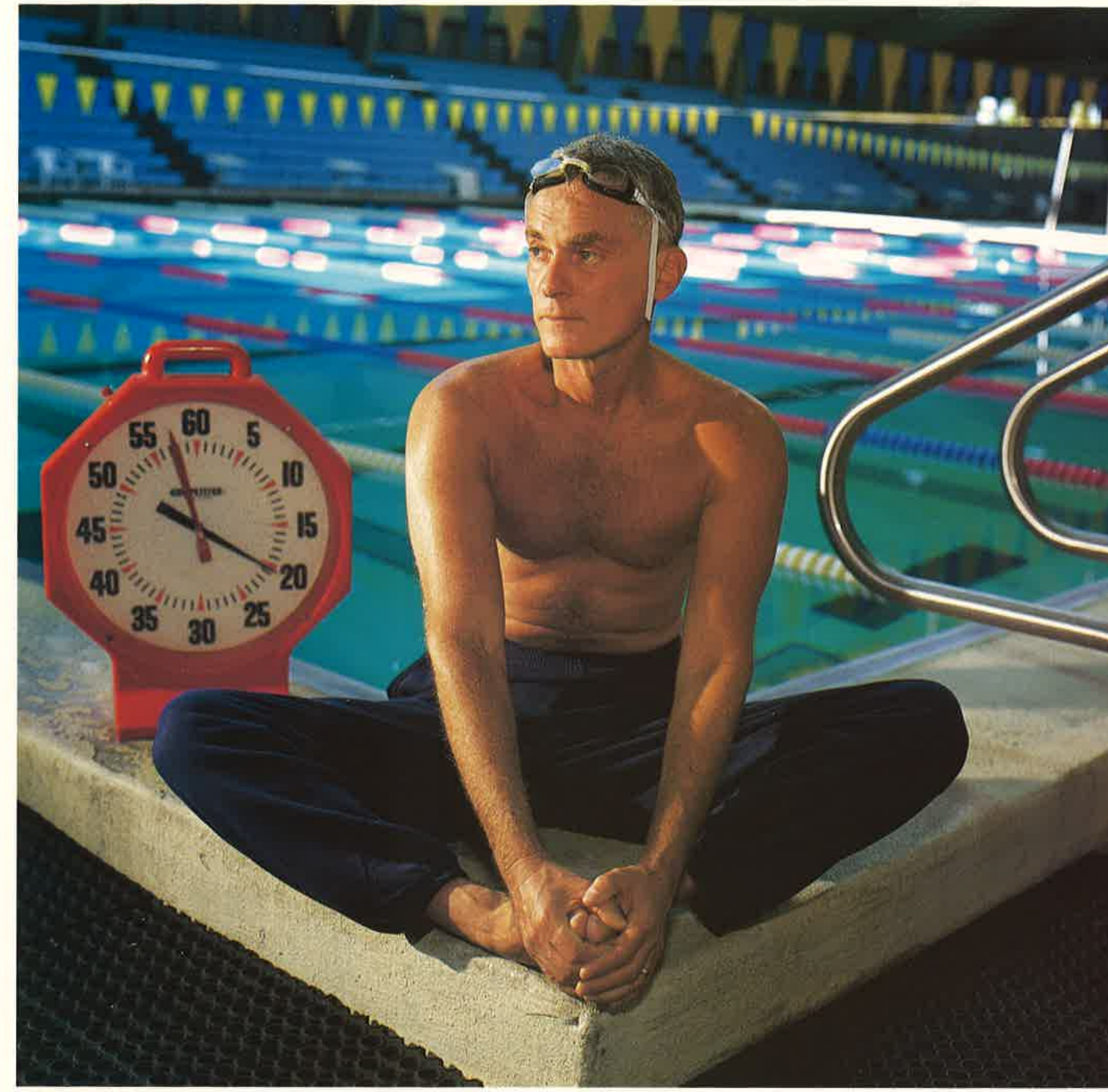
"I give [President Clinton] credit for putting his plan on the table," Rosen says, "but no credit for ignoring the real people in this world who are going to suffer the consequences of this madness" – namely, employers.

"It's our neck that's on the chopping block, not the government's," he says. "Survivability is what it's all about."

So intense is Rosen about survival that when FLORIDA TREND contacted him in mid-October to talk about how he cut Tamar's health costs, Rosen had just finished analyzing the effects of the Clinton plan on Tamar Inns. He was not happy. Many of the steps Rosen has taken to cut costs would be outlawed under the Clinton plan. No more company doctor, no more on-site company clinic, no more negotiating rates with a local hospital, no more freedom to determine his own benefits package and underwriting limits.

Just as bad: Even if Rosen's expenses are capped at 7.9% of payroll, as the Clinton plan proposes, his Tamar Inns would pay $400,000 a year more than it does today.

"We close the clinic down, we say goodbye to Dr. Hansen [Tamar's in-house doctor], and now what?" Rosen says. "Now you call a doctor for an appointment, and he says, 'Gee whiz, in three weeks, I think I can squeeze you in.' He doesn't know who you are, he doesn't care



Jeffrey Camp Photographs

Harris Rosen:

A fitness fanatic who swims or works out everyday, the owner of Tamar Inns emphasizes wellness in his company's health care program. One of his company's benefits: annual physicals.

who you are, you're a patient.

"That's what gets me mad. To put all of my employees and myself into a system that's going to be horribly bureaucratic, much less efficient and less caring is stupid."

Putting Rosen's bluntness aside for a minute, the differences between what he can do now vs. what he would be allowed to do under a Clinton plan illustrate one of the flaws of the Clinton health reform proposal: Its one-size-fits-all prescription fails to allow innovative employers like Rosen to solve their health care problems their own way. And though Rosen's current benefits package is far from perfect, which he acknowledges, it at least demonstrates what's best about a market system that permits individual employers to devise their own solutions. What's more, Rosen's current plan acknowledges what the Clinton plan does not – that resources are limited, and therefore tough choices must be made.

Rosen has always been a bit of an iconoclast, fiercely independent, a capitalist's capitalist. He favors faded jeans and deck shoes over suits and ties. A fitness fanatic, he works out or swims every day. Once a manager of hotels and resorts for Hilton and Disney, he operates his company out of the same small suite of rooms on the second floor of the Quality Inn motel he bought at the pit of the 1974 recession. He runs his five hotels at close to 100% occupancy year-round by offering some of the lowest rates around. He abhors sloth, disdains debt and has an extremely low tolerance for corporate and government bureaucracy.

"I don't do things just to be different," Rosen says. "If things are going well, my inclination is to leave them alone. But if things aren't going well, I do whatever I can do to come up with a solution."

'To put all my employees and myself into a system that's going to be horribly bureaucratic, much less efficient and less caring is stupid.'

So it was no surprise two years ago, when Tamar's health care costs began to skyrocket, that Rosen decided to take matters into his own hands. Rosen, who had tried to control costs by adding an optional managed-care plan to his indemnity plan, couldn't understand why his rates kept going up at the same time his company's wellness programs were keeping his workers out of the hospital. After repeated phone calls to his carrier's national headquarters, he discovered his insurer was making a $250,000 annual profit on his company's $400,000 in premiums – while continuing to sock Tamar with double-digit rate hikes because other members of the insurance pool kept getting sick.

So Rosen dropped his coverage and went self-insured. Together with Bob Cox, his third-party administrator, and Frank Santos, his chief financial officer, Rosen designed a plan that was part status quo, part innovation and part throwback to the old days of coal mine and hotel doctors.

The key components: a company-employed doctor, 41-year-old Barbara Hansen, who is paid $50,000 a year to see patients 20 hours a week; a $30,000 renovation to turn

How It Would Work

The more Harris Rosen reads about the Clinton health plan and the more interviews he sees with congressional leaders who are proposing their alternatives, the more feverishly he works on his own alternative. Just as this was heading to press, Rosen was faxing additional details to FLORIDA TREND of the Rosen/Santos/Cox national health proposal.

"After watching 'Firing Line' and Congressman Cooper and others on television," Rosen told us over the phone, "it's clear to me that Congress is incapable of approving something that works."

Rosen isn't so presumptuous to think he has all the answers, but he's convinced his ideas would reduce the annual health care costs from Bill Clinton's $4,200 per worker to between $900 and $1,200.

Here is Rosen's prescription for national health care reform:

- All employees and dependents will be covered. There will be no waiting periods for coverage and no restrictions based on pre-existing conditions.
- The plan would be phased in over five years, with costs for employers rising 20% a year, up to the 80% proposed by President Clinton.
- All employees will contribute a minimum of $32 a month.
- State governments would assist employers in negotiating more attractive reinsurance rates to cover health care catastrophes. For example, Tamar currently pays $85,000 a year for a reinsurance policy that kicks in after the first $125,000 in catastrophic expenses. Under the RSC plan, in which the state would pool groups of employers for reinsurance purposes, Tamar would be able to buy a policy that kicks in after the first $50,000 of expenses.
- Employers will receive a voucher from the state for $75 to $100 per dependent per month to help defray coverage costs. This goes back to Rosen's contention that if employers are to be responsible for dependents, they'll need government assistance.
- Employees with dependents will pay an additional $19 a month for each dependent up to a limit of $51 – amounts that are based on President Clinton's plan to have employees pay 20% of their coverage.
- Employers will be permitted and encouraged to set up their own on-site primary-care facilities, negotiate aggressive capitation plans with their local hospital, develop wellness programs and encourage their employees to maintain healthy lifestyles. Rosen envisions penalizing those who disregard healthy practices with higher coverage premiums.
- All unemployed, uninsured individuals will be eligible for free care by doctors and hospitals. In return, the providers will receive liability protection from the state.
- Medicare recipients 65 and older would be placed in regional alliances, which would negotiate capitation rates with providers. Such capitation would eliminate many billing procedures and thus reduce administration costs.
- Early retirees (under 65) would be included in Medicare alliances but would pay a percentage of the capitated rate based on ability to pay.
- All Medicare recipients would be required to complete a living will, with the intent to reduce high-cost, herculean efforts to prolong lives.

How would all this be financed? Rosen thinks sin taxes would do it. "But the key word in our plan is capitation" – negotiating pre-determined rates with all health care providers. ❑

Rosen/Santos/Cox National Health Plan

Tamar's Annual Expense

Covered Lives: Employees 1,270; Dependent, 1,380	
Total Covered lives	2,650
Clinic Expense	$317,258
Speciality Physician	939,383
Hospital [1]	1,272,000
Pharmacy	272,006
Dental	225,039
Administrative Services	66,383
Reinsurance	157,940
Sub-total	3,250,009
Less: Employee Contribution	625,579
Less: State Rebate ($100/month) 1,380 Dependents [2]	1,656,000
Total Expenses	$968,430

[1] Hospital expense is capitated at $40 per covered life per month. This cap could be further reduced to $30, thus saving an additional $318,000 annually.

[2] $100 per month/$1,200 per year rebate per dependent is a fraction of the national health care cost per covered life of $350 per month/$4,200 per year.

Source: Tamar Inns Finance

the company's accounting office into an on-site health clinic; direct purchasing of acute-care hospital services from Orlando-based Florida Hospital Corp. on a capitated basis; and a contract with Walgreen Drug Stores to provide prescription drugs at a discount. Rosen's employees get free doctors visits with no deductibles or co-payments, annual physical examinations and preventive, prenatal and well-baby care, including immunizations. The plan also covers preventive dental care at 100%, 100 home health visits of as many as four hours each and up to 90 days of skilled nursing home care. Specialist referrals and generic prescriptions written by the company doctor also are fully covered; brand-name drugs not available in generic form can be had for a $3 co-payment.

As with any plan, there are limits and restrictions. Similar to other health plans in the hotel industry, there's a six-month waiting period for coverage from the date of hire and a one-year exclusion on pre-existing conditions. There are also requirements that employees' dependents must pass a health screening and pay extra for coverage, proof of good health for newborns, a $50,000 cap on newborn care to age 1, a $250,000 cap on organ transplants and a provision that makes coverage of pregnancy-related expenses and delivery conditional on notifying the company in the first trimester and getting prenatal care.

Barbara Hansen:
The doctor hired by Tamar Inns is paid $50,000 a year to see patients 20 hours a week in the company's on-site health clinic.

Bottom line: Tamar's health care costs have plummeted from $2,223 per year per covered life in 1991 to $745 in 1992, partly as a result of a $466,000 refund the company received from Florida Hospital for unused acute care services. This year, Rosen expects the number to rise to $850 per employee, primarily because of increased use of medical specialists and prescription drugs and a $125,000 liver transplant.

"Tamar saves money because it controls its demand for medical services [by managing utilization]," says Sandra Johnson, vice president of Florida Hospital, who negotiated the capitation deal. "Some companies that get volume discounts actually end up spending more because too many employees go to the hospital. One of the things that excites us so much about what Tamar is doing is that it's promoting a lot of prevention and a lot of health as well as treatment of disease."

Despite such praise, Rosen's plan obviously is not practical for everyone, particularly for retail chains with outlets nationwide. And the plan has its critics. A national health care publication, Business & Health, described its restrictions and exclusions as "stark." In two cases, for instance, employees with chronically ill children were unable to obtain coverage for their dependents. A 30-year-old reservations agent who became pregnant before she was hired at Tamar (and thus was not insured for the costs of the delivery since it was classified as a pre-existing condition) failed to fill out the paperwork in time to secure coverage for her baby, who was born with an umbilical cord around his neck. After 15 days in the hospital, the bill came to roughly $60,000. Medicaid picked up the tab.

While such an example may paint Rosen as callous, here is where he is quite pragmatic: "I put in the limitations because I wanted to go slow and see how the plan worked out. This is a business. If we go into the toilet, 1,500 people lose their jobs. So we felt we had some responsibility [to the entire company]."

In other words, you can't have everything;

'For $3,000 less than the national average, I'll take care of all the dependents, so convinced I am that I can do it for $1,200.'

there are trade-offs. As explained by Cox, marketing director of Professional Administrators Inc. in Orlando and one of the plan's chief architects, this is what it came to for Tamar – design a plan that only a relatively few employees with catastrophic illnesses would benefit from or one that would provide routine and preventive care to a much larger pool of employees. Rosen chose the latter.

"It's no different from running your household budget," Cox says. "If you don't meet that budget, you either have to reduce your expenditures or increase your income. That never changes. This is eighth-grade math, and this is where Clinton has failed us."

Unlike his own plan, Rosen's alternative to the Clinton plan starts with the same objective as the president's – to provide universal coverage at an affordable cost (see, "How It Would Work," page 32). In fact, despite Rosen's leaning toward laissez-faire, the Orlando hotelier agrees with the president that an employer has an obligation to provide health care benefits to employees. "I also believe, in this great nation, there is a way to provide health care for everyone," he says.

Having said that, however, Rosen strongly opposes the Clinton notion that an employer is also obligated to take care of an employee's dependents and that there be no waiting period or restrictions to coverage – two features that often send health costs spiraling upward.

So a key part of Rosen's alternative to the Clinton plan is a government subsidy – $75 to $100 per dependent per month to help employers defray the cost of additional coverage.

Government subsidies? Rosen: "When God spoke to Moses, he didn't say, 'And every employer shall not only have the responsibility for taking care of his employees but their dependents, too.' I don't mind doing it, but give me some help."

And as he sees it, his $100 per dependent per month is a bargain. "For $3,000 less than the national average, I'll take care of all the dependents, so convinced I am that I can do it for $1,200," Rosen says.

How? Another key component of Rosen's alternative plan is no health alliances, or third-party intermediaries. In Rosen's world, employers would deal directly with health care providers, much as he does now. Rosen's plan also emphasizes wellness programs, including mandating health tests for employees and financial penalties (i.e. higher premiums) for those who fail to follow recommended health standards. "If the incentives are not there to encourage employers to provide a fitness or a wellness program, you're just pissing in the wind," Rosen says.

How much would Rosen's plan cost nationally? How would it be financed? Rosen says the plan would be funded through "sin taxes," much like the president's plan. He doesn't know the total cost.

Nonetheless, Rosen's plan has attracted some attention in Washington. In October, Rosen and a few Tamar colleagues had dinner with Rep. Jim Cooper, D-Tennessee, who has unveiled a health reform plan of his own. Cooper did not return FLORIDA TREND phone calls, and Rosen declined to say how Cooper responded, an indication it probably wasn't encouraging. Rosen, in fact, hints that he doesn't expect much action on his plan from Congress.

Instead, he says, he'd like to see the state of Florida adopt his plan and create a pilot program. And why not? As Rosen succinctly explains it: "All these theoreticians are out there – President Clinton, Ira Magaziner and Hillary Clinton and all these characters from Harvard and Yale and Princeton and Cornell – and they're espousing all this stuff. Well, I'm here operating a business real time with real people and real costs. So if you want a model, guys, this is not a computer. This is real." ❑