

# The Columbus Dispatch

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## What the doctor ordered; Fledgling Physicians' Assurance answers health-policy needs from a doctor's point of view

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Mark Cecutti is a small businessman with a big problem: the rising cost of health insurance.

"It got to the point that I was looking at all types of options," said the president of Vitale Poultry, a Columbus company that processes and distributes poultry products and employs nine.

The company's monthly expense for health insurance was \$6,300.

"And every year it keeps going up," Cecutti said. "I had to change the deductible, my portion (of the cost) went up, the out-of-pocket costs for employees went up. It was frustrating."

One of the options Cecutti explored was the Physicians' Assurance Corp., or TPAC, a new Worthington-based health-insurance company created by local doctors who were unhappy with the rates they were paying to insure the employees of their practices.

"I'm the same as the guy who owns a tire shop; I'm a small businessman," said Brett Wheeler, an anesthesiologist and one of the founders of the insurance company. "My practice's premiums were going up 12 to 15 to 20 percent every year with no real justification."

Across the country, small businesses are struggling with the rising rate of health insurance.

About 266,000 companies dropped their health coverage from 2000 to 2005 and 90 percent were small businesses with fewer than 25 employees, according to the National Coalition on Health Care.

The more he looked into Physicians' Assurance, the more he liked what he saw, Cecutti said -- and his company has carried the insurance since Aug. 1.

Vitale Poultry now pays \$5,500 a month for health insurance, \$800 less than it had been paying for the same coverage.

"After I told my company I was leaving, of course they came back and adjusted the premium down," said Cecutti, who declined to name the company.

Physicians' is the state's only doctor-owned carrier, said Ohio Department of Insurance spokesman Robert Denhard.

The company has plans with 48 area businesses and covers 593 people.



*Frustrated with rising costs, three doctors founded Physicians' Assurance Corp. They are, from left, Brett Wheeler, Alice Epitropoulos and George Ho.  
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"So far, it's been good," Cecutti said. "We got our cards, my family has used it, no problems; it's accepted by everyone."  
Getting started

Whenever a group of doctors gets together, it's not long before the conversation turns to the rising cost of health insurance.

This is what happened about three years ago with Wheeler, ophthalmologist Alice Epitropoulos and urologist George Ho.

"We felt there had to be a better solution," Epitropoulos said of what the three call a national crisis.

Ohio families paid an average of \$7,944 in premiums in 2001. The average jumped 34 percent, to \$10,662, in 2005, according to a study by the Robert Wood Johnson Foundation.

During the same period, the study found that median income fell from \$41,595 to \$39,380 and, in Ohio, more than 8,000 companies dropped their health-insurance plans, affecting more than 515,000 employees.

The solution Wheeler, Epitropoulos and Ho came up with was to start their own health-insurance company.

"We do not want to be perceived as a bunch of greedy doctors who started this to pay themselves more money," Wheeler said, adding that Physicians' will pay doctors the going rate in reimbursements and plow most of the profit back into the company.

Doctor-owned health-insurance companies are rare but have been around for many years.

One of the largest is Dakotacare in South Dakota, which was created in 1986 and insures about 110,000 people. The most recent in Ohio was Physicians Health Plan in Columbus, which was purchased by UnitedHealthcare in 1992.

"The physicians realized they're better at being physicians than handling benefits," said UnitedHealthcare spokeswoman Debora Spano.  
Physician, insure thyself

Initially, Wheeler, Epitropoulos and Ho thought their company would be for physicians' practices only.

"But we realized it was a much bigger problem," Wheeler said.

Physicians' then needed to raise money to meet the state's minimum capital and surplus level of \$2.5 million. The company has raised about \$5.5 million through the sale of \$10,000 shares.

"We targeted physicians; we wanted them to be the majority of the owners, and they own about 95 percent of the stock," said Brett Baby, Physicians' president and chief executive, adding that most of the doctors will use the company's insurance for their practices.

Baby worked for UnitedHealthcare for many years in a variety of executive positions, including chief executive of the Columbus region.

To compete with the insurance giants such as UnitedHealthcare, Anthem Blue Cross and Blue Shield and Aetna, he said, Physicians' will need to quickly get 11,000 individual subscribers.

"We settled on a smaller profit margin, 3 percent to 6 percent, than the big carriers, who are at 9 1/2 to 12 percent," Baby said.

Physicians' health insurance is accepted by a network of about 4,700 doctors in central Ohio and by the region's major hospitals. It started offering a preferred provider organization, a health savings account and a health reimbursement arrangement plan a few months ago.

"We entered the market right about where the other insurance companies are or a little below," Wheeler said of the cost of Physicians' health coverage. "But if they keep increasing their costs 10 or 12 percent a year and increase deductibles, we'll beat them over time."

Physicians' rate increases, he said, will be slow and steady, and explained to customers.

Another advantage, Wheeler said, is that a review committee of doctors will decide what is and isn't covered, "not businessmen or physicians who work for businessmen saying a procedure is too expensive."

Cecutti believes in the concept. "There's no promises it won't go up," he said of his health-insurance costs. "But they have the incentive to keep them low; they know the pitfalls if they don't."

The other side

Officials with Anthem Blue Cross and Blue Shield and UnitedHealthcare believe bigger is better when it comes to health insurance.

"They're not going to have the resources we have," Spano said. "They won't have the resources to invest in technology to look at a physician's practice patterns and say Mrs. Smith did not have a mammogram or Mr. Smith did not have a colonoscopy. For them, this is a very manual process."

Barry Malinowski, a pediatrician and Anthem's Ohio medical director, disagrees with Wheeler's assertion that businessmen are making medical decisions.

He said Anthem has more than 200 medical policies and clinical guidelines that were developed by doctors on Anthem's medical technology assessment committee.

"And the majority of these physicians are non-Anthem employees," he said, adding that they meet every three months in Chicago for two days to update the policies and guidelines.

"Any denial has to be looked at by a physician," he said. "In Ohio, all the (Anthem managers) who make the medical management decisions are practicing physicians."

High hopes

Wheeler is a passionate spokesman for Physicians' and thinks the company could be a model for other doctors in Ohio and elsewhere. However, he knows success is far from guaranteed.

"There's a lot of risk to this; people have to buy into this," he said, and large insurance companies have a big advantage when it comes to history, capital and exposure.

"To them, we're like a fly or a gnat on the wall," Wheeler said.

Despite the obstacles, he thinks Physicians' will be successful.

"As physicians, when we look back on our lives, it can't just be about making money," Wheeler said. "We have a responsibility to the community we live in and the patients we take care of. It's a tragedy people in this country don't have health care."

## **Insurance costs**

Some numbers of interest:

- Premiums for employer-based health insurance rose 6.1 percent in 2007. Small employers' premiums rose an average of 5.5 percent. Companies with fewer than 24 workers reported an increase of 6.8 percent.
- The annual premium for a family of four averaged \$12,100 in 2007, more than a full-time, minimum-wage worker made last year (\$10,712). Workers contributed nearly \$3,300 toward the cost, or 10 percent more than they did in 2006.
- Workers now are paying annually \$1,400 more in premiums for family coverage than they did in 2000.
- Since 2000, employment-based health insurance premiums have increased 100 percent, compared with cumulative inflation of 24 percent and cumulative wage growth of 21 percent during the same period.

Source: National Coalition on Health Care