Op-ed: Insurance industry must make difficult business decisions for the unvaccinated

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FULL TEXT

An Illinois state legislator proposed a bill in which neither the state nor health insurance providers would have to pay for COVID-19-related medical care for those who choose to remain unvaccinated against COVID-19 and become infected.

Such a bill clearly is government overreach. The legislator, Rep. Jonathan Carroll, subsequently withdrew the bill due to threats made against him, his family and his staff. Yet this proposal opens for discussion the risk calculus that goes into providing health care and how health insurance premiums are set.

Insurance is pooled risk. Whether it is automobile insurance, life insurance or health insurance, there is a cost to provide coverage, with claims paid out of premiums charged. That is why young drivers pay higher automobile insurance premiums than older drivers, and smokers pay higher life insurance premiums than nonsmokers. The historical record of claim payouts supports such differential premiums.

With health insurance, like all forms of insurance, premiums are based on the collective risk profile of the population being covered. When an external event disrupts the risk profile, the amounts paid out will be different from what is historically expected.

Delta Air Lines, a company that sponsors health insurance for its employees, recognized this disruption and began to assess a health insurance surcharge for those who opted to remain unvaccinated. From a risk assessment perspective, the airline viewed this as reasonable and appropriate. It believed that those who remained unvaccinated were more likely to accrue higher medical care and hospitalization expenses than those vaccinated. Based on the company's risk assessment, this was a sound business decision, independent of reasons why people either opted for vaccination or remained unvaccinated.

What the Illinois legislator proposed was far more draconian. He effectively wanted to remove anyone who remains unvaccinated from the group of people who have health insurance coverage that requires care for COVID-19. This is akin to a coverage exemption, which is not unheard of by insurance providers, but unreasonable if imposed by state law.

Health care delivery is a complex process of services provided and payments delivered. Physicians take an oath to provide care for all their patients and "do no harm." It is against their principles to withhold care from sick patients with COVID-19 if they are unvaccinated, or any condition for that matter, independent of their capacity to pay for services. However, those who pay for services are not bound by such ideals.

Inserting a COVID-19 exemption or surcharge into a health insurance policy for the unvaccinated may be viewed as good business, as Delta Air Lines discovered. It also provides an incentive to get vaccinated, which is in line with President Joe Biden's vaccination mandate, though legal headwinds will likely prevent the mandate from ever being enacted and enforced.

Three vaccines are available at no cost to Americans and have proved to be most effective in keeping people out of hospitals. Breakthrough infections do occur, though the preponderance of them has been mild cases.

When people choose vaccination, they are taking advantage of all available resources to protect themselves and others, with such resources offered at no cost to them.

When people choose to remain unvaccinated, they are opting out of using such resources. Research has shown that the unvaccinated are more vulnerable to infections, hospitalizations, deaths and long-haul COVID-19. The uncertainty surrounding the omicron variant adds another yet-to-be-determined wrinkle into the risk equation.

Withholding care for people who make decisions based on their perception of information, even if it is flawed or incomplete, is contrary to the principles of ethical medical practice. Regarding paying for care, however, after almost two years into the pandemic, with around 50 million confirmed cases and 800,000 deaths, insurance companies know enough to make informed business decisions.

Whether this is via coverage exemptions or premium surcharges for the unvaccinated, or premium discounts for the vaccinated, the insurance risk calculus of COVID-19 not only suggests the need for change, but it also demands it.

The same principles apply to life insurance. Life insurance payouts have surged during the pandemic. With vaccines available to reduce such deaths, if people choose to remain unvaccinated, for any reason, they are subjecting themselves to higher fatality risk than those who choose vaccination. The life insurance risk calculus suggests the need for differential premiums, which already exist for people who choose to indulge in risky behaviors like smoking.

As COVID-19 moves into the omicron era, the uncertainty surrounding the virus demands that the best available tools be used. If people choose to reject such tools, the economics of risk mean that insurance providers will respond by having some pay a price for their choice.

This is not a moral, ethical or political decision. It is a sound business decision.

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