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Short Communication

Healthcare Industry and the Existing Insurance Laws and regulations

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It is well known that the U.S. health prices and, accordingly, doctors' salaries are the highest in the world. The health care markets differ significantly form from traditional markers of goods and services. For example, car insurances determine their prices based on a car's type and age, reliability and prices of its components as well as the existing service prices. Such an approach cannot be used dealing with the health care market, where health insurance companies influence health care prices by selling insurances to both health care providers and their patients. Health insurance companies are suppliers of health related services through health providers who, in turn, buy liability insurances, that are; influence the demand of insurance services. On the one hand, higher costs of liability insurance command higher prices for health provider services; trying to maximize their profit the insurances try to increase liability costs. On the other hand, to increase the profit many health providers use unnecessary procedures decreasing the profit of insurance companies. Both sides understand these strategies. The existing health care prices are the result of a compromise. Moreover, since the health care market does not function like the markets for other consumer goods, its quality and prices are not necessarily correlated [1]. In the U.S. health care prices are hugely different not only between states but also within the same area. According to the 2016 research data, states such as Minnesota and Wisconsin had higher than average prices while others, such as Florida and Maryland, were cheaper overall; Arizona's health care prices were generally cheaper, about 82 percent of the national average, while next door in New Mexico health care was more expensive, about 25 percent above the national average. Some researchers believe the reason of an expensive health care in the U.S. is that almost all health care prices are hidden; this hinders market competition and does not allow patients and their health care providers to make fully informed decisions. Of course, the lack of meaningful readily available price information raises costs. However, because of the indicated above specifics of health insurance, the efforts to produce such data are complicated, and the obtained results are not very helpful [2].

The Affordable Care Act created the related health care market to obtain coverage from competing private health care providers. A set of insurance exchanges was created where Americans could enroll in private health plans with varying degrees of subsidy. Despite this market is more transparent than it was earlier, this is also not a traditional market of goods and services. If in 2013 there were 395 insurers participating in exchanges, that number is down to 181 for 2018, and President Obama's promise to reduce insurance premiums by $2,500 for the typical family has not been fulfilled; instead, premiums have increased by a comparable amount.

The RepublicanParty believes in a patient-centered healthcare system based on the principles of the free market that would foster competition driving healthcarecosts down. Aconsumer-driven model for health care works well on paper than in practice, although its practical realization can be a little bit better than under the existing system. All U.S. insurance companies are regulated on a state-by-state basis, so the companies have to be licensed in each state they sell policies in. Insurance markets in the U.S. are different in various states, and health insurance prices depend on state-specific health care laws**.**

Health liability insurers have a decisive influence on the health market prices. Moreover, the procedures and policies some of them differ significantly from car and home insurances that contain a staff of experts who evaluates damages and discuss settlements with claimants. Since the medical field is incomparably wider that the area of the car and home insurance, in many cases an adjuster's knowledge is not sufficient to make a proper decision without an additional help of medical specialists [3].

Specialized healthcare liability insurance companies (such as, for example, Healthcare Providers Service Organization, The Doctors Company, Medical Protective, Medical Liability Mutual Insurance, NORCAL Mutual, MAGMutual Insurance, ISMIE Mutual Insurance, ProAssurance Indemnity, State Volunteer Mutual, Princeton Insurance, ProAssurance Casualty, ProSelect Insurance, ProSelect Insurance) are closer in their activity to the mentioned above car and home insurers. Moreover, some of them cover only specific medical professions. For example, Nurses Service Organization is the largest provider of nurse's malpractice insurance and Dentist's Advantageoffers malpractice insurance to dental practitioners. Usually, adjusters of such insurances possess enough knowledge to resolve problems in a narrow area the insurance deals with.

However, the health care market attracts insurers with a wide line of business (for example, miscellaneous property, fire, water damage, animals, property damage liability, workers' compensation and employers' liability, fidelity and surety, motor vehicle and aircraft physical damage, marine protection and indemnity, service contract reimbursement, etc.). To avoid hiring various adjusters such insurance companies use subcontractors, small insurers offering services in several specific areas. Such a pyramidal insurance structure is a reason of rising liability costs. It may look strange that some insurance companies without any experience in the health care field try to penetrate in the healthcare liability market which is risky for unexperienced participants because the costs of adjudicating medical malpractice claims can be very high. The average settlement value for a medical malpractice lawsuit in the U.S. is somewhere between $300,000 to $380,000. The median value of a medical malpractice

settlement is $250,000. The average jury verdict in a malpractice case is just over $1 million. But the average payment in a dental malpractice suit is $65,000 (according to Medical Protective, the leading provider of malpractice insurance in the United States), which made the dental liability insurance attractive for insurance companies non specialized in the health care field [4].

As an example of such a company we consider the Aspen American Insurance Company (AAIC), a tiny company (15 total employees across all of its locations) that makes a huge profit (annual revenue above $10 million). But by what means? It insures almost all – from dental to fire, water damage, animals and other (see the above example) indemnities. This is done without having experts in the related fields. As to the dental malpractice insurance, it uses, as a subcontractor, B&B Protector Plans, Inc. that advertises itself as a national administrator of property and casualty insurance solutions for professionals (dentists, lawyers, optometrists, in aviation and even in wedding procedures). It is not clear why this company cannot act independently and why such symbiosis is necessary.

Insurance companies frequently request medical records when evaluating claims. The dental field has its specifics. As a rule, dentists examine a patient and present a treatment plan; they do not ask previous dental records. This is one of the simplest medical professions, and usually dentists do not require a patient's medical records; some of them have a form with questions a patient should answer. However, it is difficult to believe that companies that deal with animals, fire and water damages, aerospace, dental and wedding insurances have real experts in all these fields. Blindly copying the procedures of health care liability insurance companies, Aspen/B&B require claimants to provide their dental records. Moreover, they require "complete dental records," which nobody has. It is not clear whether this trick to deny a claim or the incompetence of these insurers. Maybe this is also the negligence of the state insurance administrations that allow such companies to operate with such requirements.

The above considered companies have no lawyers who are experts in the areas they deal with. There is a small probability to reach a settlement without an experienced lawyer, so that in most cases the amount of money obtained by a claimant is not enough to pay for the required future dental treatment.

The above example attracts attention to a serious problem of the insurance industry – the absence of rigorous requirements allowing insurance companies to operate. Traditional specialized insurances (e.g., auto and home insurances, medical liability insurances) demonstrate how insurance company should operate. Only specialized insurances should be allowed to do business. To realize that a rigorous classification of the insurance industry should be developed. It is inadmissible to permit insurance companies to operate in the area where they have no experts - technological, medical and legal. Any pyramidal structures with subcontractors increase insurance costs and related market prices [5].

The absence of rigorous requirements brings harm to the healthcare industry. It is unlikely that additional insurers, as a symbiosis Aspen/B&B, decrease liability costs since both companies try to maximize their profit. It is more reasonable to assume that bad doctors, who are analyzed thoroughly by specialized healthcare liability insurance companies, are forced to choose such companies asAspen/B&B. As a result, not only the health care prices rise but also the health care quality can decrease.

The National Association of Insurance Commissioners (NAIC) forms the national system of state-based insurance regulation in the U.S. to protect American consumers supported by the laws obliging insurers to treat policyholders and claimants fairly. However, hunting for profit some insurers prefer to violate the existing laws and some state officials allow them to do that since, it is well known, insurance companies are using their money to try and influence politicians of both parties. The above example of the AIAA demonstrates the need of new laws related to the health insurance industry.

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