Finding a Risk Management Cure for Obamacare

By Rich Woldt – The Risk Management Learning Center!

Ronald Reagan said: ***"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.***

England's Prime Minister Margaret Thatcher warned, ***"The problem with European Socialism is eventually you run out of other people's money."***

Obamacare is a case in point!

"If you're wondering about my political affiliation and bias. I'm a recovering liberal having graduated from the University of Wisconsin in 1968. I've campaigned and voted for JFK, LBJ, Democrats Russ Fiengold and Paul Soglin. I was a union member for 28 of my 30 year career teaching Risk Management through the world credit union movement. I now lean right, carry concealed, and will fight back if anyone treads on my religious freedom or dictates what risks I'm allowed to take or how they must be managed!" *Rich Woldt* CEO the RMLC (Bio)

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As always, I offer my permission to reprint and distribute part or all of this white paper provided credit is given to its author and you send $25 to Rich Woldt, 1906 Barber Drive, Stoughton, WI 53589. You're on your honor! Remember, I'm now living on a fixed income.

Your cancelled check is your receipt. Remember, this is a construct of my mind and not an actual marketed health insurance product. *Rich Woldt* CEO the RMLC

Click here to read a "Risk Management Analysis (RMA)" of Obamacare. It'll help you identify and measure the risks Obamacare creates for your family, credit union, CU chapter, State, and future.

A note to International Credit Union Risk Managers:

"Obamacare," for Risk Managers reading this outside the U.S., is the latest attempt in the U.S. to impose government run/socialized healthcare on U.S. citizens. Learn more

A note to US Credit Union Risk Managers

Credit unions pulled the US out of the Great Depression and through two World Wars. They'll now guide members and sponsors through an economic train wreck caused by "Obamacare. In no small way, Obamacare has shaken the financial footings of families, communities, and our country. Risk Managers are now calling it **"One Big Academic Mistake for America"** or an "OBAMA" for short. Learn more *Rich Woldt*

Obamacare is a Risk Management Failure

We all face two types of risks, "Pure" and "Speculative." Pure risks cause only losses, while speculative risks hold out the hope for gain, as well as the possibility of loss. We take speculative risks when we send politicians to Washington to balance our budget, and we face enormous pure risks when they pass healthcare legislation they haven't read, use a "nuclear" option in the Senate to block opposition, and the Supreme Court to enforce the largest tax increase in US history.

Fortunately in the US, we learn from our mistakes, change our minds when wrong, live and love with whom we want, worship how and when we want, work if we want, buy what we want, and fight to the death to protect our freedom and preserve our liberty. We can go to bed a Democrat and wake up a Republican or vice versa. Most important, we **can send someone to Washington to defend our freedom and preserve our liberty, and vote them out of office when they don't.**

Obamacare is a "Speculative" risk taken by the Obama administration to ironically provide "affordable" healthcare to those who either couldn't afford it, or didn't have access to affordable health insurance. **It's a "Pure" risk** for those who've had policies canceled, are forced to buy insurance they don't want, need, and can't afford, as well as those who've lost access to trusted doctors, hospitals, clinics, drugs, and medication, and those who are now forced to pay higher premiums, larger co-pays, and accept escalating deductibles. *Rich Woldt* - CEO RMLC

We hoped, we trusted, and now we've been burned!

A Risk Management (RM) Perspective

Who would have thought that in the United States of America, one stroke of a pen could bring our free market health insurance industry under the control of our Federal government? With one stroke, Christians would be forced to turn their backs on church teachings to fund abortions, and the IRS would be empowered to punish U.S. citizens unwilling to purchase health insurance? **Who would have thought that with a stroke of a pen** we'd no longer be able to keep our trusted doctors or seek treatment at the nearest hospitals? **Who would have thought that with a stroke of a pen,** we'd all be forced to turn over our confidential financial records to not-vetted strangers? **Who would have thought that with a stroke of a pen,** 1/6th of our national economy would be turned over to Washington insiders? **And, who would have thought with a stroke of a pen, we'd face the largest tax increase in US history? Learn how**

Rich Woldt - CEO the RMLC

Obamacare has been tried before, and failed!

A Risk Management (RM) Perspective

Obamacare is not our first attempt at government run healthcare. Every U.S. President since the Great Depression has tried and failed to merge our U.S. free market health insurance industry into a government run healthcare system. **Obamacare is little more than a reworking of "Hilary Clinton-care" of the '90s.**

The only way we'll rescue our healthcare system is to repeal Obamacare, return to free market underwriting, and limit government to regulating, not running our private sector industries. The only way we'll keep Obamacare afloat is to pay ever higher premiums, accept ever larger deductibles, and increase taxpayer subsidies.

Ronald Reagan said it best when he said, "*Governments view of our economy is; if it moves, tax it. If it keeps moving, regulate it, If it stops moving, subsidize it.*

What is TEFRA? In 1982, Ronald Reagan signed and nineteen states adopted the "Tax Equity Family Relief Act (TEFRA)," ensuring families faced with a catastrophic illness could be insured at reasonable rates, deductibles, and co-pays. I've included TEFRA in Home Rule Healthcare and Insurance (HRH&I) 2014. **Learn more** *Rich Woldt*

Have you heard our wake-up call?

The majority of U.S. citizens have! It took the forced cancelation of policies and required enrolment into Obamacare for us to realize we're losing our freedom of choice and the liberty our forefathers fought so hard to provide. **Unfortunately, our lost freedom is only the tip of the iceberg.** The trust we've lost in government as a result of the marketing hype, deception, internet scams, fraud, and identity theft losses caused by not-vetted Obamacare' navigators, is driving the cost of healthcare and insurance through the roof and the honor and character of our elected officials down the drain.

The fundamental Risk Management' flaw in Obamacare is it transfers 100% of healthcare risks into one insuring pool, relying on premiums collected plus taxpayer subsidies to cover administration costs and indemnify patients. To add injury to illness, Obamacare' panels are authorized to restrict access to healthcare, limit what will be paid to doctors and hospitals, and exclude specialty clinics and hospitals from their government run exchange. While Obamacare might authorize your General practitioner, there are no guarantees it'll allow you to choose University Hospitals or medical facilities that specialize in healthcare research and development (R&D). The IRS will oversee Obamacare and will dictate who qualifies for tax subsidies and who is exempt from the law. Unions and corporate supporters of the Obama administration have already received compliance extensions and guaranteed subsidies.

If we passed it, why can't we repeal it?

The answer is, we can! A better question is, "How do we repeal it? Obamacare advocates believe we're on the right track. The majority of U.S citizens know we're not. It'll be a challenge but it's time we repeal Obamacare and return U.S healthcare and the health insurance industry to the private sector.

It's time we recommit to internationally recognized Risk Management principles and practices, and launch a truly affordable healthcare system built from the grassroots and grounded by "Home-Rule" principles and practices.

It's time we have, **"Healthcare of the people, for the people, and by the people."** Healthcare and insurance that shall never violate our Constitution. It's time for Home-Rule Healthcare and Home-Rule Insurance!

If we can repeal and recover from prohibition, we can repeal and recover from Obamacare. *Rich Woldt* **CEO the RMLC**

Home Rule Healthcare and Insurance!

Until Obamacare, we lived in a country that honored "Home-rule" principles, guaranteeing no government had the right to tell us what health risks we can take, or when, where, and how risks not assumed had to be transferred. Obamacare first violated our religious freedom when it forced Christians to purchase abortion contracts. It than ignored our right to free enterprise when it forced insurance companies to market only contracts with which the Obama administration agrees.

In no small way, Obamacare violates our rights to home rule and self determination. **In no small way,** Obamacare endangers the quality of our healthcare while driving hospitals and doctors out of business. **In no small way,** Obamacare, flies in the face of the "Home Rule" doctrine, trumps our liberty, and denies us our freedom. **Anyone that fails to see the threat Obamacare poses for our Republic, is failing to see the threat Obamacare is to their family and future.** **Learn more**

Let's take a Risk Management path to affordable healthcare!

The only cost effective way to guarantee health insurance for everyone who both wants and needs it, is to follow Risk Management and Insurance principles and practices tested over time; specifically, through the Great Depression, two world wars, and countless natural and man-made disasters.

Risk Management (RM) is a method of management used to identify, measure, and control all health risks created when living in a free Republic. **There are two types of health risks; "Pure" and "Speculative."** When pure risks occur, you only suffer a loss. Speculative risks are taken, hoping to gain but realizing you might suffer a loss. For example, dropping an anvil on your foot is a "pure" risk. Working in a foundry is a speculative risk. Catching the "death of pneumonia" is a pure risk, while going ice fishing in the nude you speculative, hoping to catch a fish but you might catch a cold.

Once you've identified all your pure and speculative health risks, it's important to measure each based on the possibility and probability they will occur. No matter what some might think, we all have limited financial resource so if we're wise, we'll focus on the risks that potentially could cripple us financially. Once we've prioritized our risks, we're ready to control them.

Five Risk Management controls (Avoid, Reduce, Spread, Assume, and Transfer) are used to control each risk. For example, we can avoid drowning by never going near the water. But, avoiding all risks is no way to live in a free Republic. So, we move to the second risk control tool **"Reduce"** and do what we can to reduce the probability we'll get sick or injured taking the risks we choose to take. For example, if we insist on ice fishing in the nude, we'll stay inside a heated shanty, drink hot butter rum, and limit our exposure to ice water to a last minute dip before returning to the real world.

Once we've done all we can to reduce the risks we'll get sick or injured, we move to the third tool and **"spread"** out the risk so all is not lost during one unfortunate event. For example, to spread the risk that everyone will fall through the ice, you can limit the number of family members riding in each vehicle venturing out on the ice and the number allowed in each ice shanty. Yes, the entire harbor could break off and float out to sea, but at least by spreading the risk, someone might be rescued.

If you refuse to **avoid** fishing in the nude, and stay inside a heated shelter to **reduce** the risk you'll get sick, and fish at different locations to spread the risk of falling through the ice, you still might catch a cold. The **fourth risk control is to "assume"** you can recover from a cold. Your fifth control is to purchase health insurance to transfer all medical bills to someone else just in case the cold turns **into pneumonia.**

The reason Obamacare has and will continue to fail is it transfers all risks into one big pool, assuming taxpayer' pockets will be deep enough to indemnify every injury and illness no matter when it occurred or no matter how serious. **Learn more**

What were Obamacare underwriters thinking?

If we're going to come up with an actuarially sound and affordable health insurance program, we're going to have to understand what "Underwriters" do, as well as, how and why they do it!

The term "Underwriter" was first coined in London bars during the 18th century, when insurance agents, willing to insure ships sailing for the New World, would sign their names on the ship's title "under" the name of the ship owner. The "Underwriters" would thereby be responsible for "indemnifying" the ship owner, if or when his ship sunk. Indemnify means to put the ship owner back into the same financial position he was in when the ship left port.

The story most often told involves ten not to sober ship owners sitting in a bar, planning to set sail the next day for the New World. Each ship and cargo was valued at $1,000. At the end of the bar was an insurance Underwriter, speculating the odds were good that nine would sail safely and one would be lost at sea.

He bid the ship owners to bring both titles to their vessels and an inventory of their cargo to the bar at daybreak. He agreed that if they all sailed sober, with adequate provisions, and an experienced crew, he'd insure each vessel for its $1,000 if they'd each give him a $105 premium. As luck would have it all showed up the next morning, and after inspecting each ship and crew, the businessman wrote his name under the ship owner's name on the title, collected his $1,050 and toasted them all farewell and good sailing.

Ten ships set sail for Boston Harbor, one stuck at sea, and nine made it safely to shore, picking up the captain and crew of the lost ship on the way. The owner of the ship that sunk, filed a claim and collected his $1,000, leaving the Underwriter $49 to pay off his bar bill and a buck in his pocket as profit.

The underwriter went on to organize other ship owner s into "pools" based on types of cargo, style of ship, and the training of each crew. The newer the ships, the more experienced the crews; the lower were their premiums. As ships grew larger and more profitable, owners were more and more willing to self insure a portion of their cargo. In order to keep their business, Underwriters offered a series of deductibles for both the ships value and its cargo.

As business grew and pools got larger, Underwriters realized they needed the professional services of "Actuaries" to help predict losses, establish rates, and determine the impact of adding new risks to insuring pools. They also needed the professional service of trained "Claims Adjusters" to make sure contracts were current, claims filed were legitimate, and those insured were properly "indemnified." i.e. put back in the same condition they were prior to their loss.

As business grew and risks became more concentrated in on geographical area, it became painfully obvious that one catastrophic event such as a hurricane or tsunami could whip out an entire armada of ships, thereby financially crippling both the insurance and shipping industries in London. **To limit their losses and spread their risks,** Underwriters began to "Reinsure" risks they'd each pooled; first across Europe and then overseas through a consortium of insurance companies.

Soon everybody was a winner! Ship owners continued to get insurance specifically written to meet their needs at a reasonable rate. Insurance agents, Underwriters, Actuaries, and Claims Adjusters became more experienced and increasingly proficient; allowing a global shipping industry to grow and thrive. As nations realized the benefits of working together, peace prevailed, economies grew, and the world became a happier and healthier place to raise a family.

Unfortunately, at the end of the bar sat two government agents scheming ways to tax the life out of ship owners and enthusiasm out of their crew. They knew by planting doubt and fear with false hope and promises, they could get at least some to sell out their dreams a guarantee of safe sailing. Obviously, they failed to realize that once America gained its freedom from the King of England, there'd be no turning back.

The morale of the story is: If we don't get the government out of the health insurance business, we're all going to be taxed into bankruptcy, our ships will be sunk, and our dreams will be lost.

PS: Another glaring problem with Obamacare, for that matter all government run healthcare programs, is there are no incentives for us to chart a safer course through life, stay healthy, or accept responsibility for health, well being, or financial success. No matter how we paint the train wreck called Obamacare, eventually it'll drain taxpayers dry, add trillions to our national debt, and leave us all no choice but to raise the debt ceiling; which eventually will destroy our economy. According to the Congressional Office Budget Committee, Obamacare' taxpayer subsidies in 2014 will be over $26 billion and will go over $118 billion by 2018. The answer to: "What were Obamacare advocates thinking when they passed the largest tax increase in US history? They weren't thinking!

Anyone who believes Obamacare is good for our country needs to spend time in our Risk Management Learning Center library at www.RMLearningCenter.com, **I'll put my money on a private sector underwriter any day of the week.**

What can we do now? We can go back to our future!

UW-Risk Management and Insurance 1935

Let's begin with a test, to see how much you remember from Risk Management # 101 and "Management of Insurance Enterprises;" two courses taught at the University of Wisconsin since 1935. **Answer the following questions:** What's a risk? How many types of risk are there? What are the three steps used to manage risks? How are risks identified and measured? Name five RM control tools? Who's responsible for managing the risks you create or choose to take? In what order are risk controls used?

Answers: Risks are the uncertainty of loss." There are **two type;** "Pure" and "Speculative." Pure risks result only in loss, while Speculative risks hold out the possibility for both gain and loss. Managing risks involve **three steps** (Identify, Measure, and Control). Risks are measured by their frequency and severity. Once all risks have been identified and measured, **five tools** are used to control each risk (Avoid, Reduce, Spread, Assume, and Transfer). **Everyone is responsible for managing the risks they take or create.** Risk controls are used in the following order: First, ask yourself if you can or want to **"Avoid"** the risk. For example, run away from the gun fight you know you can't win. Next, **"Reduce"** the risk. For example, carry a gun and learn to shoot. Third**, "Spread"** the risk. For example, put your ice fishing shanties on different lakes so a fire in one won't burn down the others. Fourth, **"Assume"** that part of the risk you can afford. For example, taking the $100 deductable on your auto insurance, knowing you can afford to pay for a scratched fender. Finally, and I emphasis finally, **"Transfer"** the remaining risk into a pool of insurance, through a hold harmless agreement, or a binding legal contract. For example, credit unions that handle large amounts of currency on and off premise purchase a fidelity bond to cover robbery losses, Workers Compensation to indemnify injured messengers, and hire armored car services to effectively transfer the risk of robbery to a qualified carrier.

It's called "Home-Rule Healthcare and Insurance," because every healthcare decision and every health insurance contract' purchase is made by the head of the household, not the government. That means no one, nor any government has the right to tell us what health risks to take or not take, nor tell us how to manage our risks or transfer them to the health insurance pool of our choice! If we're going to turn the Obamacare wagon around, We'll be wise if we:

- **Launch a "Home Rule Healthcare and Insurance,"** initiative that's driven and controlled by the grass roots, fashioned after the world credit union movement ; and, by design, the virtual opposite of Obamacare.

- **Adopt the motto, "Hand them an insurance policy and we protect them for today, teach them to manage their risks and we protect them for a lifetime."**

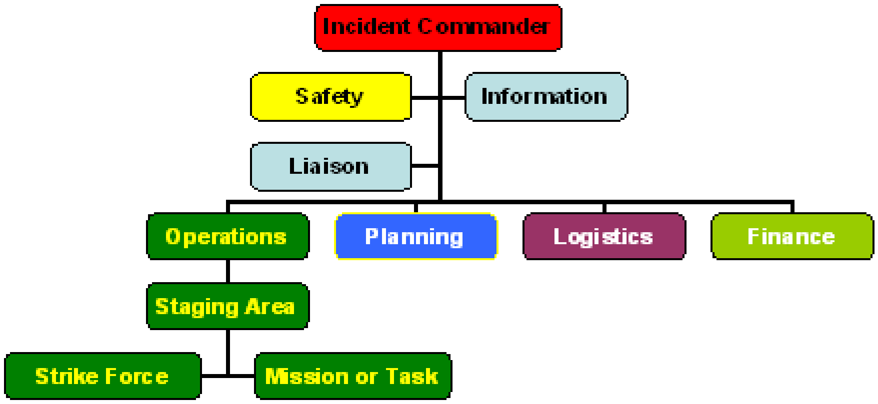
- **Design healthcare' missions immune to political sabotage,** supported by pre-approved mission' statements, and launched to serve the healthcare needs of those most vulnerable to financial ruin.

- **Benchmark Obamacare,** salvage what we can, and retire the rest before it bankrupts our country, destroys our healthcare system, and implodes our health insurance industry.

- **Turn back the clock** and benchmark U.S. healthcare and health insurance industries before the advent of Obamacare. **Than launch a unified command focused on rooting out fraud, dishonesty, and frivolous law suits from our U.S. healthcare system.**

- **Promote Risk Management principles and practices** on which our country has been built and guarantee insurability for all U.S. citizens from conception until death. And,

- **Teach the Incident Command System (ICS)** and launch three operational periods following Maslow's Hierarchy of Needs. The first operational period should focus on physiological and belongingness needs, the second on recovery, and the third on long-range reconstruction of our U.S. healthcare and insurance industries. Learn more



- **Operational Period I (first three months):** Focused on managing the trauma created by Obamacare and indemnifying, i.e. putting U.S. citizens/victims of Obamacare back in the same or similar position they were prior to the law. This period allows time for insurance companies to rehire personnel, file and reissue policies, and honor claims filed during the Obamacare gap. Note: Government subsidized reinsurance should be used when reinstated policy loss ratios exceed 85% of revenue earned.

- **Operational Period II (First six months): Focused on salvaging Obamacare assets, to include taxpayer investments in the government website.** And, reengineering the website to be a brokerage site navigating the uninsured to licensed agents in the private sector.

  - **During Operational Period II,** We'd create a consortium of U.S. chartered banks, credit unions, and health insurance companies to focus on "spreading" and "transferring" healthcare risks into an international reinsurance pool.

  - **Each State should be represented by two "experienced" risk managers, two health insurance underwriters, and two experienced actuaries,** required to meet annually to benchmark the U.S. healthcare and insurance industry' goals and objectives.

    (Their primary goal is to provide affordable healthcare to every U.S. citizen from conception until death. Written benchmark reports should be submitted to Congress annually; accompanied by Strategic Action Plans (SAP), written to influence U.S healthcare and health insurance mission statements for the coming year.)

- **Operational Period III (First 12 months):** Focused on creating national and international high risk reinsurance pools as well as reinsurance pools for pre-existing injuries and illnesses. Create a reinsurance consortium so reinsurance premium subsidies can be prorated to U.S. Licensed companies and organizations in the consortium. **Note**: *The goal is to create an actuarially sound pool featuring reasonable deductibles and caps geared to losses paid from the pools. While the pool may need government subsidies in the beginning, over time consortium goals should be to make reinsurance pools actuarially sound and supported exclusively by the private sector.*

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The US Government's Role in Healthcare & Insurance

Duel Charter/Licensing: Fashioned after the U.S. Credit Union movement: Credit union in the U.S. have a choice of either being chartered by the Federal government and regulated by the National Credit Union Administration, or chartered by the State in which their home office domiciled and be regulated by the State banking department.

I recommend U.S. health insurance companies have the choice of being licensed and regulated the same. No matter their choice, by law, they should be licensed to sell health insurance across state lines and via the internet.

RM Rationale: It's called the "law of large numbers." In other words, the more insured's there are in the pool of risks, the more accurate actuaries will be when they set health insurance rates for the pool. Also, by spreading the risk pool nationally, and by adopting standard "reinsurance" agreements both between companies and a single government subsidized high/catastrophic risk pool, we'll be able to create an actuarially sound risk pool for the insured's pre-existing injuries/illness/condition.

The role of government, whether at the State or Federal level, should be limited to licensing and regulating healthcare providers and health insurance companies operating in the U.S. private sector. And, at the Federal level, government should oversee one high risk/catastrophic risk pool and one "pre-existing" risk pool underwritten in the private sector by a consortium of <u>ALL</u> U.S. licensed health insurance companies.

Note: *I underscored "all" because all licensed U.S. health insurance companies should share in the "high risk/catastrophic-preexisting risk pools. For example, they might underwrite risks proportionate to their gross premium income or the tax credit their insured's claim on their #1099s. Or, they might share risks through a "reinsurance" agreement, that effectively transfers the risk between what's assumed by the insured's deductable and what's considered excess or catastrophic, needing to be underwritten* *by the government.*

Note: *In that our Federal government gives research grants to drug companies, hospitals, and universities, etc. It only seems logical that at some point healthcare for victims of catastrophic injuries or illnesses should be able to receive cost effective healthcare, subsidized by drug companies, hospitals, and universities who've taken advantage of government grants. For, example a cancer patient who's blown through their deductable and private health insurance, should be able to receive the balance of their care compliments of the U.S. government.*

Basic government funding should be limited to one annual tax credit per tax payer that's reported on their #1099 along with the name of their health insurance company and their health insurance contract number. This could then be audited by the IRS to identify U.S. citizens who either choose not to carry or didn't have access to affordable health insurance. For example, allowing every taxpayer a one-time $1,200 income tax credit, if they can prove they're carrying at least a basic, nationally recognized health insurance policy, will help identify those who need to be contacted. The IRS could then turn over a list of those needing insurance to the NHI-RMAB. What's the NHI-RMAB?

The Federal government should fund and oversee a bonded, National Health Insurance Risk Management Advisory Board (NHI-RMAB) that's required to meet monthly over the internet and annually in person. The NHI-RMAB should be empowered to fulfill two primary missions. First, to identify, measure, and recommend risk transfer tools that should be created in the private sector for U.S. health risks created during the year. Second, to identify any U.S. citizen who's either has chosen not to or because they failed to find access to health insurance.

This "private sector" Risk Management Advisory Board" should conduct an annual "Healthcare - Risk Management Analysis (H-RMA)" and submit a written report to the U.S. President and Congress. (*Note: This adopts the Risk Management (RM) concept of two Credit Union Risk Managers from each credit union, chapter, and State association/League*.)

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