Taking Stock: VPI may be going to the dogs, but it hasn't gone public

by Malcolm_Berko

Dear Mr. Berko: We have three dogs and three cats and just love them to death. We figure that we spent almost $1,000 last year on their care so we are considering pet health insurance with a company called VPI Pet Insurance and the costs are about $125 to $150 a month. What can you tell me about VPI Pet Insurance? We spend an average of $40 a month on pet care but because we would have insurance we would afford to take our pets to the vet more often and for better and more frequent care. Are there other pet insurance companies you would recommend?

S.R.

Bend, Ore.

Dear S.R.: I can't comment on VPI Pet Insurance Inc. It's not a public company and the data I need to research the company is not readily available. But VPI operates like many human health plans. You take your pet to any vet and pay for the vet's treatment. The vet submits your claim to VPI with receipts for reimbursement. Then many weeks or months after a $50 per deductible, VPI reimburses you for 90 percent of your pet plan's allowable benefits. And "allowable" benefits less the co-pay - that's the rub! If a procedure costs $100 and the allowable is $70, VPI will pay you $18. Here's the math: subtract the $50 co-pay from $70 and the insurer gives you 90 percent of the remaining $20 or $18. Well ... Yipsedoodle, Andy!

I recall some 55-plus years ago I was really knee-walking, stool-hugging sick and could barely get out of bed to brush my teeth. My mom called the family doctor and a couple hours later he was at my bedside with his black bag. After his ministrations, a shot in the butt and two envelopes of pills Mom gave him $10 and in two days I was 98 percent better and returned to tormenting my sister. Three years, later in 1956, it happened again but this time Mom gave the doctor $13 and remarked at the 30 percent increase in the cost. I remember the doc telling Mom that higher costs accounted for $1 of the increase but I'll always remember his last comment: "The other $2 pays for a new girl to fill out, manage and collect my growing number of insurance claims."

I know nothing good or bad about VPI, but I know that MetLife is an insurance company with a conscience. MetLife offers pet insurance plans with typical premiums running $15 a month for cats and $20 a month for dogs. (Wow, I remember that first employer-sponsored human health policy in 1962 cost me $16 a month.) Today, about 1 in 10 employers provides group pet insurance in their benefits package. These policies cover almost all veterinary care from broken bones, to upset tummies, to vaccinations and cancer treatments

As pet health insurance gains greater acceptance and market penetration, your vet bills will increase accordingly. Pet policies pay discounted rates for procedures and that reduces your vet's income. But you need to know how these insidious insurers are responsible for higher costs. As more pet policies are sold, MetLife and other insurers will gain pricing power over your vet's procedures.

So in a few years MetLife and others will begin to reduce procedure reimbursements by 5 percent each year so your co-pay inches up by that amount or your annual premiums begin to explode. As reimbursements continue to be reduced, your vet continues to raise his prices to maintain last year's income level and MetLife raises your premium costs. As vets raise procedure costs again and again MetLife will raise premiums again and again so it becomes a vicious circle.

Within a decade your vet's costs will be out of reach for ordinary people and vets (like hospitals) will be treating pets of indigent owners as a community service in their clinics. To recover those costs, vets will again be forced to raise their fees and again MetLife will have to raise your insurance premiums or reduce coverage. Then the federal government will be asked to help rein in the high cost of pet care. Congress will pass laws to protect Americans with pets and campaigning politicians will promise lower pet care, better access and legislate discrimination-free pet health care. Does this sound familiar to you?

Today's pet insurance is as affordable as human health insurance was 50 years ago when the doctors and hospitals controlled their costs. Today, about 55 percent of your human health care premiums are paid out to hospitals, testing services and physicians. About 45 percent of those premiums pays for the insurance company's salaries, entertainment, advertising, lawyers, accountants, rent, sales commissions, computers, executive jets, sponsorships of Professional Golfers' Association and Association of Tennis Professionals tournaments, fancy artwork, secretaries and plush offices. Today, about 60 percent of your pet insurance premiums are paid to your vet and his veterinary hospital and 40 percent pays salaries, secretarial help, office supplies, postage and travel. In the next 10 to 20 years that ratio will reverse to 35 percent to 65 percent.

Pet insurance, like health was originally noble in its intent. Today health insurance is part scam and soon pet health insurance will follow in its footsteps.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him..

Â© Copley News Service

Taking Stock: VPI may be going to the dogs, but it hasn't gone public by Malcolm_Berko