Indianapolis Literary Club

Essay by Stanley A. Huseland, October 19, 2015

Title: "Do Unto Others . . ."

I begin with confession. I have been a club member since 1985, and this is only my fourth essay. I also must confess that I have been consistently drawn to controversial topics. A few years ago I described the career of controversial political boss, L. Keith Bulen, in an essay shamelessly drawn from my only book, his biography.

As in the Bulen book, tonight I will focus on another controversial personality, one writ in bold colors, one who was determined to make a difference, and who it can fairly be said, did make a difference. My title is "Do Unto Others." I am sure this group will recognize those words as part of the Biblical Golden Rule. But Golden Rule also was the name of an insurance company lodged in a prominent west-side building for many years. And it was run by tonight's subject, the late J. Patrick Rooney.

Pat Rooney first caught my attention many years ago. At the time I was not particularly pleased. Golden Rule was a small family-owned insurance company located in Lawrenceville, Illinois, just across the Wabash River from Vincennes. The year was 1973 and I was on the public relations staff of Blue Cross and Blue Shield of Indiana, now Anthem. We thought it was good P.R. to hold media luncheons at the principal cities around the state, in the belief that we had a good story to tell about a business—health insurance--that is often much misunderstood.

This day we were in Evansville. The U. S. Supreme Court had just decided a case called Roe v. Wade. You may have heard of it. We had our CEO there, and a reporter asked him the tough question:

Are you going to insure abortions, and if you are, wouldn't it be unfair to make those with moral objections pay a premium for that coverage?

My president's response would have made our actuaries proud, but the P.R. staff blanched.

"Well," he said, "abortion now <u>is</u> legal, it <u>is</u> a medical procedure, so we <u>will</u> extend coverage in our policies. And on the premium issue, you should know that it is less expensive to pay for an abortion than for a full-term delivery."

The headline made the meaning clear:

"Blue Cross Calls Abortion Cheaper Than Birth"

An uproar ensued. Within a short time I learned that Golden Rule Insurance Company had displaced Blue Cross as the health insurer for employees of the Evansville Catholic Diocese; then to be followed shortly by the City of Evansville employee account, and then the Evansville Public Schools.

The nimble Pat Rooney of that little insurance company from across the river had lost no time in assuring all those who cared to know, that Golden Rule would be happy to provide an insurance contract that excluded abortion. Our Evansville P.R. trip had proved very expensive to my company.

Despite this early connection, I chose Rooney for tonight's essay, not for his business acumen, but because he was a colorful and dogged crusader for causes that he pioneered, causes that have outlived him, and today are part of out national political debate.

The lasting Rooney causes were:

1. Offering a school choice plan to Indianapolis parents, especially low-income parents, begun in personal philanthropy, but now embodied in Indiana law, and in many other states. And:

2. Inventing and offering a consumer-driven health insurance plan called "health savings accounts," that was embodied in federal law some years before the Affordable Care Act, and remains today a concept favored by some conservatives to be a patient-oriented alternative to it.

Now let me be candid. I happen to agree with these goals. But I believe his story merits sharing because this zealous local businessman—pursuing his ideals in the political arena--has left behind a legacy that endures. Regardless of your political views, I hope you will enjoy that story as well.

Before jumping into the weeds on these two causes, let me review a bit about the man. We get a sense of Rooney from the words spoken by his daughter Christine, after his death in 2008:

(and I quote): Dad was a maverick, always looking for a noble cause, and often one that included a brave and daring fight. He normally started down the path with a business interest in mind, and would then get lost in the cause. He absolutely loved a good fight, and was at his best when it was defending those who couldn't defend themselves. A friend asked me recently what my father did. I said jokingly: 'He's a trouble maker, but a trouble maker with a good cause. (End of quote)

Pat also was a third-generation Irish-American Catholic. The daughter describes its broader meaning:

(Quoting again) "Being Irish-Catholic also meant being a Democrat. Irish-Catholic-Democrat was like one long word. Dad even held office in the local Democratic Party. But the combination of Dad's economic studies and his business experience eventually led him to move to the Republican Party. But Dad had a bigger vision than just following party lines. He supported candidates and ideas that he believed in, no matter what the party affiliation. (End of quote)

Pat Rooney's grandfather left Ireland in the late 1800s, and made his way to Buffalo, New York, where he caught on as a worker on pipelines. His grandparents eventually settled in Defiance, Ohio, and then moved to southern Illinois, following the oil and gas boom of the time.

Pat's father, Michael Andrew Rooney, grew up there and set his sights on business. M.A., as he generally was called, went broke three times with two insurance company ventures and a bakery during the depression. In 1941 he tried for a fourth time and fared better, apparently learning from his failures. Pat Rooney's parents, working out of their basement in Lawrenceville, IL, finally made a go of it, selling family group life insurance.

Their oldest son was John Patrick Rooney, who had suffered through his boyhood with respiratory illness. His parents sent him to Colorado for his health, where he finished high school. Pat heard that St. John's College in Minnesota was the best seminary, and he wanted to become a priest. But that was not to be. Under the mentorship of Father Martin, he became fascinated with the study of economics.

In 1946, Pat put this passion to work by taking a year's timeout from St. Johns to help his father establish an Accident and Health Department in the budding family business. Then he returned for his senior year, and made the decision to make business, not the priesthood, his future.

Back home in 1948 with diploma in hand, Pat--headstrong already--made it clear to his father that he had very specific ideas about growing the business. He asked his father to hire a classmate named Frank Ladner as a member of the team. M.A. agreed, and Pat took charge of running the office, while his father and buddy Frank did the selling. Before long the elder Rooney had agreed to a general agency contract with Pat and Frank. In a memoir, the elder Rooney said: "I am glad, for these two boys have made an amazing success for themselves and for the company."

He also recalled "I had the normal amount of father and son difficulty with Pat." One can only imagine.

The difficulties did not prevent success. In the five years following Pat's return from college, Golden Rule's assets grew more than six fold, from $19,000 to $130,000. Father and son issues aside, they continued to build Golden Rule together until M. A. died in 1976. The father had set the philanthropic direction for the family by establishing the M. A. Rooney Foundation in 1969, dedicated to promoting inter-racial justice. The Rooneys put their money where their mouth was. Their company challenged in court Illinois's insurance agent-licensing exam as being discriminatory to African-Americans. After an eight-year battle costing the company a million dollars, the state agreed to a more culturally neutral exam. In the years following, the gap between white and black applicant success was cut in half.

When Pat moved to Indianapolis, he decided if he were to be loyal to his beliefs, he should not attend a church in the wealthy white suburbs. For years he attended Holy Angels Catholic Church in the inner city of Indianapolis, typically being one of the few white faces in the pews there.

Pat Rooney led both Golden Rule and the M. A. Rooney Foundation until he yielded the leadership of the company to his daughter Therese. The company was sold to United Healthcare in 2003, and Therese now operates the M. A. Rooney foundation.

So much for the man's background. What makes him stand out in my mind are the two crusades he pioneered late in his life that have achieved significant success, part during his lifetime, and part during the seven years since he died. Let me describe each briefly, and his influence on the larger movements that have come to be.

First is parental school choice. Although intellectually Rooney believed that <u>all</u> parents should be able to direct public moneys to any school, public or private, he cared most about low-income parents. The well-to-do <u>had</u> school choice, because they could afford to move away from failed schools, or to pay private school tuition for their children.

One Friday in 1991, Rooney called in Randal Suttles his chief financial officer. Suttles recalls that his boss said he needed a legal trust to be established. When did he need it? "This is Friday, I need it Monday. I have a press conference called for Monday," came the answer. Suttles was used to such responses from an impatient and demanding boss. Thus the Educational Choice Charitable Trust was born.

At the time, only one voucher program existed in the country, in Milwaukee, Wisconsin. It had been established the previous year by the legislature at the insistence of Rep. Polly Williams, a one-time welfare-dependent single mother who arose to become a legislator. Rooney's was the nation's second voucher program and the first philanthropic one.

His choice charitable trust offered private school scholarships to low-income parents living in the Indianapolis Public School district. Each voucher provided 50% of tuition up to a maximum of $800 per student per year. Within a few days of the announcement, 1,000 families stepped forward seeking one of the 500 available scholarships. Rooney appealed to others in the business community, and some, including Eli Lilly and Company, added enough for about 200 more families. Over the ensuing years, Rooney through Golden Rule spent millions of dollars on scholarships for children in low-income families.

The following year, 1992, Rooney hosted a national meeting in Indianapolis attended by more than 100 political and educational leaders interested in school choice, including Wisconsin's Polly Williams. The movement advanced.

In 1996, Milton Friedman, the intellectual father of school choice, asked Gordon St. Angelo, then at Lilly Endowment, to establish a foundation promoting school choice. St. Angelo agreed on condition it would be located in Indianapolis, and that foundation remains active.

The politics of school choice began to change. Ohio developed a tax-supported school choice program for Cleveland. District of Columbia came in by Act of Congress. Then Jeb Bush brought in Florida. In 2011, three years after Rooney's death, the Indiana General Assembly passed its first tax-supported school voucher program. His school choice trust now functions under the Indiana state program as one of four Scholarship Granting Organizations recognized by the state program.

Today, 24 years after Rooney and Polly Williams pioneered school choice in America, a majority of states have some form of school choice. Fourteen states and the District of Columbia have legislated voucher programs. Another 13 states have established other variations of school choice including tax credits for parents or for Rooney-like philanthropy.

Pat Rooney's other crusade was medical savings accounts, as he called them, or health savings accounts as now identified in federal law. Unlike his philanthropy for the choice charitable trust, this cause fit closely with his business.

World War Two controls, fixing wages but not benefits, helped to create the unique American system of employer-provided group health insurance, as employers used the benefits loophole to compete for employees. By the 1960s, major unions had negotiated health care benefits that disdained indemnity plans that paid limited amounts for specified services. Instead the trend rapidly reached for fully paid programs of hospital and doctor bills, and eventually other health care benefits such as medicine, eye care, and chiropractic care, as examples.

Health insurance no longer was truly insurance, in the sense that auto insurance, fire insurance, and life insurance all depend upon specific infrequent events. The expectation had become that even routine medical expenses should be covered, with minor amounts to be left to the patient. Thus was born the "Cadillac plans," typically in the auto and steel industries.

Golden Rule had built its business on low-cost indemnity plans. It had become a dominant insurer of individual major medical policies, often called catastrophic insurance. Premiums were low and affordable, because no benefits were paid up front until a large deductible was met by the insured.

Golden Rule-type catastrophic plans were scorned by the major health insurers, because the large deductible itself was catastrophic for many families. Rooney also liked to observe that these policies gave insurance companies less money to handle.

Hence came Rooney's response—the medical savings account. It would combine a high-deductible policy for catastrophic events, with an IRA-like savings account owned and controlled by the individual for routine expenses. He reasoned that if the individual was handling his own money and had "skin in the game"—he would become a better shopper when he needed medical services, somewhat like he might for buying a car or a new refrigerator. This would contrast with the "fully paid" programs in which neither the patient nor health care provider have a stake in avoiding waste or excessive use. Like an IRA, deposits to the savings account could come from the individual, an employer, or both.

I first encountered Golden Rule and its passion for medical savings accounts at meetings of the National Association of Insurance Commissioners (NAIC). One NAIC function was to formulate model legislation in a quest for uniformity among the states. The insurance industry flocked to NAIC meetings like camp followers, hoping to protect its perceived interests in these deliberations by the regulators. I represented my company, Blue Cross and Blue Shield of Indiana, at these meetings.

Rooney battled for years to get the state insurance commissioners to adopt his model for medical savings accounts. The industry—my company included—vigorously opposed such a heresy.

Over time I came to wonder privately if there might be merit in this concept, very privately, I might add. Insurers were willing to admit among themselves that third-party payments had set the health care industry on a huge and wasteful spending spree, but it seemed to be what our customers wanted. Rooney never won over the state insurance commissioners.

But in the election of 1994, a Republican tidal wave brought forth the Gingrich revolution. The GOP took control of both the House and the Senate.

Rooney saw his chance. He befriended both Speaker Newt Gingrich and Senate Majority Leader Bob Dole, preaching the gospel of medical savings accounts. He was walking with Senator Dole in the halls of the Senate at the height of the debate. Dole encountered a colleague and introduced Rooney as "the father of medical savings accounts." With that testimonial, Rooney trademarked the phrase: "Pat Rooney, the father of medical savings accounts," in part to defend against other pretenders to that distinction.

In 1996 Congress enacted a demonstration project for what was called Archer medical savings account plans, named after Bill Archer of Texas, then Chairman of the House Ways and Means Committee. In 2003 President George W. Bush supported a Medicare Part D program to offer prescription drug coverage to seniors. Rooney's dream took a big step forward when the Bush bill was expanded to include his MSAs, no longer limited to a demonstration, and now re-branded as health savings accounts.

With Rooney's dream ensconced in law, HSAs have received a modest but promising reception in the marketplace. As an example, Safeway Stores, a grocery chain, established HSAs as an option for its 30,000 non-union employees, and 80% chose them. A 2012 industry survey showed that the number of persons covered by such plans more than doubled in the previous four years from six million to 13.5 million, including both group and individual plans.

Here in Indiana, then-Governor Mitch Daniels offered an HSA-based option he called the Healthy Indiana Plan (or HIP) to state employees. As at Safeway, it has become the popular choice.

Current governor Mike Pence also has used the HSA concept in fashioning what he calls HIP 2.0. It was approved by the federal government last January to be offered under the Affordable Care Act to low-income insured persons.

Never one to hide his light under a bushel, Rooney co-authored a book, immodestly entitled:

"America's Health Care Crisis Solved." It was published in 2008, a few months before Rooney's death at age 80. In it, he offered a detailed national plan based on HSAs. (Show book)

Congressional Republicans need a replacement plan for the much-derided Affordable Care Act, or Obamacare as they typically call it. Some proposals are based on empowering consumers by adopting the principles of the health savings account. Dr. Ben Carson arose to national prominence when he roundly criticized Obamacare, in the presence of the president, and proposed a national plan to replace it based on health savings accounts. As we know, Dr. Carson is now a candidate for president.

So the seeds planted long ago at the NAIC, and in the marketplace, have grown to attract a significant political following, albeit, mostly on the right side of the political spectrum.

Before his death in 2008, Pat Rooney had seen his health savings account vision arise from obscurity to become part of the national health care debate. Although school choice programs had begun to expand among the states, Rooney did not live to see the explosion of programs that have been enacted in the last five years, including Indiana's, expected this year to be the largest in the nation.

Looking back, Rooney was the driving force that brought two major movements into our national life. His chosen causes—school vouchers and health savings accounts--were quite different, except for this: faith in the individual to control his family's choice of schools, and to control how his health care dollar is spent.

Pat Rooney once told associates he expected to live to be 100. If his prediction had been accurate, he would still be with us, and he surely would leap into the new Congress with missionary passion, to bring to all parents a choice of schools, and to all Americans a health savings account plan. As it is, the merits of those programs must stand on their own, without this Irish-American crusader to lead the charge.

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