

The real myth of health insurance reform

Written by Joseph Phillips

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One of the more pernicious myths surrounding the debate over health care is the oft repeated claim that conservatives do not want reform. Nonsense! What we do not want is the warm bucket of snake oil currently being sold to the American people by this administration. Conservatives have long argued for the need to reduce mandated benefits, reduce the reliance on third-party payers and get rid of public policies that hinder entrepreneurship and innovation. This is the kind of reform conservatives want – the right kind of reform.

Because the number of Americans that are actually denied medical care is zero, the administration has chosen to cite the fact that 47 million Americans lack medical insurance (another myth) as the reason for its urgency in passing a huge bill that congressmen can't be bothered to read. Why, just yesterday the administration and its army of sales people began to talk about health insurance reform; this after years of hearing about the need to reform healthcare. Ahh! The power of focus groups. Now we need single-payer universal healthcare to bring down costs (prices) and to protect the sick from "discrimination" at the hands of evil insurance companies.

So the cause of our national distress is the private health insurance industry, which no doubt explains why A) Obama has made back room deals with the insurance and pharmaceutical industries and B) why the bill making its way through the House of Representatives devotes exactly 6 of its more than 1000 pages to insurance reform.

Conservatives of course have long pointed to the over-reliance on insurance companies and other third party payers as one of the major causes of the increase in healthcare costs. It is worth remembering that the largest insurer in the nation is the federal government through Medicare and Medicaid. And how's that working out?

A recent study from the National Bureau of Economic Research found that about half of the increase in health expenditures nationwide since 1965 was caused by the creation of Medicare and Medicaid. Why? One reason is that under the government programs prices are not the result of contracts between providers and patients. Instead, prices are set between providers and the U.S. Government. In practice, this means the U.S. government says what's covered and what the price is (regardless of the actual cost), and providers and patients have no choice in the matter.

Worse, since patients do not negotiate price, they don't care what the price is and have no incentive to seek out a provider with a lower one. On the other hand, they have every incentive to take health risks they couldn't otherwise afford and use services they might not otherwise be willing to pay for. There is a similar incentive for providers to charge for things covered by Medicare and Medicaid and do those things as rapidly as possible, whether or not that is what the art of medicine indicates would be the best treatment. So price – the most effective way to allocate scarce resources - isn't determined by negotiation but rather by politics, (as has already been demonstrated by Obama's back room deals) which invariably leads to shortages and rationing.

And what of the huge cost savings that Obama promises will magically appear under reform with the same perverse incentives?

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According to the National Center for Policy Analysis, "Medicare's total unfunded liability is more than five times larger than that of Social Security." In fact, the new Medicare prescription drug benefit enacted in 2006 (Part D) has proven to be twice as much as the original congressional budget office estimates and alone adds some \$17 trillion to the projected Medicare shortfall - an amount greater than all of Social Security's unfunded obligations." The liability for Medicaid is off the charts because unlike Medicare Medicaid has no "trust fund" but is paid for by the states with matching grants from the fed. I can't speak for you, but I am overflowing with confidence that a government takeover of healthcare is just the ticket to solve our fiscal problems.

The reform the new left is attempting to force upon us is the wrong kind of reform. It will not bring down costs, it will not improve the overall health of Americans and it will not encourage innovation and entrepreneurship. What it will do is dramatically increase the number of Americans dependant upon government for their medical care and their livelihoods. That may be a good way to build a political base, but it ain't reform.

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