

8/11/09 - Original

10/23/09 - Rev 1 in green

10/25/09 - Rev 2 in yellow

3/27/10 - Rev 3 in blue

6/19/12 - Rev 4 in pink

11/25/13 - Rev 5 in red

The Solution To America's Healthcare Problems

Although the majority of people are satisfied with their healthcare plan many Americans are frustrated with @ least some portion of our healthcare system & it shouldn't be that way. The solution to our healthcare problems described in this piece is based on the libertarian principles of limited government, free enterprise, & personal responsibility - we have less & less of all three every day. I present below a solution to our healthcare problems that address the affordability of any system into the future & I will also dispel the false idea that there are only two solutions to our healthcare problems - namely BO's Universal Healthcare Plan & one in which Republicans tinker with the income tax code in order to make healthcare more affordable through income tax subsidies. Both of these plans are not beneficial to the citizenry but rather continue the favoritism of the special interest groups - be they politicians, lobbyists, or private insurance company officials - @ the expense of the citizenry. **The Statist's plan is to make people totally dependent on government - both financially through taxes & physically through universal healthcare.**

A very wise friend told me long ago that a problem properly stated is half solved.

America's healthcare problems start with the fact that it is employer-based instead of consumer-based for the great majority of people. Reversing this emphasis & reinstating in people the mindset that they really are responsible for taking care of their own lives, whether they know it or not, is the beginning of the solution - Thomas Sowell asks **"why would you expect someone else to provide for you what you do not provide for yourself?"** Dr. Sowell's question certainly pertains to someone's personal healthcare plan & yet far too many people will not get their teeth cleaned by a dentist or have their eyes checked by an ophthalmologist if medical insurance under a private insurance policy or a government policy will not pay for it. Putting people in direct contact with their doctors without interference or involvement by insurance companies &/or the government starts to clear up the picture that we need to focus on.

In summary, the basis of the solution to America's healthcare problem is for people to take responsibility for their own expenses for routine healthcare (like teeth cleaning) coupled with a high deductible insurance policy for catastrophic events. The value of the deductible of the insurance policy should be determined by each person based on their own financial condition. The insurance policy should be able to be bought across state lines as opposed to the current system that protects special interests by forbidding such transactions in many if not all states. (See my letter below, labeled Exhibit A, published by the WSJ on December 20, 2007 re this important matter.) The point is that insurance should only be bought for what the purchaser of the policy cannot afford to pay for himself - this is the classical reason why people buy insurance. This principle has been completely altered over the years by convincing people that someone else was paying for their medical care when as we will see below they certainly are not.

The importance re buying healthcare insurance across state lines is highlighted by Professor Stephan T. Parente of the University of Minnesota & Tarren Bragdon of the Manhattan Institute when they report in their recent study that 26% of the uninsured in NY would buy private policies issued in Pennsylvania or Connecticut if they could - such policies costing 25% less than similar policies issued in NY.

Healthcare is not an entitlement be it free or affordable. It cannot be tolerated by responsible people living in a free society to have the healthcare costs of others imposed on them. Some people think healthcare reform is important because they want the government or their employer to provide coverage for them while they take no responsibility for any part of it @ all. We need to shift this mindset to one of people realizing healthcare is important because they must take control of their lives after our country has gotten to the unsustainable financial predicament we are in today. We have drifted far from our founding fathers' philosophy by thinking some 3rd party was looking out for our individual interests while all the while all they were doing was concentrating on how to make larger profits in the case of the insurance companies or buying votes through providing healthcare coverage like SCHIP in the case of government.

The current healthcare system began in the 1940s in response to a government wage freeze but employers were allowed to add healthcare benefits to employee total compensation. The healthcare benefits were not counted as taxable income for the employees & the employer could write-off the total cost as they do every business expense. This still stands today.

In the 1960s Medicare became the first attempt @ a government run healthcare program. Forty four years later government runs almost half of our healthcare system & Medicare alone has a projected unfunded liability of tens of trillions of dollars. The Medicare program is teetering on bankruptcy. Medicaid also is in a shambles financially. All of this is predictable for what will happen if the government becomes the single payer under BO's Universal Healthcare Plan. Just think how the government runs the post office.

As healthcare costs rose over the years both third party payers - private insurance companies & the government run programs - started to take a more active role in telling doctors what

procedures & medicines to use & especially in the case of the government programs what would & would not be covered. This was true whether the cost increases were due to medical inflation **or through more advanced life saving innovations that were not inflationary @ all but actually increased the quality of our healthcare.** The third party payers are only interested in slowing & controlling their rising costs.

Now some people swallow the line that since someone else is paying for the insurance that it is only reasonable that they decide what is covered. Of course it is not true that someone else is paying for the insurance whether it is provided by an employer or you buy it directly. For the employed, the healthcare insurance benefit is as much a part of your total compensation as your take home pay so in truth you are paying for the healthcare insurance - the total cost of the coverage **is just hidden** which leads to other problems controlling costs.

In order to compete for talent more & more companies had to provide a generous package of medical insurance benefits. Although it has started to decline in recent years as deductibles & co-pays have increased (& really many companies drop medical insurance benefits altogether) a great percentage of people took the system that was seemingly handed to them for free & became dependent on whatever was provided with no questions asked.

This dependency has reversed the days when Americans **worked out their own problems around their kitchen tables.** Days of people taking self-responsibility for granted were replaced by third party medical insurance payers playing a large role in peoples' lives.

Everyone's healthcare needs are different & that is why everyone should work out their own healthcare plan. Some people are blessed with good health while others have hereditary health problems through no fault of their own while others have terrible health & nutritional habits such as smoking & eating proven unhealthy foods in excess until they become obese (**largely the result of individual choices about diet & exercise - 30% of children are overweight by age 11**) with coronary problems to boot. Still other people are just waiting for the chance to sue a doctor, hospital, &/or insurance company & this of course drives up defensive medicine costs & malpractice insurance premiums - what a losing situation for the great majority of us. My primary care doctor told me that she would not even carry malpractice insurance if all of her patients were like me - what a cost savings in both eliminating defensive medicine tests & not having to buy malpractice insurance if this could be said of us all. Other cost problems result in people without healthcare insurance going to the emergency room for free treatment - this includes illegal aliens. This occurrence allows us to solve two problems with one action @ the ER. Illegals should know that if they come to the ER for treatment that there will be **two telephone calls made - the first to the doctor & the second to ICE** if it is obvious that the person is not here legally. Now it is true that ICE works mostly on hard core criminal cases but illegals repeatedly coming to an ER for service with no intention to pay are **really thieves** & should be dealt with by ICE for the purpose of solving this important ER abuse aspect of our healthcare problem.

Another set of problems result from state legislatures requiring policies with pregnancy benefits for people who can no longer have babies - **how about instilling personal responsibility that you**

don't have a child until you can pay for the delivery. Similar state mandates require chiropractic in their policies whether people want chiropractic or not - these type of government interferences drive up the cost of healthcare insurance. Contrast these types of onerous ridiculous regulations with the simplicity of companies like Wal-Mart, Costco, & others filling prescriptions for \$4 per month & no questions asked re prescription drug insurance. I know of a man with no insurance coverage who had prescription drug costs of over \$1000 per month - after he heard of the Wal-Mart plan he filled his monthly prescriptions with **pocket change**. Is there any wonder why the special interests & some politicians hate Wal-Mart?

The above referenced Parente & Bragdon study reports that "NY has 51 mandates dictating coverage for a wide range of things ... Each adds to the cost of insurance... The Brookings Institution & Heritage Foundation separately did studies suggesting that ten of the costliest state mandates in the country add as much as 20% to the cost of basic insurance coverage."

At the heart of the above solution is Carol asking one of her favorite questions - "what happened to the days when your mother gave you \$6 to give the dentist to have your teeth cleaned & that was the end of it?" In truth it does not have to be more complicated than this. Regardless of your good health, hereditary problems, propensity to sue, or end of life situation where the great majority of healthcare dollars are spent **America's healthcare problems can be solved to a very great extent by everyone paying for their own healthcare needs up to whatever level their financial situation can handle & then having a catastrophic high deductible healthcare insurance policy cover the rest.**

With the above solution in place insurance companies could price premiums for the catastrophic policies based on each person's health risk. Certainly someone with no or small health risks should not pay the same as someone who smokes, overeats unhealthy foods, & has a hereditary history of disease. The insurance companies competing **across state lines** could charge premiums based on each person's risk of potentially needing catastrophic care & would not have to deal with either guaranteed issue or community rating regulations - two destructive points that the government currently imposes on insurance companies that can only lead to higher costs for the healthy as they pay for the unhealthy - the exact wrong incentive for solving a healthcare problem.

The above referenced Parente & Bragdon study reports that if guaranteed issue & community rating mandates were repealed that the number of uninsured in NY would be reduced by 19% & 18% respectively (37% combined) & would lower premiums by 42%. The authors state that "policy makers rarely mention that state mandates such as community rating & guaranteed issue drive up prices & drive millions of people away from private insurance" - a common sense point that anyone with a rudimentary understanding of basic insurance principles surely knows.

People who do not participate in this program will come to realize that they will be financially ruined in bankruptcy if they require a long expensive hospital stay & have no catastrophic insurance. The approximate 8 to 10 million American citizens (not the 47 million reported by the hostile anti-American media - such figure that includes illegal aliens & other bogus categories - **see Exhibit B below**) who cannot afford the current healthcare insurance system will

find the solution proposed herein much more affordable & for those who still can't afford to take care of themselves I predict that private philanthropy & charity will help someone who is truly needy & not trying to milk the system. This opinion is documented as fact by David W. Brady & Daniel P. Kessler (both professors @ Stanford University & Members of The Hoover Institution) in their August 2009 paper published in the policy journal Health Affairs that surveyed 3,344 U.S. adults. The professors found that 62% said they would be somewhat or very likely to financially support a program designed to help people who have a chronic illness or persistently high healthcare costs. The professors concluded that "this is social insurance in its purest sense."

On November 18, 2013 the WSJ reported that the federal government runs a high risk pool for people who have been rejected by commercial healthcare insurance companies - totaling 100,000 such people. In addition 35 states also operate high risk pools for 200,000 uninsurable people. This brings the total of people who are uninsurable to 0.095% of the population.

On average these pool participants use \$11,000 in medical services per year according to the National Association of State Comprehensive Health Insurance Plans. Although participants pay premiums the pools do require extra financial support. For instance, insurers in Texas, the state with the second biggest number of enrollees in the high risk pools contributed \$165 million in 2013 toward the Texas high risk pool.

The point is that between philanthropy, charity, & government high risk pools there are ways for people who really need a safety net to find one in America.

Litigious people should come under a loser pays legal system. In the interim everyone should also be asked to sign a contract with their doctor, @ the doctor's discretion, re the right or lack thereof to sue. Anyone not participating can find another doctor.

People younger than 55 should realize the likelihood of Medicare & Medicaid going broke in the next 10 years is a high probability & should start to wean themselves off the idea of one day being a beneficiary. It is the elderly & people over 55 who are dependent on these programs who will be hurt the most when the programs collapse - but these people cannot start sooner than today to make other plans. It should not be overlooked that Medicare & Medicaid fraud is another large category that increases the costs of healthcare for honest Americans. The sooner we start to dismantle these programs the better for all concerned except for some special interest groups.

As people realize that taking their lives in their own hands & not relying on the false bill of goods we have come to take for granted over the decades both health & healthcare considerations will move toward the top of people's family budgets according to how important they are to them. Today there are many people who have cell phones to make incessant needless chatter & wear designer clothes but are oblivious of the need for a healthcare plan. When people do not have babies until they can afford to pay their own maternity costs we will know we are moving in the right direction as a nation - one in which people take responsibility for themselves & have a small well defined relationship with an insurance company for catastrophic events & no relationship @ all with government other than for the

citizenry to be protected from force or fraud.

America is far from the above vision as we descend the stages of "Death Of Democracy" but that is why if you like the ideas presented above you should present them freely whenever & wherever you can so that we can move forward with a healthcare plan that puts the power back in the hands of the people instead of every special interest group we can think of.

---Exhibit A- Letter Published In The WSJ December 20, 2007---

Dear Editor,

With regard to the part of Merrill Mathews excellent op-ed entitled "A Health-Insurance Solution" please recognize that there is another side concerning states mandating what an insurance plan must cover.

As a resident of NJ I **could not buy** the private catastrophic health insurance policy issued in another state that fit my needs because the policy I preferred **was considered inadequate by the NJ legislature**. I had to wait three additional years to retire with coverage under my employer's retiree policy that **was suitable to the legislature thereby cheating me out of three years of early retirement**.

---Exhibit B - Breakdown Of Uninsured---

A good percentage of the current push for universal healthcare comes from the notion that we have 47 million people in America who don't have healthcare insurance. The Kaiser Family Foundation, a left leaning non-profit group frequently quoted by the media, puts the number of uninsured Americans who do not qualify for current government programs and make less than \$50,000 a year between 13.9 million and 8.2 million. Ten million of the remaining approximate 36 million are not U.S. citizens @ all (they predominantly use the very costly emergency room treatments @ our expense for free medical care), 8.3 million uninsured people make between \$50,000 and \$74,999 per year, 8.74 million make more than \$75,000 a year, & 9 million did, in fact, have health coverage through Medicare. So out of the so-called 47 million uninsured Americans, 10 million aren't American, 9 million are insured, & 17 million are young and healthy & choose not to have insurance. If the federal government wants to get into this why not just have a program to help the 8.2 million to 13.9 million people who really could use the help?

Exhibit C

After reading the original piece Bill Rollyson asked me to add his comments below.

I read your piece on healthcare. I agree of course! I have a few other suggestions that I have stated in an article on free market solutions. One you didn't cover is the limit on doctors pushed by AMA and legislated through Medicare.

One big factor is the number of applicants to medical school that are accepted. We turn away 57% of the applicants that apply yet complain that we have a shortage. Over the last 60 to 75 years, we've increased the number of law schools by 50% and decreased the number of medical schools by 22%. The AMA is a sort of medical cartel with monopoly power.

In *Capitalism and Freedom*, Professor Friedman refers to the AMA as the strongest trade union in the U.S. He then documents the ways in which the AMA vigorously restricts competition. The Council on Medical Education and Hospitals of the AMA approves both medical schools and hospitals. By restricting the number of approved medical schools and the number of applicants to those schools, the AMA limits the supply of physicians. In the same way that OPEC was able to quadruple the price of oil in the 1970s by restricting output, the AMA has increased their fees by restricting the supply of physicians.

The AMA typically lays the blame on Congress, even though they play a part also. They will state that although they limit the number of medical schools and hospitals, there isn't a need for more if Congress is going to limit the amount of "Direct Graduate Medical Expenses" available (A government subsidy to defer most of the cost of training. Where is the free market here?)

Both Congress and the AMA should let the free market work. The clearest article I've seen on this is by Professor Friedman - "Technological development *lowered* cost, so that the fraction of national income spent on food, transportation, communication, and much more has gone down, releasing resources to produce new products or services. Similarly, there seems no counterpart in these other areas to the rising dissatisfaction with the delivery of medical care."

Yes, there are not enough doctors. Yes the cost of medical education is tremendous. Yes, there is not enough competition between insurance companies in most states. Yes, there is too much "lawsuit abuse." Yes, the doctor -patient relationship is broken.

All of this can be traced back to government involvement either directly (regulation/legislation) or indirectly (distortions through subsidies or the tax code.)

The answer is not more government, but less. If we continue down this path, there will not be a need for more residents or more schools, as government will dictate all terms of the profession and the "brightest" will look elsewhere for a career.

I know you understand how subsidies distort markets and empower cartels. This market is no different. The Government should get out of it entirely (including tax subsidies). In a typical market, demand would drive supply upward. Our demand is artificially driven upward by subsidies, costs are driven up further by regulation, this puts it out of reach for many Americans raising needed subsidies further. Meanwhile, the AMA and Congress play a two-headed game that limits the doctors available to fill the demand and doctors feel justified in high charges because of 1) the distorted high cost of education, 2) costs created from the subsidies and 3) the cost of meeting regulations.

Now that Government has kicked us hard in both legs, they offer a wheelchair (Obamacare) they

can use to push us wherever they want us. Just get them out of healthcare altogether.