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Singer: Why Virginians will still pay more for health care

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Posted: Thursday, September 4, 2014 2:00 am

Dr. Jeffrey A. Singer Singer practices general surgery in Phoenix, Arizona, and is an adjunct scholar at the Cato Institute.

By Dr. Jeffrey A. Singer

Singer practices general surgery in Phoenix, Arizona, and is an adjunct scholar at the Cato Institute.

How much does the average Virginian pay for health care? Too damn much. Roughly 13 percent of your income goes towards your health care, on average. Now research from Harvard shows that health care spending will grow faster than the economy for at least the next 20 years.

Obamacare was supposed to prevent this — but it can't. Rather than reform health care, Obamacare merely expanded health insurance — a costly system that leaves patients behind and is largely responsible for spiraling costs.

Americans know this intuitively. Any mention of health insurance elicits moans and groans. This is the right response, according to Nobel Prize-winning economist Milton Friedman. He argued that there are good and bad ways for consumers to spend money. Unfortunately for us, health insurance uses the worst option.

Think back to your eighth-grade geometry class. You probably learned that the shortest path between two points is a straight line. You can apply this same logic to spending, where the cheapest option involves only two parties. In health care, the two parties that matter are you and your health care provider (your doctor, the



via The Kansas City Star

pharmacy, etc.). You spend the least money when you pay them directly.

Now consider how health insurance works. Your money exchanges hands multiple times before it reaches the provider. It first goes to a third party (either the insurance company or the government, such as in Medicare and Medicaid). From there, those entities negotiate compensation schedules with providers and facilities. Both of these steps add bureaucratic and administrative costs to health care's price tag. And although insurers attempt to lock in reasonable prices on your behalf, they often come up short.

Why? Because they're not spending their money — they're spending yours. They thus have less of a financial incentive to get the best deal. Businesses and bureaucrats are no different than you and me; if you give them someone else's money, they're more likely to spend it foolishly.

The same problem affects you once you have health insurance. After you pay your premiums, insurance gives you

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the illusion that you're spending someone else's money. The health insurance trap thus comes full circle — both insurers and consumers make it more expensive.

At this point, you might want to abandon health insurance altogether, perhaps in favor of the "single payer" system — essentially Medicaid for everyone — favored by European countries. Liberal policymakers wanted exactly that in 2008 and 2009; public opposition caused them to choose Obamacare instead.

We're lucky they failed. Single-payer systems suffer from the exact same problems — and they add in a few more.

In single payer, government is the sole provider of health insurance. It thus spends everyone's money, whereas health insurance companies only spent their customers' money. Yet the same perverse spending principles apply.

The government recognizes this, so it tries to stop consumers from spiking prices further. It restricts our access to health care through regulation. This leads to poorer quality (think of Medicaid), long waits (think of Europe or Canada), and rationing. Here in America, this is exactly what's happening to the single-payer Veterans Affairs system, where veterans are now dying.

This begs the question: If not Obamacare, what else? Reformers should start by giving consumers the freedom to make their own health care choices. We need to return health insurance to the role of taking care of unpredictable, catastrophic health care expenses, and leave the great majority of everyday health care decisions in the hands of consumers.

We know this works. In the fields of cosmetic surgery, Lasik eye surgery, alternative medicine, and dentistry, the absence — or minimal presence — of government regulation or health insurance has driven prices down and quality and service up.

Doctors can also refuse to take health insurance. More doctors and hospitals are choosing this path. One of my patients did this and saved \$17,000 on a single procedure.

Lawmakers should encourage this kind of patient-focused innovation. Instead they gave us Obamacare, which wraps health care in red tape and forces everyone to purchase health insurance. Real reform shouldn't leave us with a higher bill.

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Susan Wood · Top Commenter · Virginia Tech

Great piece. Back in the 1970s, most employer-provided insurance focused on in-patient care, with little focus on doctor's visits, drugs, etc. As to some points made in another Comment, the writer is missing the whole premise presented by Dr. Singer; in other words, if you do away with insurance, there's no way for some to get "hosed," or discounts for some, but not others. Further, this would untie health care from employment (but unions will never accept this unless their members are educated). Perhaps we could substitute "income

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protection" insurance for health insurance as a way to protect against long-term, extensive and rare care. The "single payer" should be the patient. Just think of the administrative and bureaucratic savings!

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Sandi Saunders · Top Commenter

Sure that would be a boon to the already profitable insurance industry but it would do little to nothing to add to the health of this nation and IMO nothing to bring down the cost of care. If you use an "out of network" provider, you are "hosed". The same would be true for everything without the discounts and contracts in place with insurance carriers (as if there are dozens?). Like it or not, insurance is the mechanism for delivery of healthcare in this nation and that is why Obamacare, and Romneycare, and Veterans Care and Medicare and Medicaid use that system.

What we should do, is untie health insurance from employment. It no longer makes sense and it creates great inequality in service, cost and care. But good luck with that one too.

Realizing that the mechanism for change in this nation is a slow moving band wagon is always a rational perspective. In the end, single payer is always the best option for the consumer. Not for the insurance industry, not for the government, but certainly for the patient and business. The safeguards with Obamacare remain a good start on the shift we need.

But first we have to find a way to pay for the baby boomers. That is a high hurdle for a growing and thriving economy, much less for an economy turning into a service and lower wage economy.

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David Garland · Follow

Obamacare will further do to medicine what all the 'free' federal student loan money has done to college tuition. Turn it into a cash cow for system employees that want money without service. After going for a physical (at little cost under the insurance I'm now forced to carry), the Carilion doctor urged against blood/urine testing as an unnecessary 'expense', yet it was the main reason for getting a physical as a mid-life man -- to check for something lurking unseen in day to day living.

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Arif Khokar · Virginia Tech

I believe that treating health insurance like car insurance is a good thing. That is, we don't try to use our car insurance to pay for routine maintenance (oil changes, etc.) and we shouldn't need to use our health insurance for yearly visits, vaccinations, etc.

The only problem is that if you do try to bypass insurance, most health care providers will charge you the full price instead of the "discounted" price. If they still chaged the discounted price, I, for one, would be far more willing to bypass the insurance company for most routine health related needs.

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