



Let consumers control drug money: Opposing view

Michael Cannon

January 16, 2017

The drug prices are too damn high, but having government “negotiate” lower prices is a distraction from reforms that would actually work.

To make drugs more affordable, we need not one tough-talking negotiator but 300 million of them. Congress can raise and equip that army by returning to the people the \$3 trillion of health care spending that government and employers control, and by eliminating government-imposed barriers to affordable medicine.

When Americans control their health care dollars, they drive health care prices down. In California, cost-conscious patients brought prices for hip and knee replacements at high-cost hospitals down by an average of \$16,000, or 37%.

Yet Americans rarely shop around or demand discounts for medical care. Why? We pay directly for just 11 cents of every dollar of medical care. Why shop around when 89% of the savings go to someone else? That will change when consumers control all the money.

President-elect Donald Trump has pledged to take the first step: Repeal Obamacare and replace it with health savings accounts (HSAs).

Legislation by Sen. Jeff Flake, R-Ariz., and Rep. Dave Brat, R-Va., would let workers control the \$700 billion employers use to purchase health benefits. That’s a larger effective tax cut than the Reagan and Bush tax cuts *combined*.

Covered workers would see their wages rise by \$5,000 to \$13,000. They could then purchase insurance and medical care tax-free, from any source. Expanding HSAs would drive prices down by getting 160 million Americans to spend their money more carefully than employers do.

Congress should apply the same approach to Medicare. It should give enrollees cash. Congress should divvy Medicare’s \$600 billion budget so even vulnerable enrollees could afford a standard health plan at fair premiums. Sixty million thrifty seniors would drive prices down even further.

Reforming Medicaid with block grants would reduce upward pressure on drug prices. Eliminating barriers to new and generic drug approvals will cause drug prices to fall with each new generic competitor.

Affordable care awaits.

Michael F. Cannon ([@mfcannon](#)) is director of health policy studies at the Cato Institute.