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OPINION

Let Customers Control The Money And Market Will Cure Health Care

By MICHAEL F. CANNON
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As it turns out, "universal coverage" may not be so inevitable after all. Much to the chagrin (and apparent surprise) of President Obama and congressional Democrats, squabbling has erupted in earnest over who will spring for the exorbitant cost.

Fortunately, Obama has an exit strategy: "If there is a way of getting this done where we're driving down costs and people are getting health insurance at an affordable rate, and have choice of doctor, have flexibility in terms of their plans, and we could do that entirely through the market, I'd be happy to do it that way."

Well, there is a way: Let individuals control their health care dollars, and free them to choose from a wide variety of health plans and providers. If Congress takes those steps, innovation and market competition will make health care better, more affordable and more secure.

Experts suggest that one-third of U.S. health care spending, or about 6% of GDP, is pure waste. The reason is simple: Government controls half of our nation's health care dollars, and lets employers control an additional quarter. And nobody spends other people's money as carefully as they spend their own.

Office of Management and Budget director Peter Orszag told Congress last year: "Imagine what the world would be like if workers (understood) that today it was costing them \$10,000 a year in take-home-pay for their employer-sponsored insurance, and that could be \$7,000 and they could have \$3,000 more in their pockets today if we could relieve these inefficiencies out of the health system." Nothing will increase consumers' understanding like giving them that \$10,000 directly.

Letting consumers control the money requires two steps.

First, Congress should give Medicare enrollees a voucher, let them choose any health plan on the market, and let them keep the savings if they choose an economical plan. Medicare could even give larger vouchers to the poor and sick to ensure they could afford coverage.

Second, Congress needs to give consumers who purchase their own coverage the same tax break as workers with job-based coverage.

Leveling the playing field — whether with tax credits, a standard deduction for health insurance or "large" health savings accounts — would boost purchases of non-job-based coverage, which is critical to cutting the overall number of uninsured.

As important, it would give workers control over the entire \$10,000 Orszag mentioned, for a total effective tax cut of \$532 billion each year. Consumers would eliminate wasteful spending quickly, because they would keep the \$3,000 in savings.

We should also eliminate harmful regulation. State health insurance regulations prevent people from purchasing health plans available in other states, and increase premiums by 15%. Similar regulations block competition from more efficient health plans and providers by preventing doctors from taking their licenses from state to state.

Americans deserve the freedom to purchase coverage across state lines. One study estimated that that move alone could cover 17 million uninsured Americans without costing taxpayers a dime. Compare that with Sen. Ted Kennedy's reform bill, which spends \$1 trillion and covers just 16 million uninsured.

Giving clinicians the freedom to practice medicine across state lines would eliminate barriers for retail clinics and economical health plans like Kaiser Permanente, which leads the market in electronic medical records and coordinated care. If we did that, Congress wouldn't need to throw \$30 billion at ineffective pilot programs that try to coordinate care.

Critics fear that market-based reforms would leave sick workers unable to obtain coverage. Yet that is already happening as employers drop coverage or eliminate jobs. In reality, these reforms would relieve, if not erase, that problem.

Leveling the playing field will force employers to give sicker workers more than the average \$9,000 or \$10,000 "cash-out," which will help them purchase coverage. When workers buy coverage directly from an insurer, far fewer will end up uninsured when they lose a job.

Finally, large HSAs would provide a tax relief even to those who are too sick to obtain coverage at all.

Perfection is not possible, of course. Former Senate Majority Leader and would-be Obama adviser Tom Daschle acknowledges, "Even if we achieve 'universal' coverage, there will be some percentage of people who still fall through the cracks."

The same is true of a free market. The advantage of markets is that innovation and competition fill in those cracks. A government-run, "universal" system makes them wider.

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