



Is ObamaCare or third party payer the problem?

By Idaho Senator Steven Thayn
January 31, 2014

In a bull fight, the matador faces an angry bull. The goal of the bullfighter is to subdue the bull by causing extreme exhaustion. The bullfighter creates this fatigue, toward the end of the fight, by waving a red cape at the bull. The bull wants to gore the bullfighter; but is distracted by a meaningless cape. In the end, the bull is defeated because it chases the wrong target.

In like manner, the debate over ObamaCare and a state or federal health exchange is a meaningless debate. The puppet masters that control the debate wave a distraction at the American people and they charge into this empty debate. The end result will be exhaustion and defeat; unless the real cause of high medical costs is clearly defined.

Americans suffer under high medical costs because of our 3rd party payer system. All 3rd party payer systems result in high costs because insurance companies control the funds; not the people.

Approximately 86 to 89 percent of all medical spending is controlled by private insurance programs or federal medical programs.

“The increasing share of medical bills paid by third-party payers (insurance companies and governments) and the disastrous consequences are documented. Patients overuse medical resources since those resources appear to be free or almost free. Producers of medical equipment create new and more expensive devices, even if they are of only marginal benefit, since third-party payers create a guaranteed market. Attempts to rein in those costs have led to a blizzard of paperwork but proven ineffective in controlling costs.” (Why Health Care Costs Too Much by Stan Liebowitz; Cato Institute <http://www.cato.org/pubs/pas/pa211.html>)

This video explains some of the problems with 3rd party payers.
<http://www.youtube.com/watch?v=PI3LwMGFAFM#t=243>

If we get rid of ObamaCare or health exchanges, we still have the problem with the 3rd party system. Costs will still remain high. Nothing will change unless we move to a self-pay system where primary medical costs are paid for by the consumer and insurance is only used for the unexpected. The goal must be to move from the current system where 88% of all medical funds

are controlled by insurance companies and federal programs to a 50-50 split were the people control half of the funds.

As people control more of the funds, costs can be reduced by up to 50%. If medicals costs were reduced by 50%, it would mean

A \$5,000 increase in pay for state employees or a 6% pay increase

A similar increase in public teacher compensation

\$5 billion more back into the Idaho economy

Make it possible for thousands more to afford their own medical insurance

How to Make the Transition?

There are several available tools that are already being used by many businesses that simply need to be used more widely. The first such tool is what I call a funded health savings account or a FHSA. A business deposits money into the account of the employee's FHSA. The Salmon River Electrical Co-op provides a \$1,200 deductible policy and places \$3,700 annually into each employee's FHSA. The comment of the manager was that he saw a significant decline in medical usage and costs.

The state of Idaho has the opportunity to deposit \$2,510 into each employee's account that chooses a high deductible policy. This would place about 23% of the insurance funds into the employee's hand rather than the insurance company. This would be well on the way to the goal of 50% of all funds controlled by state employees.

As more businesses create FHSAs for their employees, a cash market will start to be created which will allow the consumer to shop and pay cash for many routine services, this will allow providers to reduce insurance paperwork costs and Idaho can start a cycle of reducing costs rather than annual medical cost increases.

FHSAs are not the only tool available. Another tool is retainer care where the consumer pays a monthly fee to a doctor and in return receives primary care. This retainer care arrangement is counted as a qualifying policy under ObamaCare. (See <http://qliance.com/> for more information.)

How FHSAs and retainer care can work in conjunction with Community Health Centers to provide care for the uninsured rather than expand Medicaid is the topic of another article.

Suffice it to say that medical costs can be reduce in only one way, if freedom is to be maintained, and that is to empower the people with \$\$\$ rather than insurance companies. The role of insurance companies must be returned to their historical role – that of insuring for the unexpected.