

Guest columnist: Time to get insurance out of the health-care business

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The biggest challenges are those that require thinking outside the box — especially so when it comes to reducing health-care spending in Texas. How else to explain new data showing health-care spending is still increasing under the Affordable Care Act?

The federal Centers for Medicare & Medicaid Services reported last month that total health-care spending in 2014 — the first full year under President Obama’s health-care law — rose by 5.3 percent. That’s the largest single-year increase since 2007.

Texans are paying for it at every turn. Average premiums for 2016 plans obtained through the law’s exchanges increased by 14 percent across the state, while deductibles for mid-level Silver plans average over \$3,100 for individuals and \$6,500 for families. This has rendered many exchange plans “all but useless,” according to a recent report in *The New York Times*.

Reversing these trends requires a new way of thinking. In fact, the Affordable Care Act’s central tenets — mandating that everyone have insurance and requiring that insurance cover more — is exactly what’s causing the problem.

Doesn’t solve problem

That’s because the law’s goal of increasing insurance coverage is misplaced. Putting an insurance card in everyone’s hand does nothing to address rising health-care costs. It merely inserts a third party between you and your health-care provider.

This inevitably raises costs over time. The hospitals, doctors, drug companies and other providers are all negotiating prices with middlemen (the insurers), whose only concern is keeping costs low enough to keep premiums competitive with rivals. Each additional middleman adds additional costs — taxes, regulations and the like. So what should be a simple and affordable treatment ultimately costs far more.

Insurance also incentivizes everyone — insurers and patients alike — to spend more.

When insurers are negotiating rates with health-care providers, they’re not spending their own money — they’re spending yours. As a result, they have less of an incentive to spend that money efficiently, knowing they can always just charge you more.

But don't get mad — you do it, too. After paying premiums, health insurance gives the illusion that you're spending someone else's money. As a result, you don't shop around for the best prices and are more likely to receive treatments you don't actually need. This drives up insurers' costs, which they recoup in higher premiums and fees.

Now here's the kicker: The Affordable Care Act accelerates this vicious cycle by mandating that every Texan have insurance. This only adds more middlemen, more costs and more backwards incentives.

It's time for a new way of thinking about health-care spending: We must reduce the role of insurance in medical care rather than continue increasing it.

Traditional role

Simply put, insurance shouldn't pay for essentially every medical treatment; it should instead return to its traditional role of covering unpredictable, catastrophic expenses (think car crash, cancer, etc.). As shown by the few medical fields where insurance is not the primary method of payment, costs have plummeted and quality has greatly improved.

Consider Lasik eye surgery. Not too long ago, this procedure cost several thousand dollars. Today, you can have the same procedure done for several hundred. The same goes for plastic surgery. What used to only be affordable to Hollywood stars is now affordable on middle-class incomes.

The reason is simple: Insurance largely doesn't cover the costs. Patients spend their own money, incentivizing them to spend it wisely. Doctors deal exclusively with patients, incentivizing them to provide the highest quality care at the most affordable price. One of my patients saved \$17,000 working directly with me — avoiding his insurer entirely.

Of course, we can't radically reduce the role of insurance overnight. Reversing this decades-old trend will take time. But keep this in mind when you hear politicians say the Affordable Care Act will help control costs. It might sound good on the stump, but that way of thinking only guarantees that Texans will keep paying more and more with each passing year.

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