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Cost of health care is going up, up, up

Surgeon: What actually keeps costs down? When consumers have real freedom to make their own health-care choices.

By Jeffrey A. Singer

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How much do Arizonans pay for health care? Too damn much. Roughly 15 percent of your income goes to your health care. Now research shows that health-care spending will grow faster than the economy for at least two decades.

"Obamacare" can't prevent this. Rather than reform health care, Obamacare expanded health insurance — a scheme largely responsible for spiraling costs.

Americans know this intuitively, moaning and groaning whenever we deal with health insurance. Nobel Prize-winning economist Milton Friedman agrees with us. He argued that health insurance spends money in the worst possible way.

Think back to grade school when you learned that the shortest path between two points is a straight line. You can apply this 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, etc.).

Now consider how health insurance works. Your money exchanges hands multiple times. It first goes to a third party (either a private company or the government, like in Medicaid). They then negotiate compensation schedules with providers and facilities. These steps add bureaucratic costs. And although insurers attempt to lock in reasonable prices, they often fail.

Why? Because they're not spending their money — they're spending yours. 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. After you pay your premiums, insurance gives you the illusion that you're spending someone else's money. In other words, both insurers and consumers make health insurance more expensive.

But what about the single-payer system favored by European countries? Liberal policymakers wanted exactly that before Obamacare, abandoning it due to public opposition.

We're lucky they failed. Single-payer systems are just as bad — and often even worse.

In single payer, government is the sole provider of health insurance. It spends everyone's money, but the same perverse spending habits persist.

The government recognizes this, so it tries to stop consumers from spiking prices further. It restricts our access to health care through regulation and rationing. This leads to poorer quality (Medicaid) and long waits (Europe). Just look at the single-payer Veterans Affairs system, where veterans are now dying.

So what actually keeps costs down? Reformers should give consumers the freedom to make their own health-care choices. 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 mandates that everyone buy health insurance. But real reform shouldn't leave us with a higher bill.

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