

Why NH is still paying more for health care

By Jeffrey A. Singer

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HOW MUCH does the average New Hampshire resident pay for health care? Too much. Roughly 17 percent of your income goes toward your health care, on average. Now research from Harvard shows that health care spending will grow faster than the economy for at least the next 20 years.

Obamacare was supposed to prevent this — but it can't. Rather than reform health care, Obamacare merely expanded health insurance — a costly system that leaves patients behind and is largely responsible for spiraling costs.

Americans know this intuitively. Any mention of health insurance elicits moans and groans. This is the right response, according to Nobel Prize-winning economist Milton Friedman. He argued that there are good and bad ways for consumers to spend money. Unfortunately for us, health insurance uses the worst option.

Think back to your 8th grade geometry class. You probably learned that the shortest path between two points is a straight line. You can apply this same logic 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, the pharmacy, etc.). You spend the least money when you pay them directly.

Now consider how health insurance works. Your money exchanges hands multiple times before it reaches the provider. It first goes to a third party (either the insurance company or the government, as it does with Medicare and Medicaid). From there, those entities negotiate compensation schedules with providers and facilities. Both of these steps add bureaucratic and administrative costs to health care's price tag. And although insurers attempt to lock in reasonable prices on your behalf, they often come up short.

Why? Because they're not spending their money; they're spending yours. They thus have less of a financial incentive to get the best deal. 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 once you have health insurance. After you pay your premiums, insurance gives you the illusion that you're spending someone else's money. The health insurance trap thus comes full circle — both insurers and consumers make it more expensive.

At this point, you might want to abandon health insurance altogether, perhaps in favor of the "single-payer" system — essentially Medicaid for everyone — favored by European countries. Liberal policymakers wanted exactly that in 2008 and 2009; public opposition caused them to choose Obamacare instead.

We're lucky they failed. Single-payer systems suffer from the exact same problems — and they add in a few more.

In a single-payer system, government is the sole provider of health insurance. It thus spends everyone's money, whereas health insurance companies only spent their customers' money. Yet the same perverse spending principles apply.

The government recognizes this, so it tries to stop consumers from spiking prices further. It restricts our access to health care through regulation. This leads to poorer quality (think of Medicaid), long waits (think of Europe or Canada), and rationing. Here in America, this is exactly what's happening to the single-payer Veterans Affairs system, where veterans are now dying.

This begs the question: If not Obamacare, what else? Reformers should start by giving consumers the freedom to make their own health care choices. We need to return health insurance to the role of taking care of unpredictable, catastrophic health care expenses, and leave the great majority of everyday health care decisions in the hands of consumers. We know 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 forces everyone to purchase health insurance. Real reform shouldn't leave us with a higher bill.

Dr. Jeffrey Singer practices general surgery in Phoenix and is an adjunct scholar at the Cato Institute.