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Free-market answers for health care

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[1]

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In mainstream discussions of the U.S. health care policy debate, one is likely to hear one of two things: either that more government involvement is necessary or that we face the horror of socialized health care.

The former has little evidence to support it; government intervention in the provision of health care is the single greatest factor contributing to higher costs. The latter falls short in that it does not provide a policy recommendation. This will lead proponents of more government involvement in health care to accuse critics of such proposals of advocating the status quo. My purpose here is to propose a third route, one that does not call for further government involvement, nor does it accept the status quo. This third route is the free market.

There seems to be a wide misconception that the U.S. has a free market health care system. I can assure you that it does not. According to a report by Michael Cannon for the Cato Institute, the government controls more than half of the dollars spent on health care through Medicare, Medicaid, and other public programs and because of the tax code, employers control another third. That, along with numerous other regulations (licensing, mandates, etc.) increases health care costs while providing lower quality care.

Instead of 1,000+ page bills, Congress and state governments should consider some simple steps that would lower costs, improve quality, and not increase taxes.

1. *Reform the tax code.* One of the biggest reasons that U.S. health care costs rise so quickly is because of the fact that employer-provided insurance is tax free, while individual insurance is not. This encourages third party payments. Anytime that the one who is receiving the service is divorced from the one paying for the service there is much less incentive to use resources efficiently. Policies that encourage individual insurance would also have the benefit of people not losing their insurance when they lose or change their job.

2. *Allow the purchase of insurance across state lines.* This would provide hundreds of more competitors than the one a public option would offer. Some states have one size fits all plans, forcing people to pay for coverage that is biologically impossible for them to use (men in New Jersey have to pay for prenatal care). In addition to competition, this would provide more choices, which lowers costs.

3. *Reform tort law.* Bank-breaking malpractice lawsuits cause health care costs to rise considerably, both by physicians practicing defensive medicine (such as obstetricians performing C-sections when it is not necessary) and by increasing the price malpractice insurance. Malpractice insurance costs around \$100,000 a year for a heart surgeon in New York, while it costs \$8,000 a year for a heart surgeon in India. The book "Healthy Competition" by Michael Cannon and Michael Tanner describes this situation.

These are only a few of the free-market reforms that governments should consider; there are many others that go beyond the scope of this column. Above all, the most important consideration for Congress is that it stays within the confines of the Constitution, which gives it little, if any, role in the provision of health care.

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