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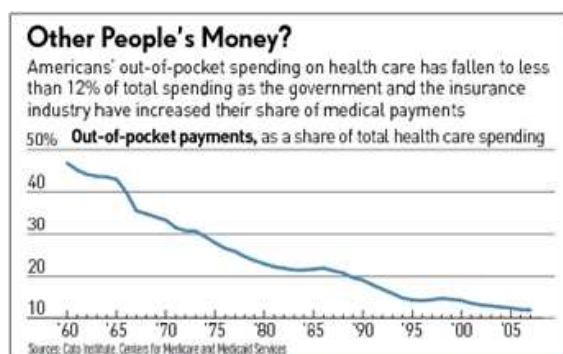
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## Once Patients Pay, Health Costs Will Fall

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is far higher than even Switzerland at \$4,417 a year, or Luxembourg at \$4,162, which rank second and third in the world.

One, America has the best health care on the planet. The smartest doctors, the finest in diagnostic equipment, top-flight treatment and advanced drugs don't come cheap.

Two, our system encourages overuse. And, as any ninth-grade economics student will confirm, an increase in demand forces prices higher.

Obviously, public policy that diminishes the quality of care would be counterproductive. Dealing intelligently with the latter, however, would yield positive results.

The accompanying chart shows why we have a health care cost problem. Patients have little direct connection in paying for their care. Their role has fallen significantly. Meanwhile, the government's involvement has grown, as has that of the insurance industry.

Because so many Americans rely on an insurance policy or a government program to pay their health care bills, the internal governors that temper the rest of their purchases are turned off. When a visit to the doctor's office or a diagnostic test costs them a mere \$10 or \$20 co-payment out of pocket — or there is no charge at all — cost has little impact on their decision to see a doctor.

"By not knowing the full costs associated with health care, consumers demand more and 'overuse' it," Kenneth E. Thorpe explained a few years back in Health Affairs.

Americans would be more judicious in seeking health care — they would self-ration — if the right incentives were in place. An effective way to cut overuse and bring down costs would be to encourage through public policy the use of health savings accounts. If consumers used HSAs to pay the full amount for medical care at the point of service rather than letting employer-funded insurance or a government program pay the bills, the demand would fall.

The Democrats' health care legislation, however, puts more distance between Americans and the payment process and promotes dependence on government. That will only drive down consumers' out-of-pocket expenses even further and force overall health care spending upward. Under such a regime, the system will be worse off than it is now.

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