

Stop Government-run Health Care

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Real reform in nine necessary steps

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Democrats are as close as they've ever been to achieving their version of real, substantive health care "reform." For them, health care reform means increased government intervention in the everyday lives of Americans. In this case, the Democrats contend that equality and welfare trump freedom and personal choice.

Now, neither this argument nor government involvement in the health care industry is a novel concept.

The Cato Institute, a libertarian, nonpartisan organization, says that health care is the most heavily regulated industry in the U.S. Unsurprisingly, costs have been rising faster than any other industry, doubling the rate of inflation during the 1990s. Currently, national health benefits amount to \$170 billion annually — at a cost of \$340 billion.

So, considering we're paying \$2 for every \$1 of benefits, Democrats have decided the conclusion is that more government oversight and regulation are needed. In fact, just the opposite is needed: The government needs to equalize treatment of health care to stop distorting the market and driving up prices.

President Obama and the Democrats are pushing a reform agenda that neither does anything for the faulty fee-for-service model nor guarantees that costs will fall.

The idea here is that the government is spending money to reduce costs. But what the Democrats are missing are the real issues — government-imposed issues — that have been distorting prices, causing untold amounts of medical bankruptcies and significant levels of human suffering. The following steps should seriously be considered to cut costs and expand coverage; steps that cost virtually nothing yet achieve more efficient ends:

1) Allow insurers in the U.S. to compete across state lines. That way, so-called "one-insurer, one-market" insurance companies cannot gobble up markets and create virtual monopolies, which are protected under a bizarre (government-imposed) exemption from antitrust laws.

2) Allow individuals who purchase insurance on the open market to buy it with the same pretax dollars as their employers do. As it is now, individuals must buy insurance with after-tax dollars while corporations provide it with before-tax dollars, creating perverse incentives and grievously distorting the health insurance industry. Lower rates of participation in the individual insurance market mean significantly smaller risk pools, which translates into higher and steadily-rising premiums.

3) Implement standards for tort law and medical malpractice. The issue here isn't necessarily hard caps but rather clear guidance on damages. Allow clauses for admissions of guilt without affecting the monetary compensation (for many victims, that's all they want anyway). Allow doctors, doctors' organizations and/or hospitals to cover or waive medical bills for mistakes without being hit with massive non-economic damages related to admission of guilt. Clearly distinguish between a mistake and negligence. Put in caps for non-economic damages (the difference between medical bills and

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"human suffering") that are reasonable and binding.

4) Allow states and small businesses to cooperate to offer health care plans, so they can purchase prescription benefits.

5) Streamline Health Savings Accounts and incentivize citizens of all income strata to participate in them. Currently, participants in Health Savings Accounts are principally wealthy individuals who can afford care anyway. However, they receive a full tax shelter, which ultimately passes costs on somewhere else.

6) Stop demonizing high-deductible health plans (aka HDHPs). The cost of creating legal barriers to HDHPs is that individuals who would otherwise purchase them go without insurance at all, so when catastrophe hits, they end up paying tens of thousands of dollars instead of a couple of thousand.

7) Implement two overarching regulations: 1) Health insurance companies cannot deny someone on the basis of previous medical coverage and 2) Create penalties for those who do not have health coverage. Then, allow private insurers to create industry-wide, tax-deductible pools for "high-risk customers." This will ensure that the cost of insuring unhealthy citizens is not passed onto the consumer. The point here is to ensure that the market for customers is fair and coverage is maximized. It worked well for automotive insurance and it would work well for health insurance.

8) Roll back government-imposed mandates to include all types of specialized, additional care. Make sure insurers offer options you can add and remove to your plan.

9) Include heavy funding for digitization of health care records. Savings increase as we accelerate investment in digitization.

The staggering implication of these proposals is that they are legislative changes and cost virtually nothing (save the last one, which front-loads costs but is offset by future savings). They require no new taxes. Instead of adding layers of regulation and bureaucracy, they streamline health care and insurance. They give citizens choice, cost reduction and coverage, and do more with zero dollars than the House bill does with \$1 trillion.

John C. LeVine is a contributing columnist.



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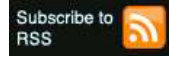
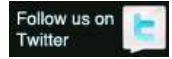
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