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RE: Why Can't we Fix Health Care?

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Healthcare reform is a very complicated issue, filled with questionable motivations, many special interests, a lack of funding with a distorted supply/demand ratio, and plenty of hyperbole just for good measure.

How does this happen? It is the unintended consequences of well-meaning market distortions. If the economy were booming it would be a minor problem, but it is not. Medicare is approaching insolvency. The Affordable Care Act (ACA) is not affordable unless it limits care by rationing.

Risk pooling has been the basis for all insurance from the days of Benjamin Franklin's fire insurance company in Philadelphia. Health insurance as an industry only began in earnest during World War II with the wage and price freeze. Employers evaded this government mandate by offering health insurance to lure and retain their best employees. The inflation of health care costs lead to the uninsured elderly becoming impoverished and forced them out of the health insurance market. That problem was addressed with the establishment of Medicare, which further drove health care costs higher to support increased services. Medical research and great advances in prescription drugs has lead to a substantial increase in length of life. It also led to a lot of entrepreneurial efforts which were wasteful, not effective, yet profitable. That is to be expected when any sector of the economy receives a large infusion of government provided capital. Longer lives are expensive, and the economy is stagnant, so we are now in a very difficult situation.

Since the healthcare delivery sector is about 16% of the economy and most insurance is tied to Medicare payment rates, the 28% scheduled reduction in Medicare fees on Jan.1, 2013 may decrease the GDP as much as 4.5%, almost immediately. That is a problem. The healthcare delivery system infrastructure cannot absorb that. There would be massive retirements, layoffs and closures with a resultant lack of access to care. The government would succesfully cut costs, but is this really the result we want?

The promised benefits from electronic health records have not been achieved, but have actually increased costs substantially. The promised reduction in insurance premium costs of $2,500 per family instead increased costs to $3,000 per family since passage of ACA (ObamaCare). The promise of hundreds of billions of dollars of revenue from the sale of long-term health insurance did not happen because no one bought it. Secretary of Health & Human Services, Kathleen Sebelius, retired the program last fall and even the private insurers are abandoning the product. The ACA is now costing three times its CBO cost estimates and headed to five times. It is broke! Sadly, the number of politicians who understand the problem is miniscule and their rhetoric is all too often untrue and simplistic. Apparently, we will need to actually suffer the crisis before anything will be done.

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How do we solve the health care problem? The solutions are relatively simple but require our elected officials to spend political capital to implement. 1) Raise the age of Medicare eligibility to 68. 2) Make all health insurance tax deductible. 3) Allow individuals and businesses to coalesce into buying groups and allow them to buy across state lines, whatever product they want. 4) Allow the states, counties and municipalities to choose what is best for their specific populations. Restore the financial strength of Medicare and Medicaid, but keep them as catastrophic safety nets, as intended. Let those inefficient and ineffective services die off because people won't pay for them. Link the service, health care, and cost back to the consumer through co-pays, deductibles, and savings accounts and they will drive down costs.

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