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Unaffordable Free Healthcare

By Jan A. Larson

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USA Today [1] recently reported that the idea of implementing single-payer health care systems is once again gaining traction in some state legislatures.

As wonderful as it may sound, single-payer healthcare, that is the government as the sole arbiter of who receives healthcare and when they receive it, would be a disaster of epic proportions. That is pretty much the way it is with all utopian, socialistic ideas. They sound great, but ultimately don't work, as has been proven time and time again.

They don't work for one simple reason - they ignore human nature. If something is free (or appears to be free) people will be unlimited consumers.

As Dr. Charles L. Armstrong explained in an article entitled, The Politics of American Healthcare [2], citizens pay for all healthcare regardless of the system: entirely government, entirely private or HMO.

First, there are no free rides. Although many people seem to think that "the government" has an unlimited pool of money to draw upon, it is the taxpayers that fill the pool.

Second, turning the system over to the government is a recipe for disaster for the simple reason that "free" taxpayer-supported healthcare provides no incentive for consumer self-rationing based on a personal cost-benefit analysis.

Dr. Armstrong's position is that people with bad health habits are not motivated by longevity, as might be the conventional wisdom, but purely by cost. As he states, why live healthfully when you can get pre-paid health care and free or subsidized medications?

His point about motivation might not seem logical. After all, everyone wants to live a long life, but how many people do you know that are not healthy by any measure, but yet continue with his or her

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unhealthy habits? Poor health and death are always something that happens to others or is something we know we will face only in the distant future. It goes against human nature to worry about something that might not happen for ten, twenty or thirty years. Exercising, eating right and maintaining good health requires work. A free visit to the doctor for a pill or a shot is so much easier.

California's Medi-Cal program, as described by Dr. Armstrong, does demonstrate the behavior of people who get something for free. They abuse the system and do not appreciate its value. Some Medi-Cal parents bring all of their kids to the doctor when only one may have a medical need, wasting precious resources - the doctor's time - that may be better put to use treating someone in need.

Those that lament the state of medical care in the United States often point to Canada's (socialized) medical system.

A most revealing insight into the efficiency of the Canadian system was the recent ruling by the Supreme Court of Canada in a case brought by a Montreal man that had to wait over a year for hip replacement surgery. The court ruled that the Quebec provincial government cannot prevent citizens from paying for private medical insurance for procedures covered by the Canadian medicare program.

The court's ruling [3] included the chilling observation, "The evidence in this case shows that delays in the public health care system are widespread, and that, in some serious cases, patients die as a result of waiting lists for public health care."

This clearly demonstrates the incentives of a government health care system - do not treat the patient, maybe he or she will die.

There are problems with health care in the United States, to be sure. There are, however, large costs that can be wrung out of the system, particularly in the areas of record maintenance, billing and malpractice litigation, without crippling the health care delivery system.

The key to improving the health care system is not turning it over to the government. That is akin to trying to put out a grass fire by dousing it with gasoline. Only the most dim-witted can believe that will work and we only need to look toward Canada to see the result.

Any successful health care reform must incorporate three economic principles:

1. Health care providers must be able to be adequately compensated for their services and financial incentives must be maintained to encourage talented individuals to enter the medical professions and to enter the so-called "high risk" specialties.
2. Health care providers must have an incentive to see patients and to recommend and perform treatment. This may seem obvious, but under a government controlled single-payer system, the incentive of the "system" would be to not see patients (send them on their way or make them wait) and to not treat them. Not seeing patients and not treating patients minimizes costs. This is the structure

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of for-profit HMOs. They make more money by not seeing patients and not treating patients. This may be profitable, but it does not work in the favor of the patient.

3. Consumers must be able to choose their health care providers and they must be responsible for a portion of their health care costs. As Dr. Armstrong mentioned in his article, people take responsibility only when they have a financial incentive to do so and, if a service is free or very inexpensive, demand skyrockets, choking the system.

Although the grass may appear greener north of the border or across the Atlantic, that is only an illusion. The best health care in the world is right here in the United States. Any reform that puts American medical leadership at risk in the pursuit of an unattainable utopian vision will be very expensive indeed.

[1]

http://www.usatoday.com/news/nation/2005-07-10-universal-health-care_x.htm

[2]

<http://www.theconservativevoice.com/articles/article.html?id=6801>

[3]

<http://www.lexum.umontreal.ca/csc-scc/en/rec/html/2005scc035.wpd.html>

Jan A. Larson publishes a weekly commentary, "What is the Deal?" at the Pie of Knowledge (

<http://www.pieofknowledge.com>

). His work also appears on NewsBull (

<http://www.newsbull.com>

),

OpinionEditorials (

<http://www.opinioneditorials.com>

), American Daily (

<http://www.americandaily.com>

),

ChronWatch (

<http://www.chronwatch.com>

) and The Conservative Voice (

<http://www.theconservativevoice.com>

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The ABC's Of Health Insurance Plans

By JM Bauer

In today's health insurance marketplace, three primary types of healthcare coverage are available. They are the Indemnity plan, the Preferred Provider Organization (PPO), and the Health Maintenance Organization (HMO). Each approach offers consumers the opportunity to choose between flexibility and control in their healthcare choices vs. the expense of their healthcare coverage. Almost universally, healthcare plans that offer more consumer flexibility and control are also more expensive, while plans allowing the insurance company to control healthcare delivery choices are usually more affordable. Let's look at each of these plans.

The Indemnity plan approach represents healthcare as it was offered in the days before managed care. In an Indemnity plan, the policyholder is free to go to any doctor, specialist, hospital or laboratory to pursue the medical care they believe they need. These healthcare services are billed to the insurance company at the individual rate set by the healthcare provider. The insurance company pays a fixed proportion of the fees (usually 80%) and the consumer pays the remaining percentage (usually 20%) of the billed medical fees. Each healthcare provider is free to set their fees at a level they choose, and the consumer has little incentive to consider overall medical expenses. While Indemnity plans are still available today, they are not widely utilized since they are too expensive for the average consumer. The monthly premium for an Indemnity plan is generally 50% to 100% higher than premium for a PPO or HMO plan.

On the opposite end of the spectrum, Health Maintenance Organizations or HMOs were introduced by insurance companies as a way to combat the rising costs of healthcare being experienced by employers providing health benefits to their employees. In an HMO, the policyholder selects or is assigned to a Primary Care Provider (PCP) such as a family practitioner, internist or pediatrician. The PCP is responsible for coordinating all healthcare services delivered to the policyholder (except for emergency care). The policyholder can only see a specialist, use a lab service or check into a hospital if they are referred for such services by the PCP. Any services that are not referred by the consumer's PCP are not reimbursable under the health insurance policy. Within the HMO network, healthcare

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providers agree with the insurance company on negotiated rates for specific services. Once approved, these healthcare providers become part of the network available to the PCP for referring patients when additional care is required. Based on the insurance company's strict control of the healthcare providers used and the rates they will charge, an HMO is usually the least expensive alternative for a healthcare plan.

In the middle between the wide-open Indemnity plan and the strictly-controlled HMO, insurance companies also offer a third alternative called a Preferred Provider Organization or PPO. In a PPO plan, a policyholder is free to go to almost any healthcare provider they choose, including doctors, specialists, labs and hospitals, and usually without a medical referral. However, the amount reimbursed by the insurance company for the delivered medical services will vary depending on whether the healthcare provider is within their negotiated network or not. As with an HMO, the insurance company negotiates fees in advance with selected healthcare providers and approves them for inclusion in the plan's preferred provider network. Healthcare services delivered by these in-network providers are generally reimbursed to the consumer at high rates of 70% or more. On the other hand, when the consumer uses a non-network healthcare provider, the reimbursement will be much lower, ranging from 0% to 50% of the incurred medical expenses. Since the vast majority of PPO policyholders use

in-network providers to reduce their out-of-pocket expenses, PPOs are very cost-effective for insurance companies. As a result, PPOs are somewhat more expensive than HMOs, but are still very reasonably priced for the average person.

JM Bauer offers unbiased consumer information on today's healthcare choices. For more information visit the

<http://www.california-health-insurance-guide.com>



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