How to Fix the Health Care System

This is the third in a series of articles on health care in the United States. In the previous articles I described the convoluted system currently used to deliver services to the customer. I also outlined the reasons why we don’t want to have a government-run equivalent of an HMO responsible for the delivery of health care.

Today, I want to offer suggestions that are needed at the national and state levels to cut the cost of health care and improve access to it for all Americans.

• **Make the patient primarily responsible for selecting and paying for health care services.**
Currently, the patient or his/her family has very little involvement in the choices and economics of health care. Typically you go to the doctor and he or she might say, “You should have a couple of blood tests, a chest x-ray, an MRI of your lower back, and you should be seen by a neurosurgeon. My assistant will provide you with the forms. This should all be covered by your insurance.”

This is the situation today. You get everything done but no one along the line discusses either choices or costs! There is no competition among providers. Weeks or months later you receive a statement from your insurance company showing the charges for the various services. You also receive bills from the service providers for any unpaid amounts. These can range from a couple of dollars to—sometimes—as much as several hundred or even more than a thousand dollars.

If we want to get the patient involved and start saving money in the delivery of health care, the conversation should go like this. “You should have a couple of blood tests, a chest x-ray, an MRI of your lower back, and you should be seen by a neurosurgeon. My assistant will provide you with the forms and a list of several providers with their prices. ABC Labs usually has the best prices. The King Street Imaging Center is offering 20 percent off MRIs this month and they are open until 9 p.m. King Street also offers credit terms of no money down and no interest for 90 days. The Health Care Line of Credit on your Visa card will cover your other payments until you are reimbursed by your insurance company.”

In this scenario, the patient is involved in the choices available and—just as for other goods and services—the providers will compete on the basis of price and levels of service. Generally, prices will fall and service will improve. If you don’t believe it, just look at Lasik, the laser eye procedure done by ophthalmologists to correct myopia. Lasik is not generally covered by health insurance, and as more providers have entered the market, the price of the procedure has fallen dramatically since it was introduced. Look Lasik up on Google or any major Web search engine and you will see offers such as “$299 per eye,” “$0 Down, No Interest!” or “Compare Quotes – Fast, Easy, Free!” The same is true in cosmetic surgery, which is not normally covered by health insurance.

• **Get state governments out of regulating health insurance companies and have one set of uniform federal regulations; these should be few in number.**
Right now, every state has a different set of rules and it’s crazy. In Hawaii, relatively few health insurance companies can operate because of the challenging regulatory environment. Lack of interstate competition increases costs. So do the multiple state mandates that force insurance to cover a wide variety of services most people don’t need or want. There is rarely any credit for living a healthy lifestyle and rarely any penalty for those who indulge in unhealthy activities. Wouldn’t it be nice to be able to buy your health coverage, specially designed for your needs, from any company in the nation that offers you the right combination of price and service?

• **Make health care insurance portable and not subject to cancellation if you leave your job.**
People should not be locked into their jobs by their health care insurance, and no one should have to change insurance or their doctor if they change their job.

• **Make health care expenditures and savings tax-deductible.**
An employer could then give employees cash instead of an insurance policy and to the extent that that the employees use the money for health care or deposit it in a Health Savings Account, there would be no federal, state or local taxes on that money. This would also level the playing field for small business owners, independent contractors and self-employed individuals who must now pay for health care with after-tax dollars.

• **Allow small companies to join forces to provide health care insurance for employees and their families without running afoul of anti-trust laws.**
This spreads the risk and will result in lower premiums for individuals and small businesses.

- **Institute tort reform for health care cases.**
  Specialized federal courts should handle claims in the area of health care, much as federal tax courts handle tax cases. Both claimants and defendants will benefit from judges capable of understanding the medical issues involved. Frivolous claims should be rejected with the judge having the power to force plaintiffs to pay reasonable defense costs in cases that should never have been brought to court.

- **Fortify the Public Health Care Clinic System.**
  Public health clinics that provide “free” medical care to those who cannot afford to pay for it are a very valuable component of our health care system. Unfortunately, in recent years, public funding of free health care programs has decreased, and access to these clinics has been complicated by insurance programs. Indigent patients have been pushed into a web of lower-cost insurance programs, such as Quest here in Hawaii, that enable them to receive care at private medical offices and clinics. While it’s an excellent idea to provide lower-cost insurance programs to those in need, what many indigent people need even more than complicated insurance programs is easy access to high-quality medical care. Strengthening our public health clinics will serve the indigent better, reduce the spread of communicable diseases, decrease cost shifting to the private sector, and lower the overall cost of health care.

- **Make sure that government programs such as Medicare, Medicaid, SCHIP and others are paying their fair share of the cost of health care.**
  Many, if not most, government programs fail to pay physicians and hospitals on a par with private insurance companies. For example, for a new patient pediatric office visit in California, Medicaid pays $22.90 while the median private insurance reimbursement is $41, according to an American Academy of Pediatrics report updated in February 2007. Disparities like these throughout the health care system cause hospitals and clinics to try to stay financially afloat by raising fees for patients who use private insurance or pay cash. It has also led to the closing of many city-center hospitals across the nation that have a high percentage of patients covered by low-paying government programs.

  In summary, it will not an easy task to turn the health care system in our country around to a free market model. However, it is worth the effort because the alternatives of implementing a huge government HMO called “Universal Care” would be far more disruptive and costly. The experience of government-run health care in England and Canada has shown this all too clearly.