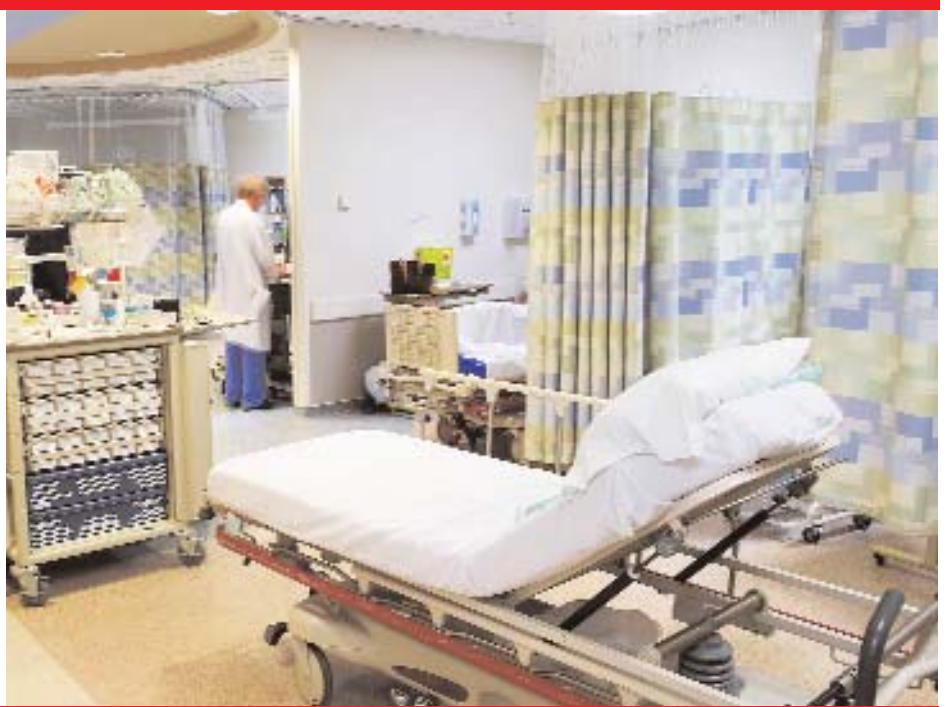
Mending the System:



A Candid Look at American Health Care Reform

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The Insured Should Worry About the Uninsured

The U.S. population hit 300 million in 2007. This should be cause for celebration but it also highlights a larger problem: roughly 47 million Americans are uninsured. Though this is a staggering number, we should not jeopardize a health care system that works for 175 million people so that a smaller populace can claim some degree of coverage.

Those 47 million citizens are not just undocumented workers, a demographic that is often castigated by the media for sucking the system dry. Betsy McCaughey, a former lieutenant governor of New York and adjunct senior fellow at the Hudson Institute, stated in a January *Wall Street Journal* article that newly arrived immigrants are less apt to use the emergency room than U.S. citizens.

She goes on to argue that of the 47 million uninsured, 10 million have a household income of at least $75,000. They can probably afford coverage but have chosen not to purchase it. Another 14 million people have access to state or federal programs but have not signed up for the programs. That leaves a mixed population of 23.7 million people (newcomers and citizens) who cannot afford coverage and are not eligible for the existing government programs. The current situation is no nirvana but the alternatives are much worse.

What the Talking Heads Are Saying

In an election year, the media is also paying close attention to presidential candidates who assure us they can cure the nation's ills. No topic is more exploited than the idea of "creating a health care system that works for all U.S. citizens."

The topic of universal coverage remains highly contested. While one popular candidate's plan relies heavily on the idea that modernizing doctors' offices will save billions annually, another candidate vehemently shoots down this strategy. Neither is forthcoming about explaining how these initiatives will be paid for or where these ever-changing, evasively phantom savings are going to appear from.

It's not surprising that there are few details on how to pay for new and innovative technology meant to jumpstart the industry. Many doctors' offices are lacking even the most basic forms of administrative IT infrastructures, and any

sweeping modifications will be accompanied by extensive and expensive training expenditures.

Deregulation through prescription drug coverage is also a hot topic. The idea is that it results in increased competition through international borders. The problem is that the Food and Drug Administration has not been willing to move forward with prior proposals.

What many people do not realize (or seem to ignore) is the concept that international competition can be explored without plunging into a standardized health care plan. However, this is only one example in a litany of alternatives that citizens are kept in the dark about when it comes to specifics. With all the recent stories relating to the international production of toothpaste, toys and pet food, I can fully understand the hesitancy of the FDA to take an aggressive stance on the widespread importation of prescription drugs.

Things Are Not Picture Perfect in Canada

Health care isn't immune to the laws of economics. There are only two ways to allocate any good or service: through prices, as is done in a market economy (our current system) or lines dictated by government (as in Canada). The socialist claim is that a single-payer system is more equal than one based on prices. While this may be the norm in some countries, it simply holds no weight in the U.S.A.

Because of our health care problems at home, we often look to other countries for good ideas. The widely publicized Michael Moore film "Sicko" created some degree of paranoia and worry about America's health care industry. While costs are overwhelming, the U.S. boasts some of the best doctors and hospitals in the world. In the movie, Canada is highlighted as a shining example of how other systems should be. The system to the north of America is certainly standardized, but it is also lacking when compared to the U.S.

It is widely understood that not everyone in Canada is satisfied. Being able to see a doctor can be difficult. Hospital waiting rooms also overflow in Canada and waiting lists are even longer. It is a common practice for Canadians to cross the border to "visit" the U.S. for the sole purpose of receiving faster medical treatment. Some Canadians are content to pay out-of-pocket because they are dissatisfied with the system that is made available.

In a June 2005 *Wall Street Journal* article, Canada is cited as the only nation other than Cuba and North Korea that bans private health insurance. Research also reveals that Canadians wait an average of 17.9 weeks for surgery and other therapeutic treatments, according to the Vancouver-based Fraser Institute. The waits would be even longer if Canadians didn't have access to the U.S. as a medical care safety valve.

Tax rates for average Canadian middle-class families are either approaching or have exceeded the 50% mark ("providence" and federal). In the U.S., the highest tax rate is 36% (federal and Illinois tax). Can you imagine how happy our

nation would be about having its health care costs "covered" by having its tax rates go up by 14%? The percentage increase exposure is even higher for America's middle class, which has lower tax rates than the highest bracket listed above.

Examining the British System

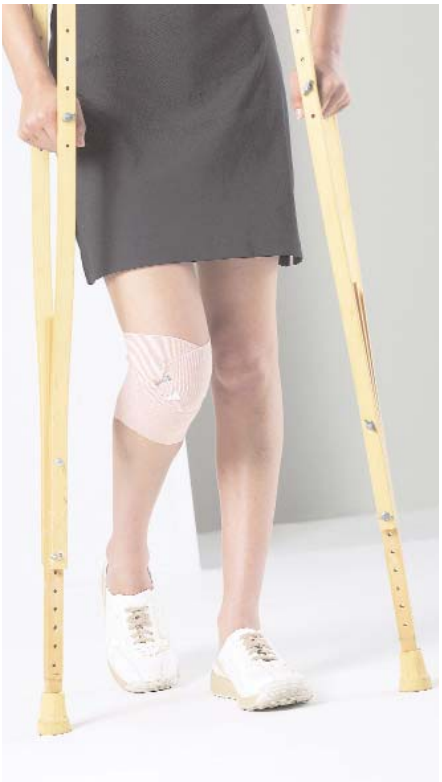
The United Kingdom set up the National Health Service roughly 60 years ago to provide free medical care for everyone. "Sicko" heralds the British system as one of the more effective in the world. In one scene, a couple visiting a hospital for a procedure gets reimbursed by the facility for their travel expenses—a practice that is unheard of in the U.S.

It is widely accepted by patients, doctors and health care officials that the National Health Service does not offer "free" health care. Individuals suffering from every possible ailment pay for some part of their treatment while receiving the rest for free.

Some companies in the U.K. recently started implementing "top-off insurance," allowing people to be bumped to the front of the line by hiring an insurance company that pays a premium for the doctor's time in a standardized health care environment. Through this subsidy, a patient can get seen and treated faster.

In a recent article in the *New York Times*, Becky Yerall reported that top-off insurance has its problems as well. Dr. Paul Charlson cited an example where a patient put on a five-month waiting list to see an orthopedic surgeon may pay $250 for a private consultation to speed up the process and get seen in a more timely manner. Once diagnosed, the individual would then switch back to the health service for the actual operation from the same doctor.

While other national programs may seem more attractive to Americans, it often seems that it is because Americans are not really familiar with the intricacies of how those systems work. The average American is interested in having a system that performs in a way they think other countries' systems function, which is far more idealistic compared to how they actually work and are financed.



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The Medicare/Medicaid Crisis

The U.S. government is already bankrupt and running up huge deficits. I believe people are immune to this phrase and frankly do not really know what it means in real terms. I believe the average American thinks that this is an issue off in the distant future and that it's only a political football created by the bureaucrats.

Unfortunately, the feds are not crying wolf. According to the Treasury Secretary's congressional report, it is expected that in 2008 Medicare tax revenues will not cover the claims submitted within the year. To that end, it is projected that the Medicare Trust Fund will be completely bankrupt by 2019.

Social Security is also greatly depleted, and present taxes are no longer expected to cover payments by 2017, with that fund expecting to go completely bankrupt in 2041. The public health care/retirement subsidy systems set up to help select U.S. citizens are both flawed and in dire straits.

To complicate matters further, more and more doctors are choosing not to accept current Medicare reimbursement rates. If patients want to see the doctor, they must pay out of pocket. This is entirely the doctors' right as long as they disclose this before they see the patient. The sad truth is that doctors are getting disenchanted with the current Medicare system as they have come to realize that the lean Medicare reimbursement rates simply do not pay their bills.

Medicaid, the state-funded program with subsidies from the federal government, is also being shunned by doctors because of the same reasons. The Congressional Budget Office projects that by 2050, spending on Medicare and Medicaid alone will eat up one in four federal dollars.

Illinois, for example, a state rich with strong hospitals and numerous corporate medical headquarters, was found to be the state with the greatest disparity between the actual cost of providing quality care and Medicaid reimbursements, according to the American Health Care Association.

Even more alarming is that, with a single-payer system, the government dictates what the doctor earns. This limits the top-side salaries and will discourage the best and the brightest from pursuing careers in the health care field. Future doctors will likely go into other industries such as engineering or information technology to ensure their salaries won't be capped by the government and burdened by federal red tape.

A Possible Solution

In a perfect society, employers would be given a 105% cost tax deduction for insurance, versus the 100% deduction that employers receive. Thus, the employer actually would make money just by offering a health plan. The federal government would lose some tax revenue, but there would be huge savings on funding for Medicare and Medicaid because many of the enrolled would now be covered or influenced to buy health insurance under an insured private plan.

Numerous industries that appeal to low-skilled workers simply do not offer coverage because there is not enough incentive and there is a plentiful labor supply that does not demand it. However, if we made it so the fast-food restaurant could have its tax bill lowered (beyond just the cost of the coverage as it is currently) and instead offer a health plan to its employees, I assure you many more restaurants, retailers and landscapers would offer coverage.

This would dramatically lower the population that relies on Medicare/Medicaid and, as a result, the federal government would no longer need to fund those programs at anywhere near the levels that they are today. Additionally, significant taxable revenue would also be generated back to the federal government by doctors and hospitals receiving payments for care previously written off from their tax bills.

A majority of Americans are accessing health care through the employer system. This brings more people into the system, which in turn increases the

spread of risk, which results in lowering the premiums. This results in a private system that allows carriers to compete more than in a single-payer system, which further drives down costs. Doctors can make their money while the carriers are prompted to lead with innovation and compete with one another.

Looking Forward

Health care, like anything else, is a finite resource. The idea that anyone can walk into any hospital he or she likes and get instantaneous, top-of-the-line care sounds good on paper, but the truth is that facilities are limited. This idealism is not offered anywhere in the world. The idea that a federally funded program will flush a large amount of money into the existing medical system seems impossible.

If standardized health care becomes the U.S. model, it is going to cost the average American in some form or another. It may cost a premium in the private sector or it will cost a tax fortune in the public sector. In the event the U.S. evolves into a single-payer health care system, doctors will be forced to accept a fee schedule established by the federal government.

The American people want health care with the choice of benefits currently at their fingertips provided by the caliber doctors they have become accustomed to seeing. To demand these identical services for free is simply not feasible. No one wants their costs to increase and no one wants to have to figure out how it is all going to be paid for.

These changes affect us all, from the health care companies to the agents who provide the insight, all the way down to the children who rely on coverage from their parents' plans. Every American should be concerned and take an interest in finding a national solution, but having the government do it simply is not the right answer for anybody. ■