



## Conservative Health-Care Reform Proposal: Part One

By Don Racheter, PhD

Is there a problem with health care in America today? Of course there is! Costs continue to escalate faster than other living costs, not everyone who wants insurance coverage can get it or get it at a price they can afford, and insurance plans – both private and public – often deny coverage when people need it the most. People’s frustrations over this situation have spawned an epic battle for the future of America between those who believe in coercion, control, and central planning, and those who favor choice, competition, and consumer-driven programs. The outcome of this battle will largely determine how much freedom we and our posterity possess in the years to come, for whoever controls health care can control almost all aspects of Americans’ lives.

Those who favor a “public option” (read government-controlled medicine) are ignoring all the problems in the Social Security Disability program, Veteran’s Hospital system, Medicare, and Medicaid and want to extend these failed government regimes to the rest of us. Those pushing for more socialized medicine refuse to acknowledge that things controlled by government (such as the Post Office, Amtrak, government-run schools, etc.) continue to decline in quality while costing more and more. In contrast, products produced in the competitive private sector (I-pods, cell phones, computers, etc.) continue to improve in quality and decline in price.

The causes of these problems are prior government interventions in the market and the lack of a real free market in health care and health insurance. The solution is to get government to back off and allow private-sector competition to work, not to control the process even more – to address the underlying cause, rather than just treating the symptoms. Will this actually work? Well, the two areas of health care that currently are improving in quality while reducing costs are the two areas where third-party payers (either government or insurance companies) don’t get involved: laser eye surgery and cosmetic surgery. Let’s do more of what works and less of what doesn’t if we want true reform.

First and foremost, to improve health insurance for all Americans, change the IRS rules and court decisions which treat health-insurance provided by an employer as tax free, while plans we own as individuals are taxed. Encourage people to buy and own their own policies tax free and keep them as they move from place to place, job to job, so they never face exclusion for “pre-existing conditions.” This portability is at the heart of consumer-driven programs.

Health Savings Accounts (HSAs) put money set aside by employees or contributed by the employer, or even money contributed by people’s parents or grandparents (or even good Samaritans who want to make a tax-deductible contribution to the less fortunate), into a tax-free savings account which can grow over time. Unlike Flexible Savings Accounts they do not have a yearly “use it or lose it” provision. HSAs should be encouraged by the government through new features like the “contribute to the needy” idea mentioned above, instead of the current policies of discouraging their expansion to everyone. Get rid of the caps and fixed limits – let the market deliver what people want and can afford, not what some bureaucrats think are “best” for others while being covered themselves by a gold-plated plan paid for by the taxpayers.

Government could set a great example and “make a market” which would rebound to the advantage of ordinary citizens if they shifted everyone who is currently getting third-party payer coverage from government into an individually owned HSA account. For those people who cannot afford such accounts on their own, the government could deposit funds into their accounts which could only be used for health-care expenses, just as they provide food stamps to the hungry and housing vouchers to those without shelter.

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Along with a checking account or debit card to pay for the purchase of needed health items and procedures, consumer-driven plans (HSAs) couple the direct payment by the consumer (replacing our current third-party payer system) with the purchase of high-deductible insurance policies against catastrophic events like a heart attack, cancer, or an accident. Just as you don't send the bill for every oil change to your car insurance company, people should not be sending every health-care bill to Blue Cross. Cut out the money wasted in paperwork and processing claims, and get insurance back to what it is supposed to be, pooled risk against unknown events, not using it as a third-party-payer system for known events which distort people's incentive structure.

Governments at the national and state levels need to get rid of the outdated rules which prevent a person from buying or keeping an insurance policy in any of the fifty states, regardless of where they live, in order for portability to work, and as an added prod to increase competition which will drive down the price of health insurance. Nationally, there are around 1300 companies selling policies, but those living in Iowa, for example, only really have a "choice" between two that monopolize the market in their state. Free-market competition can't work if there are government barriers at the borders of each of the fifty states preventing consumers from dealing with providers of their choice.

This is a way for consumers to "end-run" the special interests which have driven up the cost of health insurance by getting their politician allies to mandate additional coverage of their service for everyone who buys a health-insurance policy in that state whether they need it or not. Of course the state legislatures could do the right thing and repeal all the mandates, but that is less likely to happen than the allowing of competition across state lines. If I want a bare-bones policy that doesn't cover hair-implants, pregnancy, or aromatherapy and can't buy one here in Iowa, but can find one on the Internet from Utah, and the Utah company and plan have been approved by the Utah Insurance Commissioner, let me buy it without the Utah company having to jump through all the very costly hoops to become licensed to sell in Iowa. If many of the Iowa customers start deserting the Iowa companies selling the "loaded" policies they don't want, maybe then the Iowa Insurance industry will lobby the Iowa General Assembly to allow them to offer a bare-bones policy people want in competition with the Utah one. This will give Iowans choice as to how to individualize their policies by paying extra only for the special coverages they want, not what the Legislature "mandated for all" based on lobbying by the special-interest providers.

Also, any true reform should require transparency, so people can more easily shop around. The "Doc in a Box" places and Instant-Care clinics which are starting to spring up in shopping malls and grocery stores post a list of their prices on a chart by the door. Every health-care provider should do the same. Granted, they can't predict what your insurance company might pay, but they could all post what it would cost if you were paying directly and not through a third-party payer. I have been told (by a doctor who should know) that an MRI might cost \$400 on one side of a city, and as much as \$1600 at another location across town. If people were allowed to save what they didn't spend in their HSAs, they would have an incentive to shop around. However, transparency rules are needed to make that effort pay off.

People who have bought HSAs since they became available a few years ago, in spite of all the government rules and regulations to make them less desirable than they could be, are seeing their bills not increase so fast as when they had employer-provided health insurance, and in some cases actually go down. And people who work for companies like Safeway and Whole Foods, which give people who exercise, quit smoking, and get regular check-ups lower premiums on their health-care plans, have been able to hold the line on year-to-year cost increases, while those not on such consumer-driven plans see double digit increases year after year.

Again, let's do reform right and support those ideas which have already been shown to work, rather than buying into more government-provided band-aids on serious wounds to our body politic. But even if we adopt all these conservative, free-market reforms of the health-insurance industry, we will still have a problem of providing enough quality health care for American citizens unless we adopt additional reforms, to which we turn in Part Two.

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