

MY SUGGESTIONS WILL BE CHEAPER THAN OBAMACARE! – BUT WHY?

Stephen L. Bakke – January 29, 2011

I've been advised that I should occasionally refer to Obamacare by its more official name: "The Patient Protection and Affordable Care Act" (PPACA). I'm not likely to try very hard because which do citizens recognize most easily – "Obamacare" or "PPACA?"



Don't pay attention to the claims that repealing Obamacare would add to the deficit. The CBO reports that but the entire Obamacare CBO estimates were "gamed" to start with as I have very recently reported. In addition, the current claim that the repeal would add to the deficit is accomplished by using a lowball estimate of the expenditures related to the legislation, and then simply giving CBO estimates of related TAX INCREASES which exceed these lowball cost estimates. Viola! Deficit reduction! Get real! Bottom line – Obamacare is a massively expensive takeover of our health care system!

Additionally, it is becoming more apparent that claims that health care would be cheaper, following introduction of Obamacare, were false. But most conservatives I listen to don't just rest on their laurels and say just repeal – they also say replacement must follow. Charles Krauthammer put it well: "This does not absolve the Republicans from producing a health care replacement. They will and should be judged by how well their alternative addresses the needs of the uninsured and the anxieties of the currently insured."

My prior report about health care reform listed my reform suggestions. Here I attempt to simply summarize the reasons why my version of health care reform will be cheaper and better for our economy, while still accomplishing all the major goals of Obamacare. I will leave it to the Congressional Budget Office to actually quantify those savings. You've read my "sermons" about many of these "cost saving influences" before.

How Can We Actually Save Costs?

Following is at least a partial list:

- It is important that individuals own their own insurance. Once consumers actually control the treatments and costs, through ownership of their insurance policies, they collectively will apply pressure to get more value for it.

- Individuals can choose their own coverage and will not have to purchase coverage they don't want or need. Expensive state mandated coverage will be virtually eliminated. Mandates may increase the cost of care for a typical person by 50%.
- Individuals who own their own policies will not be forced out of coverage when they lose or change jobs. With this portability, coverage would continue and they would not be exposed to new underwriting which usually increases costs.
- The consumer will make their own decisions on treatments and coverage – along with their doctor, of course. Any time the consumer is paying (even if reimbursed by tax credits) there is a downward influence on costs because the provider must keep the individual informed about “what and why.”
- There will be much more financial transparency and scrutiny if consumers are involved in decisions and payment. This scrutiny and the power of public opinion will have a moderating affect on costs in the system.
- Individuals should have periodic opportunities to change health coverage. This will introduce more competition because carriers will try to retain their customers.
- Reducing “first dollar coverage” will save insurance costs overall. If these costs are covered by an insurance policy, insurance companies will certainly pay them, but not without adding a profit margin for the service. Under my plan, the consumer would be paying for these services directly, and the costs could be neutralized by the introduction of generous deductibility and tax credits for medical expenses. Dramatically expanding the use of health savings accounts (HSAs) would also make the net costs to the consumer go down for those who need the relief most – remember that I suggest the use of a sliding health care cost subsidy accomplished through variable deductibility and tax credits based on income. These revised tax provisions would apply to both the direct payments for basic care and the premiums for the very reasonably priced major medical coverage. Overall, costs would be saved.
- There will be much more competition caused by erasing the artificial state boundaries. Insurance carriers are not now allowed to insure individuals beyond their state borders. Consumers would be able to buy insurance from dozens, even hundreds, more carriers than are now available to them. With this system, no public option will ever be necessary to create competition.
- The elimination of state boundaries for competition would also lead to elimination of 50 state insurance regulatory agencies and consolidation of that function at the federal level. This consolidation, and the resulting elimination of duplicate costs, should be a “no-brainer” for accomplishing significant regulatory cost savings.
- Billions of dollars would be saved by eliminating the expensive SCHIPS program which covers children in families well above the poverty level and even well above average income levels and replacing it with tax credits for families up to the average income level.
- Implementing tort reform can save costs. There are estimates that 10% of our health care costs are directly or indirectly related to this problem. Victims should be “made whole” to the extent possible given their situation, but extreme punitive damages should be reasonably “capped.” The result would be a reduction in defensive medicine and redundancy of testing and treatment, in addition to savings in malpractice insurance litigation and settlements.

- A limited supply of health care personnel will naturally tend to increase the price of services, except for when costs are kept lower by controls and rationing – and we don't want to introduce the access problems and rationing that these limitations would likely lead to. If we can increase the numbers entering health care professions, the increased supply will at least have the effect of slowing the increase of costs if not actually reducing them.
- Using existing bureaucracies, the IRS through changes to the tax code and insurance regulators (regulators would be moved from the states to the federal level), my suggestions would forgo the enormous new bureaucratic costs implicit in Obamacare's establishment of "30 or 40 or 50" new bureaucracies and tens of thousands of added governmental employees.
- And the most important opportunity for doing a better, more efficient job just might be in the improvement of the delivery system – a real tough problem to address, but there are many who are working on it. Obviously I haven't even dealt with that in my proposals.

Note that I have created almost no new bureaucratic jobs or costs in these proposals! Yet, I believe I have accomplished virtually all of the goals of the well-intended, but misguided, Obamacare legislation.

How About Preventive Care and Wellness Programs?

As I have discussed in earlier reports, this list can't include preventative care or wellness programs. It has been well documented that while such programs may be cost beneficial for a particular individual, for the system in its entirety, there is almost certain to be a net increase in costs from this type of proposal. That is because performing preventative measures or taking medication to reduce or prevent a condition, it is necessarily to treat the entire population, whereas only a small percentage of the population would experience the medical condition if left unchallenged.

These programs would be cost effective only for those unidentified few who would have experienced the condition or illness. For the entire population, however, the costs of prevention would exceed the cost of treatment of those few who would have been afflicted. While there would be some increase in life expectancy, there would be a marginal increase in numbers receiving routine care. And end of life health issues would only be delayed slightly, on average, and would always occur eventually. **Nevertheless, wellness programs and preventive care are inherently good and should be pursued, but out of wisdom and altruism, not as a basis for saving costs! Believe it or not!**

A Reminder of the Advantages and Costs of True Quality

While saving costs is important, we should also remember that sometimes high costs are the result of high quality and innovation rather than just excess volume and inefficiency. Demonstrably higher quality does cost more than mediocre or inferior care. As we try to reform our health care system in the right way, we must remember to **THROW OUT THE BATHWATER, BUT KEEP THE BABY!**