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IF I WERE KING: HEALTHCARE PAYMENT SYSTEM REFORM

By Stephen L. Bakke  August 5, 2017



The Republicans have failed to make headway reforming Obamacare, but their effort isn't over. And there will continue to be lots of politics in the "fix vs. repeal/replace" debate. Republicans won't consider anything that's a mere "fix," and the Democrats won't consider anything that smacks of "repeal/replace."

While analyzing the Republicans' "repeal/replace" strategy, recall two important representations that may explain the "repeal/replace" focus. Former HHS Secretary Kathleen Sebelius was responsible for implementing the ACA legislation. Two years ago, she spoke in Kansas City and a column the following day was headlined "Sebelius Says ACA Is Here to Stay." She indicated confidence that ACA was so "intimately entwined" into our healthcare payment system that it wouldn't be possible to repeal it.

Echoing that sentiment, Nobel Prize winning economist Paul Krugman recently wrote an article in the New York Times titled "Three Legs Good, No Legs Bad." Quoting Krugman: ".....you can't change any major element of the (ACA) without destroying the whole thing.....all three legs of this stool are necessary. Take away any one of them, and the program can't work."

Those Obamacare experts pointed out that ACA is unfixable. It's booby trapped! Repeal/replace may be the only solution.

If I were King (temporarily, of course), I'd bring Congressional leaders together with these objectives:

- We would pledge to create a basic structure for making our healthcare payment system work.
- **One rule** would require use of the neutral phrase "improve on" to define our task. "Fix," "repeal/replace," "ACA," and "Obamacare" would be forbidden.
- A **second rule** would allow no measurement or discussion of costs to the insured. Discussing "who pays what" would get in the way of creating a vision for a workable structure.
- The discussion of costs and "who pays what" would come later.

Since I would be presiding as "King," I'd work to accomplish the following:

- Free market forces must be maximized.
- Coverage would be available for all.
- Establish things that directly reduce costs through transparency and competition, including:
 - Set up individual and family ownership of major medical insurance policies. They could purchase what they want and need.
 - Use Health Savings Accounts (HSAs) for routine care up to the level when major medical takes over – e.g. \$10,000.
 - Permit insurance companies to compete by selling across state lines.
 - Return Medicaid to its original purpose of providing care to the poor and elderly.
 - Tort reform – reduce the cost of defensive medicine.
 - Publish prices.
 - Go after waste, fraud and abuse.
- Insurance companies would be free to underwrite actual risks.
- Pre-existing conditions, or lifetime limits wouldn't block insurance coverage.
- There would be no mandates or mandated coverage “goodies” that might be good personal regimen, but should not be part of a focused free-market healthcare payment system.

After the structure is settled, it would be time to address “who pays, and how much.” At this point the group would have to decide:

- how the tax system could be used to give favorable/equitable treatment based on income.
- how best to determine, based on income, when medical deductions would apply, how much tax benefit would be allowed, and even how refundable tax credits might apply for the poorest.
- how to use the Medicaid program, or effective alternative, to provide a safety-net covering excess costs for those with preexisting conditions or otherwise uninsurable.

There would be initial costs to assure an efficient and equitable transition. This system could be adjusted over time to obtain more appropriate costs for the insureds, and to find free market incentives to eliminate the number of those who choose to be uninsured – i.e. we would learn from experience, and not try to finalize the system on the first “try.”

That's one approach. I'm sure we will be hearing about many others.