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## HEALTH CARE REFORM: A FREE MARKET FRAMEWORK

By Stephen L. Bakke  December 8, 2013



Picking up where I left off in my 11-20-13 report regarding “Obama bragging about lower costs under ObamaCare,” I quoted the President as follows:

*My guiding principle is, and always has been, that consumers do better when there is choice and competition. That's how the market works.* – President Barack Obama, September 2009

In direct contrast, Alyene Senger of The Heritage Foundation declared and concluded:

*The standardization of benefits combined with a lack of insurer competition means consumers in ObamaCare's exchanges will have very little choice ..... ObamaCare's overregulation of insurance is to blame for the lack of competition in the exchanges. The flawed policies contained in ObamaCare neither foster competition nor increase consumer choice, and they will continue to negatively impact American consumers and increase costs.*

My bottom line is that **Obama knows nothing about true competition or free markets!**

*Mallard Fillmore by Bruce Tinsley*



ObamaCare has, and will continue to, become a government inspired, bureaucratic **MONSTER!** Consider:

*Four things have almost invariably followed the imposition of controls to keep prices below the level they would reach under supply and demand in a free market: 1) increased use of the product or service whose price is controlled, 2) Reduced supply of the same product or service, 3) quality deterioration, 4) black markets.* – Thomas Sowell.

Obama provided the philosophical direction and managerial style for this law's development and its execution. And with it being so strongly influenced by our President's aloof and detached attitude regarding the details of any project, **ObamaCare never focused and prioritized the APPROPRIATE goals** of much needed health care reform.

### **A free market alternative – let's take a quick look!**

Here is one example of how a true blue free market capitalist might structure a competitive insurance market (through simple legislation and limited, very general, regulations):

- Establish a standard of **individual/family policy ownership**. This would automatically promote true portability of coverage. There's nothing better for competitive cost control than the transparency this would provide.
- This system should be a **combination of catastrophic (major medical) coverage, which tends to be cheap, enhanced by individual tax favored health savings accounts (HSAs)** for first dollar coverage. The individual/family policy owner would choose the level of deductibles and co-pay amounts.
- Hand in hand with the individual ownership should be the standard of a "shopping cart" of coverages for each individual or family. Buy what you want and need!
- **Remove the prohibition for insurers to compete cross state lines**. This would provide more alternatives and more choice.
- Smooth over those areas that most citizens agree should be addressed such as **addressing the harmful aspects of annual or lifetime limits, and reducing situations where preexisting conditions block traditional coverage**.
- **Within certain new limitations, permit the insurance companies to underwrite coverages as they see fit**. You can't have a "well-oiled" insurance payment system, which all know deals with risks, without an underwriting process.
- **For those extreme cases that are otherwise excluded by virtue of the insurance companies' permitted underwriting rules, we need to give a focused solution by establishing a taxpayer funded subsidy or pool for these isolated examples of underwriting "casualties."**
- These people would have health coverage guaranteed **if they want it**, and their public subsidy would bring their rates **ONLY** back to the standard market level – not farther. This subsidy would be made available through the tax filing system. **This is the only hint of any new or different "social program" in my proposal!**
- Many who are currently not covered have chosen not to go into the existing Medicaid program. **I would prefer they be accommodated through the general marketplace**. Given the right incentives, most would choose to get coverage.
- **I think this point is important**. If there are favors to be granted – e.g. for individuals and families at different levels of income, or because they are "underwriting casualties – **that would happen on the tax return using tax deductions, tax credits, and refundable tax credits where necessary. i.e. MAJOR INCENTIVES!**
- Individuals and families would choose and pay for their own policies, have ownership of those policies, and would be **subsidized ONLY through the tax treatment of their health care expenses**.
- People are left to their own devices and for the small (in my opinion) numbers remaining as **hard core uninsured, focus specifically, and only on them – through Medicaid**.

- Objectively and fairly address the excessive developments in “tort reform” to decrease the tremendous, and growing, costs of needless litigation.
- **DON'T** transform the country and the entire health care and payment systems in an attempt to “central plan” everything!

Huge costs would be saved relative to ObamaCare because the focus is on the problems and virtually NO new bureaucracy is created. Certain aspects are handled by existing IRS personnel, and there are already more than adequate numbers of insurance regulators at the state level.

There would be more competitors vying for everyone’s business, and people buy what they want and deal directly with the provider and the insurance company. That’s a formula that would work. We must learn to trust people to make their own choices! Trying to do otherwise is futile in terms of sustainability.

**Many of our current and historical problems stem from departures from free market principles and bureaucratic interference.** In fact, our current system actually suppresses true market forces. We must institute and maintain an unimpeded free market composed of providers, insurers, technology development, pharmaceutical development, manufacturing of equipment and drugs, and marketing of all these products and services. **We must retain the best of what we have while we fix the problems.**

As I hope I have effectively presented here, all that is really needed is basic, simple legislation and general regulations that set up an environment for the marketplace to achieve the desired goals as cheaply and effectively as possible.

**Set up the framework for success, establish basic prudent rules and regulations for competition and compliance with goals, adjust tax laws and regs to accommodate this system ..... and THEN GET OUT OF THE WAY!**

*[Click [HERE](#) for a link to a more detailed report on my suggestions for reforming the Health Care insurance system.]*

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