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## **HEALTHCARE: A LAYMAN'S GUIDE TO UNDERSTANDING THE TRUE COSTS!**

By Stephen L. Bakke  January 21, 2017



ObamaCare is a healthcare “payment system.” That’s very different from the “healthcare system” itself, and we should remember that as we debate the “fix/replacement” issue. Since much of the talk is about insurance coverages and costs, we “laymen,” should try to understand enough about the subject to properly identify and evaluate the facts?

We are told that premiums are down for some, but not that someone else is picking up the tab through subsidies. A family can be delighted that their premiums appear under control, but sometimes forget that co-pays and deductibles have gone way up. It’s often difficult to know which of the various categories of expenditures is relevant to a particular discussion. I personally believe ObamaCare proponents have used this ambiguity to their advantage – very similar to a shell game!

Let’s identify categories of expenditures that must be identified to understand healthcare costs. Here’s a “layman’s list” of various expenditure categories:

- Net payments for individually owned insurance coverage.
- Subsidies for individuals qualifying for government assistance.
- Amount contributed by employers for group plans.
- Employee contributions for employer provided group plans.
- Deductibles. This is a cost over and above premiums costs.
- Co-payments. This is also a cost over and above any premiums.
- Contributions to, and subsidies of, Medicare and Medicaid.
- Costs of operating VA Hospitals.
- ObamaCare overhead costs. This includes salaries, wages and expenses for the additional IRS personnel, commissions, agencies, and other government regulators added because of ObamaCare.
- Direct cash payments to healthcare providers made by individuals who have no coverage.
- For those who either “self-insure” by making direct payments without healthcare coverage, or who choose not to seek healthcare insurance or services, there is a penalty/fine that the government assesses. That’s a cost as well.
- Public and private subsidies and donations to institutional providers of healthcare including hospitals, free clinics, Planned Parenthood, and the like.

Add up those expenditures and that’s the economic burden to our economy – i.e. total healthcare costs. Any generalization about healthcare costs that doesn’t consider all of these is misleading, or purposefully deceptive. No shell games! Politicians shouldn’t suggest changing one of these in a vacuum without dealing with all of its implications.

Here are some proclamations being made and the truth regarding those claims:

- “Subsidies reduce healthcare costs.” **Counterpoint:** Subsidies merely redistribute healthcare costs.
- “ACA will reduce a typical family’s healthcare costs by \$2,500.” **Counterpoint:** We know that didn’t happen!
- “ACA has reduced healthcare costs for many Americans.” **Counterpoint:** Actually, very few have had their costs reduced, and that happened by redistributing costs using subsidies. That’s not a true cost reduction.
- “ACA has benefited many through reduced insurance premiums.” **Counterpoint:** In fact, for those few who have had those reductions, a closer look often yields offsetting increases in “co-pays” and “deductibles.”
- “The government needs to increase subsidies to fix ObamaCare.” **Counterpoint:** Too often we try to fix things by subsidizing them.

We’ll be fixing/replacing our healthcare payment system soon. Let’s be sure we understand all the implications of any single change being proposed.