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Health Care Reform Must Address Health Care Costs

With health care costs at a crisis stage, there is no shortage of sweeping health care reform ideas in Washington and throughout the nation. No one will argue that reforms need to take place, but the fundamental question is what type of reform Americans want? The reality is that every health care reform idea takes one of two roads – increased government intervention or a private market solution. Each reform provides a means to a very predictable end; therefore, the debate over the next few months will focus on what end we wish to achieve. Will we continue to buy our health care in the free market, or will we allow the government to take over our health care system?

Whether you are discussing a single payer system, or a state plan, every government solution calls for increased regulation and government control regarding how we finance our health care. These plans begin with radical changes to our current financing system (insurance), and in many of the reforms, completely do away with our current insurance system. This is alarming for two reasons. First, health care costs are not expensive because of insurance; rather, insurance is expensive because of rising health care costs, and by the increased demand created by unhealthy lifestyles. Attempts to fix the financing mechanism, rather than trying to fix the rise in health care costs, does not address the real problem. Second, while most Americans do not want government-run health care (a socialistic approach), the reality is that this is the ultimate end to any government solution. The architects of these specific types of reforms do not necessarily aspire to create government-run health care; yet, it is the only realistic way any government solution can control rising health care costs.

Private market reform solutions focus on creating competition and transparency to reduce or eliminate these fee increases. The government solution for reducing or eliminating the increases is government control over the health care providers. This is called government-controlled health care; where the government owns hospitals and physicians are employees of the government. This creates a health care system in which care is rationed. We certainly do not want the government to control or ration health care; and, though some Americans support government reform plans, these individuals are unaware of the negative impact such plans will have on the quality of American health care. Most of us have, or know someone who has experienced enhanced quality (and length) of life due to the advances in our medical systems. A government run health plan would greatly diminish the improvements in treatment, research, development, and innovation that Americans have enjoyed.

Thus far, government reform solutions have failed to: provide transparency; reduce rising insurance premiums, or reduce the uninsured rate; however, private market solutions have succeeded.

We already have government run plans (such as Medicare and Medicaid), and can look to them for an idea of how larger government plans might fare. So far, they have controlled costs mainly by artificially limiting payments. Essentially, paying less than the cost of care. While that does hold the lid down on spending for those plans, it does not save costs in the big picture, as those underpayments are “cost shifted” to the insured plans and private companies who are paying the bills for their employees. If the whole country went to one government system, that (cost shift) strategy—applied to the entire market, instead of around half—would essentially blow up the whole system.

The private market was the inventor of transparency, as it created the tools by which consumers monitor both the cost and quality of the health care they receive. Additionally, the private market understands why health care costs are rising.

Any health care reform idea takes the road of government intervention, fails to address the fundamental problem of rising health care costs. We need to be sure that any reform chooses the path of a private market solution so that we can ensure our health care can be purchased in the free market both today and in the future.

Lon Wilson is the owner of The Wilson Agency, a full service strategic employee benefits consulting firm, helping Alaskan businesses to develop an organized approach to complex employee initiatives. For more information, please call 907-277-1616 or email info@thewilsonagency.com.

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