



Our Crazy Health-Insurance System

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Almost daily, we're bombarded with apocalyptic warnings about the 47 million Americans who have no health insurance. Sen. Hillary Clinton wants to *require* everyone to have it, big companies to pay for it and government to buy it for the poor.

That is a move in the wrong direction.

America's health-care problem is not that some people lack insurance — it's that 250 million Americans *do* have it.

You have to understand something right from the start. We Americans got hooked on health insurance because the government did the insurance companies a favor during World War II. Wartime wage controls prohibited cash raises, so employers started giving noncash benefits, like health insurance, to at-

tract workers. The tax code helped this along by treating employer-based health insurance more favorably than coverage you buy yourself. And state governments have made things worse by mandating coverage many people would never buy for themselves.

Competition also pushed companies to offer ever-more attractive policies, such as first-dollar coverage for routine ailments, like ear infections and colds, and coverage for things that are not even illnesses, like pregnancy. We came to expect insurance to cover everything.

That's the root of our problem. No one wants to pay for his own medical care. "Let the insurance company pay for it." But if companies pay, they will demand a say in what treatment is — and is not — permitted. Who can blame them?

And who can blame people for feeling frustrated that they aren't in control of their medical care? Maybe we need to rethink how we pay for less-than-catastrophic illnesses so people can regain control. The system creates perverse incentives for everyone. Government mandates are good at doing things like that.

Steering people to buy lots of health insurance is bad policy. Insurance is a necessary evil.

We need it to protect us from the big risks — things most of us can't afford to pay for, like a serious illness, a major car accident or a house fire.

But insurance is a lousy way to pay for things. Your premiums go not just to pay for medical care but also for fraud, paperwork and insurance-company employee salaries. This is bad for you and bad for doctors.

The average American doctor now spends 14 percent of his income on insurance paperwork. A North Carolina doctor we interviewed had to hire four people just to fill out forms. He wishes he could spend that money on caring for patients.

The paperwork is part of insurance companies' attempt to protect them-

selves against fraud. That's understandable. Many people *do* cheat. They lie about their history or demand money for unnecessary care or care that never even happened.

So there is a lot of waste in insurance — lost money and time.

Imagine if your car insurance covered oil changes and gasoline. You wouldn't care how much gas you used, and you wouldn't care what it cost. Mechanics would sell you \$100 oil changes. Prices would skyrocket.

That's how it works in health care. Patients don't ask how much a test or treatment will cost. They ask if their insurance covers it. They don't compare prices from different doctors and hospitals. (Prices do vary.) Why should they? They're not paying. (Although they do in hidden, indirect ways.)

In the end, we all pay more because no one seems to pay anything. It's why health insurance is *not* a good idea for anything but serious illnesses and accidents that could bankrupt you. For the rest, we should pay out of our savings.

Next week, we'll look at alternatives to this crazy system.

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