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Health-Care “Reform”: It’s All About Power

by Sheldon Richman

If the politicians who are bent on redesigning the medical and medical-insurance industries really wanted only to curb rising prices and help the uninsured get coverage, they would have zeroed in on the previous government interventions that created those problems. Instead, they are pushing grand schemes to turn our medical decision-making over to bureaucrats. That indicates that the so-called reform campaign is about power.

Medical care is too expensive. Prices for services rise faster than other prices, and there’s reason to believe much of the money is wasted. Expensive medical care equates to expensive insurance, which prices some people out of the market.

This has been called a failure of the free market, but that can’t be: There *is* no free market. I defy the advocates of government control to name one aspect of medicine or insurance that government doesn’t dominate.

The anti-market system politicians have put in place — as pleasing as it is for the insurance and pharmaceutical industries and organized medicine — harms the public. Yet it would be easy for them to remove the harmful interventions.

For example, they could end the adverse tax treatment of people who buy their own insurance. If your employer buys insurance for you, it’s paid for with pretax dollars. If you buy your own, you pay with after-tax dollars. That’s a hefty penalty. But the price of avoiding that penalty is high: You must cede control over thousands of dollars in cash wages as well as your medical coverage to your employer. You can’t tailor coverage to your own needs. To get a better plan you have to change jobs. That’s just stupid.

The system creates the incentive to overspend on medical services. Since insurance premiums appear to be paid by your employer and since the policy covers routine elective services and tests, you have no reason to shop wisely in the medical marketplace. That’s one reason for the price inflation. Why ask about the price or the necessity of a test if someone else seems to be footing the bill? Doctors know that and will err on the side of more rather than fewer services.

If the politicians really cared about high prices and lack of choice, they would remove the tax penalty. Do those in power even talk about it? No.

State governments make a bad system worse by mandating that “basic” policies cover many services for which most people would not buy insurance if they were explicitly paying the bill, such as acupuncture, hair transplants, contraceptives, and more. These mandates are state-granted privileges for the providers, who would rather lobby for their profits than have to attract willing customers. Every mandate raises the price of insurance and pushes young and low-income people out of the market. Without those mandates, many people would buy low-priced, high-deductible catastrophic insurance. Government creates many of those uninsured the politicians cry their crocodile tears over.

If politicians really cared about high costs and lack of choice, they would neutralize coverage mandates by removing the federal ban on interstate insurance sales. Then a resident of a high-mandate state, such as California, could buy a policy offered in a low-mandate, such as Arizona.

The government forces prices higher in many other ways. Medicare, for example, gives a virtual blank check to its beneficiaries, who have no reason to be cost-conscious about the services they buy. Retirees have gotten far more in benefits than they ever paid in taxes while working. As long as Medicare exists, everyone’s medical services will be artificially expensive. Medicare is doubly offensive: The money is taken from current workers, and when it is spent it bids up the price of medical services for those workers. Considering its \$37 trillion unfunded liability, Medicare is the disaster some people predicted when it was set up in 1965. As long as it exists the medical system will be awry and government will exert control.

Government also raises medical prices by sponsoring a protectionist medical guild in each state, keeping the number of doctors low and prices and incomes high. Occupational licensing is a conspiracy against the public masquerading as consumer protection.

Yes, we suffer from monopoly and high prices. Government is the reason.

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