

# Healthcare in America

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What seems to be overlooked in the current debate is analysis of the economic nature of healthcare in the USA. Healthcare is fundamentally a government created monopoly. Licensing and FDA regulation produce the barriers to entry that form the healthcare monopoly.

As a society we have chosen to not let utility monopolies have a stranglehold on our economy. Utilities have to go before a public review board, justify their costs and need for a reasonable profit. The Enron run gave us a taste of what life would be like if we didn't have this public price regulation. If we didn't regulate utilities, 20% of the population, the same group that doesn't have health insurance would probably also be without basic services while the rest of us would be ever fearful of a run-in with a utility company.

So why do we allow the healthcare industry to strangle us one family at a time? How can back surgeries, something the surgeon and his team can perform 4 times a day, 4 days a week, cost \$35,000-\$50,000 each? Because there are no market forces constraining the pricing. Only monopolies can set prices to any absurd number they choose.

Medical fees are based off a provider set list price. Insurance companies demonstrate their financial responsibility by contracting with providers at steep discounts from those list prices, frequently handing the provider a maximum reimbursement schedule. This is not a free market setup and perverse things happen.

There is intense pressure for the provider's list price to be set as high as possible so that it can then put pressure to lift the maximum insurance reimbursed fees up. Insurance billing is a game where those providers that know how to code and bill insurance make a lot of money, and extra services are piled on to make up for the cap on fees. The

only ones that ever pay full list price for medical services are those paying outside of an insurance contract. If you cannot afford health insurance premiums, it is a given that you will not be able to afford healthcare at full list price.

(Outcomes? Completely lost and there is no financial accountability. A hospital screwup does not lead to a refund, it leads to more billable medical services. Tort reform? Lawsuits are the only complaint desk with a viable hope for some satisfaction. But I digress.)

Medical providers cannot legally have two list prices, one for negotiating insurance contracts and one for self payers. In the worst case this practice is prosecutable as insurance fraud. In the best case the insurance company(s) recognize the lower fee schedule as the "true" list price and demand repayment for everything they reimbursed based on the "fraudulent" higher price scale.

As a consumer you have to be in a health insurance plan in order to participate in the lower contract prices for medical services. This pricing scheme effectively locks out the alternatives to conventional health insurance: self pay, HSA (Health Savings Account) and FSA (Flexible Spending Account) -- all list price payment schemes that would otherwise introduce consumer choice as a market force. As it is currently, discounted insurance contracts alone drive the setting of list prices and there is absolutely no ability for an individual consumer to negotiate a lower price, nor to influence that price down by going to a lower priced provider elsewhere.

What would a free market remedy look like?

There needs to be just one price for all payers, set publically by the medical service provider. Insurance companies can pay what they will, consumers can shop and/or make up the difference out of pocket. Where



the consumer has no choice in the matter, unconscious, on a gurney for example, then the prices that can be charged need to be publically regulated in order to be fair, just like with utility monopolies.

Health insurance companies need to be forced to compete with self-pay, HSA and FSA as alternatives for funding routine healthcare. Health insurance should revert back to being mostly shared risk pools for extreme conditions (with publically regulated prices) with routine care being consumer driven, paid at competitive market prices out of some consumer controlled cash pocket, self-pay, HSA or FSA.

This fundamental economic issue needs to be addressed before confronting the issue of universal access. Introducing free market forces where possible, and forcing public price regulation where the monopoly feature cannot be shaken will already make healthcare more accessible and affordable than it is now.



**Dr. Jeff Clark** is a former high tech design engineer and manager who is now a physician with a passion for using his problem solving skills to further the health of his patients. Trained as a primary care physician, Dr. Clark has a special interest in helping adults with chronic conditions to maximize their health potential.