

Health Insurance for All Is Not the Answer

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By Bruce Fagel

The problem with the current health care reform debate is that it is focused on providing health insurance to all Americans, rather than focusing on providing health care. The difference is critical, because health care insurance is unlike any other type of insurance that people or businesses have. The basic premise of all insurance - from auto insurance, to liability insurance, to homeowners insurance, to life insurance, and every other kind of insurance except health insurance, is that premiums are assessed against the risk of the particular event occurring. The risk that any specific individual will cause an automobile accident can be calculated, using the specific driver's history and other factors. The risk that any specific individual will die can be calculated using the individual's specific medical history and other factors. The basic premise of all insurance, except health insurance, is that it will not be necessary until some specific event, like an auto accident or home fire or death, occurs.

However, health insurance is not premised on never being necessary until some unanticipated event occurs, since those with health insurance are expected to use it to pay for all sorts of medical services, from doctor visits, to laboratory tests and x-rays, to medications on a regular and ongoing basis. Since many Americans have chronic illnesses, these individuals will have need of many routine medical services every year. Almost anyone with a chronic illness, from hypertension to diabetes, to heart disease, to cancer will never be able to pay enough in premiums to cover the cost of their annual medical care. All Americans, at various ages, require routine screening such as pap tests, mammograms, colonoscopies, and routine physical exams, including laboratory tests. Anyone admitted to a hospital, for almost any reason, will generate more in hospital bills than the cost of any insurance premiums, resulting in health insurance companies continually raising premiums to make their profit expectations. The only way to "spread the risk" in traditional insurance terms, is to have a large pool of "healthy" Americans who do not need any medical care. These individuals who think they do not need health insurance are those who believe they are healthy and therefore not in need of any medical care. When these individuals are wrong about their medical needs, they often end up in expensive emergency rooms where the costs of providing their care gets passed on to those who have health insurance or the Government or both.

Many people would buy auto insurance, even if they were not required, because of the desire to protect, and therefore insure, an expensive asset. While banks and mortgage lenders require homeowners insurance for any home for which they provide a mortgage, as a way to protect their asset, even without such a requirement, most people would voluntarily chose to insure their home as a valuable asset. But people do not perceive of insurance on their health as a way to protect their life, but rather as a means to pay for medical care. Therein lies the problem with health insurance - it is not really insurance at all, but rather an attempt to pool enough people to pay for the medical care of those who need it.

The number of people who need medical care should include all Americans who need preventive care at some minimum level, as the only way to reduce obesity, diabetes, heart disease, cancer, and many other chronic diseases.

Currently, the main benefit of health insurance is not just that it is expected to pay for services provided by doctors and hospitals, but rather that, without health insurance, most people would have no bargaining power to deal with doctor and hospital charges. Most hospitals and doctors have contracts with specific health plans that will pay specific amounts for services, regardless of the actual charges by the health care provider.

Patients whose health plans have contracted with a physician or doctor to only pay a negotiated amount for specific charges. The California Supreme Court recently held that emergency room physicians cannot "balance bill," meaning they cannot charge the patient for the amount of the charges not paid for by the patient's health insurance. Without health insurance, patients receive a bill for the full amount of charges, which they can rarely pay, and the amount of such uncollectible charges must necessarily increase the negotiated payment amount from health plans that provide insurance coverage, and the extra cost is passed on to the consumer in the form of higher premiums.

Under any economic analysis, this is a totally inefficient and unfair system of spreading the cost of health care among a larger population base, since it results in ever increasing premiums for premium paying patients, because someone has to pay for the costs of those without health insurance. While providing health insurance to those without it currently may seem as the most logical solution to this problem, it does not solve the underlying problem, which is that even if everyone has health insurance, either privately or through a government program, there are not enough healthy individuals to pay for the ever increasing number of elderly Americans who generate most of the charges for programs like Medicare during the final few months of their life.

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