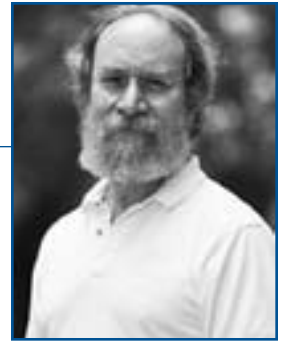


HEALTH CARE REFORM: WE'RE BEING FOOLED AGAIN

By Sheldon Richman



The medical system does need reforming — radical reforming. It's more expensive than it ought to be, and powerful interests prosper at the expense of the rest of us. The status quo has little about it to be admired, and we shouldn't tolerate it.

Thus, the American people should be fed up with Barack Obama, Nancy Pelosi, and Harry Reid for insulting our intelligence with their so-called health-care reform. It is nothing of the sort. What they call progressive reform is little more than reinforcement of the exploitative system we suffer today.

Whether intentionally or not, Obama & Co. have misdiagnosed the problem with the current system and therefore have issued a toxic prescription as an alleged cure. They essentially say that the problem is too free a market in medical care and insurance; thus for them the solution is a less-free market, that is, more government direction of our health-care-related activities.

Yet if the diagnosis is wrong — which it is — the prescription will also be wrong.

Note that the attention of nearly all the “reformers” is on the insurance industry. What ostensibly started out as “health-care reform” quickly became health-insurance regulation. A common theme of all of the leading proposals is that insurance companies have too few restrictions on them. So under Obamacare, government will issue more commands: pre-existing conditions must be covered; policy renewal must be guaranteed; premiums may not reflect the health status or sex of policyholders; the difference between premiums charged young and old must be within government specs; lifetime caps on benefits are prohibited, et cetera.

In return for these new federal rules, insurance companies are to have a guaranteed market through a mandate that will require every person to have insurance. So what looks like onerous new regulations on the insurance companies turns out to be a bargain they are happy to accept. Instead of having to innovatively and competitively attract young healthy people to buy their products, the companies will count on the government to compel them to do so. Playing the populist role, Obama & Co. bash the insurance companies, but in fact the “reform” compels everyone to do business with them.

What about this would the insurance companies dislike? Health insurance is not the most profitable business you can be

in; the profit margin is 3-4 cents on the dollar. So a guaranteed clientele is an attractive prospect. The people who will be forced to buy policies are the healthy, who will pay premiums and make few claims. The only thing the companies don't like is that that penalty for not complying with the mandate is too small. Many young people may choose to pay the penalty rather than buy the insurance because it will be cheaper. But that presents a problem: when the uninsured get sick and apply for coverage, they won't be turned down because that would be against the law. So look for harsher penalties in the future to prevent this gaming of the system. The insurance companies win again.

What's missed is that the “reformers” leave untouched every aspect of the uncompetitive medical and insurance cartels that exists entirely by virtue of government privilege. Most of this privilege is extended by state governments through monopolistic licensing, but Congress could repeal the prohibition on interstate insurance sales and the tax favoritism for employer-provided medical coverage. The ruling party has refused to consider those sensible moves.

The upshot is that this reform is a fraud. It leaves in place the government-created cartels and throws a few crumbs to people who are struggling — but mostly by bolstering the insurance monopoly.

Two myths must be shattered. First, the choice is not between this phony reform and the status quo. The “reform” merely puts makeup on the status quo. The free market is the real alternative.

Second, the free market couldn't have created the medical mess because there has been no free market in medicine. For generations government has colluded with the medical profession and the insurance industry to force-feed us the system we have today.

The Who's prayers weren't answered: We are being fooled again. 

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