



# HEALTHCARE REFORM FOR AMERICAN CONSUMERS



## IS THERE A "FREE MARKET" FOR HEALTHCARE?

Consumers are good at comparison shopping. In fact, the vast majority of us go to great lengths to compare prices, features, warranties and a wide variety of other factors before buying everything from a home appliance to a home or car.

Retailers know that consumers make comparisons between their products or services and those of other retailers. That activity is the very essence of what makes a free market economy operate - the providers of goods and services offering their goods and services to consumers seeking them. Where price transparency exists, consumers benefit from competition to make their choices. Competition drives down prices as providers seek the attention and business of consumers.

However, when it comes to shopping around for the best prices for medical procedures or treatments, few consumers who seek out the numbers find them.

According to a recent survey by the Kaiser Family Foundation, only 31% of participants reported seeing information in the last year that compared health insurance plans, doctors, and hospitals. Fewer than 20% of those surveyed reported seeing information that compared prices for quality among health plans and providers. Some 64% of the survey participants said that it is difficult to find the cost of medical treatments and procedures provided by doctors or hospitals, and a third of participants reported that it is “somewhat easy” to find the cost of medical treatments. ***However, 76% of uninsured survey participants reported that it is difficult to find cost information.***

In a survey by Public Agenda, 56% of Americans have searched for prices before getting medical care. The survey also showed that about half of Americans are not aware that prices vary for the same services offered by different doctors.

Do we have a free market for healthcare in America? ***The answer is no, we do not.*** We didn't have a free market for healthcare BEFORE the Patient Protection and Affordable Care Act [ACA] was passed and we don't have a free market for healthcare WITH the ACA. Furthermore, we won't have a free market for healthcare AFTER - if Congress only repeals the ACA. We will need to take further steps to get government out of the healthcare business.

In fact, as we discuss below, America is slowly but surely going broke struggling to keep up with annual increases in healthcare costs with no end in sight. Our public policy makers need to first recognize the absence of a free market, understand that absence as a primary reason why controlling the cost of healthcare is nearly

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impossible, and then realize why creating the environment within which a full price transparent, competitive healthcare system is the ultimate solution to reducing healthcare costs.

## **WHAT DO WE SPEND ON HEALTHCARE?**

America spends \$3.2 trillion on healthcare in a year, or about \$10,000 for every man, woman, and child in the country. That also amounts to about 18% of our total gross domestic product. Of that, spending on federal government Medicare is \$648 billion, and spending on state and federal Medicaid is \$574 billion.

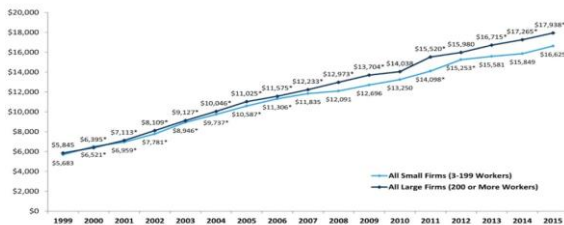
In fact, America spends twice as much on healthcare as the next most expensive country on earth, yet the outcomes for American's health is no better than all Organization for Economic Cooperation and Development [OECD] nations. America is not getting what it is paying for when it comes to healthcare.

In 1980, America was spending \$5,000 per capita on healthcare, today we are spending more than twice that. American consumers and businesses are being crushed by this weight of out of control costs with no apparent end in sight, imperiling the budgets of every family, employer and government in America.

In fact, America is on an unsustainable path of healthcare costs that are rising so rapidly that it threatens the very health of the American economy. This path cannot continue.

## **HEALTH INSURANCE COSTS ARE A REFLECTION OF HEALTHCARE COSTS**

**Exhibit 1.13**  
Average Annual Premiums for Covered Workers with Family Coverage, by Firm Size, 1999-2015



\* Estimate is statistically different from estimate for the previous year shown (p<.05).  
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015.

As healthcare costs have risen, so have the costs of health insurance. One out of control system drives another out of control system. Unfortunately, this system is largely based on a person in America working and receiving health insurance as part of their employee benefits. The graphic at left shows how the cost of health insurance for small and large firms providing family coverage for workers has tripled over the past sixteen years, from an average of around \$5,700 to almost \$18,000 today. Even as providing health insurance to employees is a deductible expense for employers, the costs of providing this benefit have increased

so rapidly that most employers now "share" the cost of this benefit with employees, deducting as much as 50% of the cost of the benefit from employee's wages to offset the employer cost.

Healthcare costs and health insurance costs are out of control. Employers and employees are being crushed by the increases in annual health insurance premiums. Local, state and federal government budgets are exploding trying to pay for healthcare costs.

Congress should abandon trying to simply "repeal and replace" the Affordable Care Act and stop working within the traditional construct of government healthcare. Congress needs to start by addressing the most fundamental problem that drives all other problems - the absence of price transparency, competition and a free market for healthcare.

**OUR GOAL SHOULD BE HEALTHCARE REFORM THAT REDUCES OUT OF CONTROL COSTS AND IMPROVES PATIENTS' ACCESS TO CARE. HOW DO WE GET THERE?**

In the midst of what is a chaotic attempt by the current Congress to "repeal and replace" the 2010 Patient Protection and Affordable Care Act, the Congress' approach to this point has been to rearrange the deck chairs on the Titanic, rather than do what is first and foremost necessary to reform America's healthcare system.

The massive patchwork quilt of both federal and state laws and regulations, as well as the opaque pricing practices of medical providers, has denied American consumers the free market, fully price transparent environment within which they can gather information about the prices charged by medical providers and decide which providers are best for them. Creating the environment within which such a free market, fully price transparent, competitive system can exist is the only way to reduce out of control costs and provide patients with better access to care.

CASE believes the following objectives should be in Title I of any healthcare reform legislation passed by Congress before any consideration is given to how America intends to deal with those with pre-existing conditions and how we will help those who cannot afford to purchase insurance:

**TAKE ACTION! THE CASE HEALTHCARE AGENDA**



**Congress should repeal the Health Maintenance Organization Act, 42 U.S.C. §300e.** The HMO Act gave us the concept of "managed care" in the form of health insurance networks. We need to get the federal government out of the business of telling businesses how to organize and deliver medical care and the vehicles with which we pay for it.

*"It is long since past the time when the Congress of the United States should change its direction of how to deal with health insurance and healthcare in America. As the operation of fully price transparent free markets have driven down the costs of everything we buy as consumers over the past 50 years, it is time to subject health insurance and healthcare to those very same market forces."*



**Every law and regulation that stifles and prevents competition** among health insurance companies and medical providers should be repealed.



**Access to better and clearer information will also assist employers and employees** in seeking out the best value in healthcare rather than the volume of services provided.

CASE supports common sense approaches to increase transparency and availability of information in healthcare to assist all parties in making the best decisions about when, how and where they will access the healthcare system.

**The Patient Protection and Affordable Care Act [ACA], enacted**



**almost \$1 trillion in new taxes** to support the provisions of the law. Among these taxes

include: the medical device tax, the health policy tax, an excise tax on individuals, an

insurance excise tax on employers, an excise tax on medical providers, a federal excise tax on tobacco, a

surtax on investment income, a tax on hospitals, a tax on drug companies and the list goes on. These taxes should be repealed as they are a drag on the economy and are drivers of higher health insurance costs as well.



**Federal law should prohibit opaque contractual provisions between medical providers and insurers** regarding reimbursements. This practice is price fixing that in any other industry in the United States would be investigated and prosecuted under antitrust law.



**Federal law should encourage every medical provider in America to publicly post the price of the services** for which they charge. There can be no free market where there exists no price transparency that allows for competition that allows for consumer choice.



**The McCarran–Ferguson Act, 15 U.S.C. §§ 1011-1015, should be repealed.** Health insurance companies should no longer receive any anti-trust shield and the federal government will need to play a role in opening what is now 50 individual state fiefdoms regulating health insurance. Instead, allow for the creation of national markets where health insurance may be sold across state lines without interference from individual state insurance regulation.



**Federal law should allow any health insurance policy sold in one state to be accepted by any other state.** If consumers can buy life insurance across state lines then they should be able to buy health insurance that way as well.



**Health insurance companies should be allowed to construct and market** as many different types of health insurance as the market demands, free of expensive mandates. Federal law should not hinder the creation and adoption of new methods of delivering the products and services that meet the needs of the consumers.



**ERISA, 29 U.S.C. CH. 18, should be amended to make it easier for individuals** to form groups to buy their insurance.



**When the federal government created Medicare Part D** in order to assist the elderly with the purchase of prescription drugs, a specific provision was added to the legislation that prohibited the federal government from negotiating the price of drugs with the drug companies on behalf of Part D benefit recipients. Levering the law of large numbers to get better pricing for consumers while being better stewards of our tax dollars makes sense.



**We don't need more IRS agents, we need more medical practitioners.** The ACA is enforced by the Internal Revenue Service, giving rise to creating as many as 17,000 more IRS employees. We don't need more tax bureaucrats. With the growth of healthcare extenders such as physician assistants, nurse practitioners and pharmacists there is the potential for a revolutionary second tier of access to healthcare that will lower costs across the board while still providing quality care for many basic healthcare needs.



**End the AMA Monopoly.** One of the biggest problems driving up costs in healthcare is the shortage of doctors, which is expected to grow in the coming years. One of the reasons for this shortage is that the federal and state governments have given the American Medical Association a complete monopoly over medical school accreditation and physician licensing the same way they allowed the American Bar Association to control (and destroy) the legal profession.



**Allow Unlimited HSA Spending.** HSAs have been one of the few healthcare success stories in recent years. Customers are allowed to put up to \$6,500 in tax-free income into an account that is then used to cover healthcare costs. Unfortunately, that limit is way too small, and HSAs cannot be used to cover premiums under current law.



**Treat Insurance As "Insurance."** Decades of state and federal mandates, followed by the ACA and its mandates, have effectively ruined any notion of insurance. Insurance is for funding risk, it is not a social program that eliminates actuarial reality to fund a wish list of services.



**The fact that 75 million people are on Medicaid is appalling.** As late as 1990, nearly 25 years into the program, there were just 22.9 million enrolled at a cost of \$41 billion. As late as the end of the Clinton presidency, there were 34.5 million enrolled at a cost of \$117 billion. Now, between Medicaid and Children's Health Insurance Program [CHIP], there are 74.5 million people enrolled at a cost of \$410 billion, plus an additional \$150 billion spent by the states. If we simply cut out the hospital and insurance cartels and handed people roughly the same average payout to purchase their own risk pooling care and the rest of the non-subsidized population moved to such a system, prices would have already come down so dramatically that we wouldn't need to spend nearly this much money.

### **CASE SUMMARY FOR HEALTHCARE REFORM**

- CASE believes Congress should repeal every impediment to the creation of a free market in healthcare so that consumers may be informed and exercise informed choice.
- CASE believes Congress should repeal taxes and mandates that have only served to drive up healthcare costs.
- CASE believes Congress should create the environment within which health insurance may be sold across state lines and allow a policy sold in one state to be accepted in every other state.
- CASE believes Congress should end monopolies over medical professional positions, and allow for more doctors and fewer bureaucrats to be created in order to drive down costs in a free economy.
- CASE believes Congress should empower consumers by expanding our ability save and spend our own funds through HSAs.
- CASE believes Congress should get out of the business of mandating what insurance companies have to sell and, instead, free insurers to produce and market what consumers demand.