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The Platonic Form of Health Insurance

Written by Avik Roy

The latest edition of Health Wonk Review is up, hosted by D. Brad Wright of Wright on Health. There wasn't a dominant healthcare issue in the newspapers this fortnight, so top healthcare bloggers tackled a diverse array of interesting subjects.

HWR highlights John Goodman's discussion of the emptiness of Obamacare's promise to allow Americans to keep their health plans if they like them. But the most interesting posts from Goodman's blog were Linda Gorman's brief entry on erroneous payouts by the Medicaid system—for example, an error rate of 77% in 2009 in Colorado—and Goodman's must-read discussion of the concept of health insurance.

Goodman argues that people should pay out-of-pocket for care “when patients can exercise discretion; when patients should exercise discretion; and when the amount of money is not large.” He goes on to point out that Obamacare requires people to purchase insurance based on the opposite premise: where the patient can and should have discretion (such as with preventive care), all costs will be paid by the insurer; whereas in cases where the patient has not chosen his

condition (e.g., getting hit by a truck), he will get stuck with high out-of-pocket costs.

Austin Frakt does his usual job of honestly assessing the challenges of health care reform from the liberal perspective. This time, he takes on Obamacare's cuts to the Medicare Advantage program. He concludes: “In the long run, there's no getting around the fact that Advantage plans will shrink in generosity and availability. Anything else would defy a fundamental law of economics that also happens to be a fundamental law of politics: you get what you pay for.” There was a case to be made for taking on the Medicare Advantage subsidies. (For the opposite view, see one of the Wall Street Journal's many editorials on the topic.) Either way, it's a shame those funds couldn't have been used for deficit reduction.

Chris Fleming of Health Affairs' blog discusses the June issue of the magazine and an accompanying panel discussion in Washington on the subject of “bending the cost curve.” The panelists were optimistic about the impact of electronic medical records, and of stimulating more “integrated care”—a healthcare catchphrase for

combining health insurance, doctors, and hospitals under one roof (and thereby aligning everyone's incentives). Other panelists, like former CBO director Douglas Holtz-Eakin, were pessimistic about Obamacare's fiscal acrobatics.

Peggy Salvatore of Healthcare Talent Transformation feels "overwhelmed" by the government's directives on the implementation of healthcare information technology. She also writes that private-practice oncologists are on the ropes: "The outlook is grim, quite frankly, for oncologists who are practicing in private medical offices. There's just no money in it anymore, and reimbursement doesn't cover their costs. They aren't the only specialty that is feeling the pinch, but the financial pain is particularly acute in oncology."

David Williams of Health Business Blog makes some excellent points about a recent New England Journal of Medicine op-ed about comparative-effectiveness research. (Comparative-effectiveness research seeks to compare two different approaches to treating a disease, in an effort to see which approach is more cost-effective. The 2009 stimulus law included substantial funding for such research, which some conservatives see as a prelude to pharmaceutical price controls.) While the authors of the op-ed point out a number of logistical difficulties in such research, Williams correctly notes that there are additional problems, because the example they use—a trial of Avastin against Lucentis in a form of blindness called age-related macular degeneration—is a unique situation and not generalizable to other cost-effectiveness questions.

InsureBlog is one of the best blogs for knowledgeable discussion of the health insurance industry. There, Henry Stern investigates the demise of nHealth, a Virginia-based provider of consumer-driven health plans. He concludes that, while the company attempted to blame its failures upon the "considerable uncertainties" caused by Obamacare, its problems were more likely to have been caused by a more conventional business failure: under-capitalization.

Rich Elmore of Health Technology News interviews Rick Jackson, CEO of Jackson Healthcare, who conducted a Gallup survey suggesting that "\$650-850 billion per year" could be saved from the healthcare system by tort reform.

Richard Fogoros, author of the intriguing Covert Rationing Blog, has a thoughtful piece on the debate about whether or not relationships between doctors and the pharmaceutical and medical-device industries are a conflict of interest.

Jason Shafrin of Healthcare Economist reviews the healthcare systems of Canada, France, Germany, Italy, Japan, Sweden, and...Rwanda as a way of garnering lessons for American health reform.

Finally, Louise Norris of Colorado Health Insurance Insider notes a recent interview of Barbara Bush (George W. Bush's daughter, not his mother) by Fox News Sunday, in which Ms. Bush says she's "glad" that Obamacare passed, and that "health care is a right."