



The Real Problems with U.S. Health Care

By: Trevor Thomas

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With Paul Ryan now on the GOP ticket and the Medicare/health care debate now even more volatile, consider this bit of folly when pondering government's role in health care. Recently, while on the way to church, I made my typical Sunday morning stop at a local convenience store for my usual concoction, comprising coffee and cappuccino (which costs me only 63 cents). While I was in line to pay, I noticed that the customer in front of me was purchasing several packs of cigarettes.

Being 43, and having not purchased a pack of cigarettes since my teenage years, I curiously scanned the prices displayed on the rack of smokes behind the register. Amazingly, I noticed that several brands were nearly \$7 a pack. Of course, much of the cost of a pack of cigarettes is due to high taxes, along with the [Tobacco Masters Settlement Agreement](#).

Why did U.S. states sue Big Tobacco, and how do states justify the high taxes on tobacco products? The answer is to "recover" their tobacco-related health care costs. The Medicaid lawsuits filed by the states eventually led to a multi-billion (hundreds of billions!)-dollar settlement, which is still being paid out today.

Now we have cities like New York [wanting to ban large sodas](#) and [battered popcorn](#), again in the name of "health care costs." Why do individual health care issues require a government solution? The answer, of course, is because government has so immersed itself in the health care industry. Isn't it just like Big Government to decide that it needs to "fix" a problem that it caused in the first place?

Most of the problems with U.S. health care come down to two issues, and of course, both are the result of Big Government. First of all, almost no one knows what anything really costs. What does a routine check-up cost you? Fifty dollars? Twenty-five dollars? Zero? How much is your insurance company billed? What does it cost to have a baby delivered? How much is an x-ray? What is the true cost of your prescriptions? Who knows?

It's not just patients who are cost ignorant; the doctors are, as well. Dr. David Belk, M.D. notes in "[The True Cost of Healthcare](#)" that "unlike any other business in America, almost all of the financial transactions in healthcare are hidden from the providers as well as the patients. We order tests, procedures and medications to manage our patients, but very few doctors, or other healthcare providers, have any idea how much any of those things cost."

As an indication of the mystery surrounding health care costs in the U.S., Belk highlights medications. "Anytime you go to a store (say, a grocery store)," Belk notes, "you expect to see all of the products being sold with their prices plainly displayed. When you go to the checkout, that's the price you expect to be charged. You also expect to be able to check the price of the same or a comparable product in competing stores so you can shop around. That's how the free market works."

Now, imagine that your trip to the grocery store were more like a trip to the pharmacy. As Belk points out, "the price you're charged might be totally different from the price the next customer is charged for the same product. In fact, suppose you couldn't even pick your own groceries. A grocery list would be handed to you by a food expert and you'd be billed based on your particular 'grocery plan.' Eggs might cost you \$5, the next person \$10 and some poor guy who doesn't have a grocery plan would have to pay \$50 for the same carton. Don't even think about shopping around."

The first issue with health care costs is a result of the second (and Belk's analogy brings this out): the manner in which we purchase health care differs greatly from how Americans purchase any other item. [About 90%](#) of Americans with health insurance (about 87% of all Americans) have it through a third-party payer system -- provided by their employer or the government. In other words, by and large, most Americans do not directly pay for their health care. It is this third-party payer system that has made us so ignorant of the true cost of our health care. According to [FreedomWorks.org](#), in 2008, the average visit to the doctor cost \$199. However, the patient paid only \$28 of this cost. As FreedomWorks notes, "[m]ost of us have simply no idea how much medical procedures or regular check-ups actually cost."

This is not how we purchase homes, automobiles, gas, groceries, entertainment, or even other forms of insurance. As usual, when our free markets falter, look no farther than our government. In 1960, Americans paid over 55% of their medical care costs out of pocket, while the government covered just over 21% of such costs. [According to the National Center for Policy Analysis \(NCPA\)](#) in 2010, for the health care system as a whole, Americans pay only 12% out of pocket. For hospital care, it is only 3%, while 97% is paid by a third party.

NCPA also notes that "[p]rior to the advent of Medicare and Medicaid in 1965, health care spending never exceeded 6 percent of gross domestic product. Today it is 17 percent." Yet our politicians continue to preach how they intend -- through some government action -- to "bring down the cost of health care." Americans, of course, are being duped. What most politicians really mean is that they want to lower the price paid by the patient (voters).

Such politicians never reveal that these lower costs inevitably mean higher taxes (or at least more debt) on a significant portion of Americans. One doesn't reduce the cost of health care simply by legislating who pays for it. The free markets must be allowed to work in order for health care costs really to decline.