

Costs: Medical Care v. Auto Repair

Craig J. Cantoni

Within a 10-day period recently, I had my 10-year-old Nissan Maxima repaired, and also both a colonoscopy and hernia surgery.

Because I'm on a group medical plan, I didn't know or care beforehand what the medical procedures would cost. However, I knew and cared what the car repairs would cost, because car repairs are paid out of my own pocket and not the pocket of a third party. In fact, the repair garage provided an estimate of the car repair costs before proceeding, but the hospital, proctologist, and surgeon did not provide an estimate of their charges.

What the typical American family pays in medical insurance premiums per year is difficult to know with certainty. The numbers are imprecise, corrupted by political agendas, and difficult for individuals to calculate, because, for those who have employer-provided insurance, the cost is split by varying percentages between the employer and themselves. But the most common number thrown about by the mainstream press is \$12,000 per year for family coverage. The average annual premiums for employer-sponsored family coverage was \$13,770.¹

By comparison, the cost of owning one car is estimated at \$9,000 per year.² This includes the amortized cost of purchasing the car, the cost of car insurance, and the cost of fuel and repairs. Since the average American household owns 2.28 cars,³ the average household spends \$20,520 per year on cars (2.28 x \$9,000), not counting the cost of roads and highways.

So why don't we hear about a car-care crisis in America?

It would take a book to fully answer the question, including chapters on how Americans are steeped in canards, fallacies, and economic ignorance in K-12 school and college. The short answer is that Americans have been led to believe that medical care should be free because it is an invented right. A more cynical answer is that most Americans are spoiled brats who think they have a right to drive status symbols while sticking other people with the cost of their medical care. If you doubt that, then go to a senior center and listen to the seniors complain about evil Republicans wanting to cut Medicare while their Buicks and Escalades depreciate in the parking lot.

A cynic might also say that Karl Marx was wrong: Religion isn't the opiate of the masses. Cars are.

Cynicism aside, it's instructive to compare the cost of repairing my car with the cost of my medical treatments. Let's start with the medical cost.

Statements sent by the medical insurance company after the medical treatments show that the medical care was billed and paid as follows:

Colonoscopy: The physician and hospital billed the insurance company \$3,235. The insurance company paid them \$967.

Hernia surgery: The billed amount was \$11,745, and the paid amount was \$3,632.

Why the big difference between the billed and paid amount? I don't know but suspect that it's some kind of game played between medical care providers and insurance companies. It also should be noted that the amounts might not be totally accurate, because medical billing is so convoluted that it is beyond a layman's understanding.

Was \$967 for a colonoscopy and \$3,632 for hernia surgery competitive pricing and good value for the money? The question can't be answered, because there isn't a free market in medical care or medical insurance. The market was killed 69 years ago by the government, when its wartime wage and price controls resulted in companies providing medical insurance to employees, thus triggering the dysfunctional third-party payment system in which most consumers of medical care don't pay the cost directly out of their own pocket. In economics jargon, consumers are price insensitive in medical care. The system is further distorted by cost shifting from patients covered by underpaying government programs and nonpaying patients such as illegal immigrants.

Still, the cost of the medical treatment looks like a good deal when compared to the cost of repairing my car. The car repair bill was \$2,719 for the following: diagnosis and reset of computer codes, replacement of CV boot, replacement of two rear oxygen sensors, wheel alignment, tire rotation, replacement of six coil assemblies, replacement of spark plugs and spark plug wires, "free coffee" in the waiting room, "free" shuttle service, and "free" car wash.

So, to recap:

Colonoscopy = \$967

Hernia operation = \$3,632

Car repairs = \$2,719

The auto repairs were done by a high school graduate who attended a year of so of technical school to learn auto repair. The medical procedures were done by medical specialists with four years of college, four years of medical school, plus more years of specialized training. Moreover, the colonoscopy and surgery were done in a hospital that has considerably more expensive technology than a repair garage, as well as more highly trained employees, more complexity, and higher overhead expenses.

The colonoscopy required a proctologist to knock me out, run a camera up five feet of my colon, and use his expertise to read the results and determine whether I had cancer or pre-cancerous polyps. For this he was paid a paltry \$197.60. The hernia surgery required an anesthesiologist to knock me out and a surgeon to cut me open, insert mesh between my intestines and skin, and then close up the wound. Nurses and other highly skilled personnel assisted the specialists.

If the proctologist, surgeon, or anesthesiologist had made an error, I could have ended up dead, seriously injured, or in excruciating pain. If the auto mechanic had made an error, I would probably just have been inconvenienced.

Amazingly, Americans think that medical care is too expensive.

What sort of diagnostic examination might they need?

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