

Fake News about “Healthcare” Costs

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If you listen enough to the melodramatic media, you might think that medical care/insurance has become so expensive for the average family that parents might resort to performing tonsillectomies on their children with a steak knife on the kitchen table.

Judging by how the issue of medical costs is covered by media dramatists, journalism schools are apparently teaching aspiring journalists how to find the worst case and present it in melodramatic fashion as the rule instead of the exception. Tuition loans are another example.

But what are the facts? What are the actual medical costs for families, and how do these costs compare to the costs for housing, food, transportation, and other necessities?

Here’s a pop quiz: What is the third-biggest expense for middle-class families? Is it food, transportation, housing, clothes, medical care, education, or none of the above?

The answer is “none of the above.” The third biggest cost is taxes.

Try to find that in the news. Try to find a headline like the following in the *New York Times* or the *Huffington Post*, or a featured story on CNN: “Families Drowning in Taxes.”

Let’s look at the facts about average medical costs and how they compare to other household expenses. Medical costs should actually be much lower, if we had a free market in medicine and true insurance instead of third-party prepayment. But we’re looking at what we now have. We also recognize that averages can be misleading, as there can be considerable variation from the mean. There are many actual cases of people with cancer or some other horrible disease who, tragically, can’t afford the six-figure cost of drugs and treatment—just as there are many actual cases of the cost of medical insurance quadrupling under “ObamaCare,” especially for middle-class families not covered by employer plans. But averages are a good starting point. They put the scope and scale of an issue in the context of other issues. From there, further studies are needed to examine the variations, preferably scholarly studies without biases or a political agenda. (Good luck in finding those.)

The annual cost of medical care/insurance for a family of four under a typical employer-provided insurance plan is, *on average*, \$22,000. The employer picks up nearly \$13,000 of this, leaving about \$9,000 to be paid by the employee in premiums (payroll deductions) and out-of-pocket costs. Of course, families without employer-provided medical insurance pick up the full cost. (Incidentally, what the employer pays in medical benefits and other benefits, as well as FICA taxes, is not counted as employee income in doom-and-gloom stories about declining incomes in America, although what the employer pays has skyrocketed over the

last 40 years.)

Let’s compare these numbers with what Americans spend on cars. The average annual cost of owning and operating a mid-priced sedan, including the amortized purchase price, is \$8,876. There are 2.28 cars, on average, per household, so the total cost of cars per household (or family) is \$20,237/year.

On a related note, the average car loan is nearly \$30,000, which is about equal to the average tuition loan.

Interestingly, there are no sob stories in the melodramatic media about Americans going into hock to buy a car, like the stories about them going into hock to pay for medical care or college tuition.

How does the cost of housing compare to the cost of medical care? Well, housing is reported to be the biggest household expense, accounting for about a third of household expenses. However, housing expenses would be a lot lower were it not for the fact that the typical house today is about 2.5 times larger than the typical house 60 years ago, and it comes with expensive features not available 60 years ago. For example, my boyhood home in steamy St. Louis, Mo., was about 900 square feet and didn’t have air conditioning until I was a teen. Today, my wife and I live in a 2,018-square-foot townhouse in Scottsdale, Ariz., with a pool in the backyard. We had downsized to this house from a 3,800-square-foot detached home when we became empty-nesters. We didn’t need a house that big, but tax law at the time drove us to buy a bigger house to avoid paying a capital gains tax on the sale of our preceding house.

What about food? The numbers are soft, but the government reports that the typical family spends about \$4,000 a year on groceries and about \$2,500 on restaurant meals. This seems low, given that a person who buys a fat- and sugar-laden latte and sweet roll at Starbucks each day will fork over about \$1,825 per year to the hip Seattle company.

The average person will be overweight, because about 60 percent of Americans are overweight, with about half of these being obese. Corpulence is the top driver of medical costs nationally, to the tune of hundreds of billions of dollars a year. As such, it is within the control of individuals to save a lot of money and cut their medical costs by simply consuming fewer calories and having a healthier diet.

Where are the sob stories in the melodramatic media about fit people having to subsidize the medical costs of overweight people? Why doesn’t this count as a social injustice?

Speaking of food, poor people who supposedly can’t afford food are given food stamps to buy food at the store of their choice. They are not forced to buy food in government commissaries or eat leftover military combat rations. Nor is

the food industry nationalized and socialized for everyone so that the poor can have food. Yet many on the left (and some on the right) want to nationalize and socialize medical care/insurance so that the uninsured can have medical care. To be intellectually consistent, advocates of nationalized medical care (aka single payer) also should advocate for the nationalization of food—and for that matter, housing and transportation.

The foregoing numbers suggest that more people could afford medical care by making tradeoffs and setting different priorities, as is required in all other areas of life. They could have more money for medical care by cutting back on cars, housing, food, and Starbucks. They could even cut back on taxes if they elect politicians who will reduce taxes and government spending.

Granted, such tradeoffs require thoughtfulness, planning, and enough self-control to stop impulsive buying and living for the moment. However, because the need for medical care/insurance isn't immediate for most people—unlike the need for food, shelter, and transportation—saving for future medical expenses (and retirement) takes a lot of willpower.

Previous generations made such tradeoffs, including my working-class parents and poor immigrant grandparents, who somehow lived below their meager means and could afford medical care, fortunately without having to operate on their offspring on the kitchen table. This isn't selective memory

on my part. The personal savings rate when I was a child was about twice as high as today's personal savings rate.

What has happened in the intervening decades? Has there been some sort of environmental damage to the amygdala, the part of the brain that controls impulsiveness? Could Starbucks coffee or Apple phones be causing the damage? Could an Apple a day be keeping the doctor away due to a lack of savings?

No, but there is a related cause. The cause is the American culture of mass consumerism, where there are 43 commercials per hour on TV alone to buy stuff, including such commercials as a sleek BMW whipping around mountain curves on snow, a smartphone that will make you look hip for a purchase price of \$600 plus hundreds of dollars in monthly charges, and magic elixirs that can produce erections, erase wrinkles, cure constipation, diminish diarrhea, and improve bodily functions that I didn't even know I had. Tellingly, there are no commercials (or news coverage for that matter) encouraging people to save for medical expenses and retirement.

Don't expect the melodramatic media to point this out. They don't want to bite the advertising hand that feeds them.

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AAPS PRINCIPLES OF MEDICAL POLICY

Medical care is a professional service, not a right. Rights (as to life, liberty, and property) may be defended by force, if necessary. Professional services are subject to economic laws, such as supply and demand, and are not properly procured by force.

Physicians are professionals. Professionals are agents of their patients or clients, not of corporations, government, insurers, or other entities. Professionals act according to their own best judgment, not government "guidelines," which soon become mandates. Physicians' decisions and procedures cannot be dictated by overseers without destroying their professionalism.

Third-party payment introduces conflicts of interest. Physicians are best paid directly by the recipients of their services. The insurer's contract should be only with subscribers, not with physicians. Patients should pay their physician a mutually agreed-upon fee; the insurer should reimburse the subscriber according to the terms of the contract.

Government regulations reduce access to care. Barriers to market entry, and regulations that impose costs and burdens on the provision of care need to be greatly reduced. Examples include insurance mandates, certificate of need, translation requirements, CLIA regulation of physician office laboratories, HIPAA requirements, FDA restrictions on freedom of speech and physicians' judgment, etc.

Honest, publicly accessible pricing and accounting ("transparency") is essential to controlling costs and optimizing access. Government and other third-party payment or price-

fixing obscures the true value of a service, which can only be determined by a buyer's willingness to pay. The resulting misallocation of resources creates both waste and unavailability of services.

Confidentiality is essential to good medical care. Trust is the foundation of the patient-physician relationship. Patient confidences should be preserved; information should be released only upon patient informed consent, with rare exceptions determined by law and related to credible immediate threats to the safety or health of others.

Physicians should be treated fairly in licensure, peer review, and other proceedings. Physicians should not fear loss of their livelihood or burdensome legal expenses because of baseless accusations, competitors' malice, hospitals' attempts to silence dissent, or refusal to violate their consciences. They should be accorded both procedural and substantive due process. They do not lose the basic rights enjoyed by Americans simply because of their vocation.

Medical insurance should be voluntary. While everyone has the responsibility to pay for goods and services he uses, insurance is not the only or best way to finance medical care. It greatly increases costs and expenditures. The right to decline to buy a product is the ultimate and necessary protection against low quality, overpriced offerings by monopolistic providers.

Coverage is not care. Health plans deny payment and ration care. Their promises are often broken. The only reliable protection against serious shortages and deterioration of quality is the right of patients to use their own money to buy the care of their choice.