

Health Care and the Economy

I was stunned to learn about the General Motors \$5+ billion loss in a single quarter. It sort of puts things into perspective. It makes Apple's outstanding quarter seem an even greater achievement, but it also shows just how big GM is if they can still be in business after losing over \$5 billion in 90 days. Part of the problem with GM and other auto manufacturers and large businesses is the skyrocketing cost of health insurance. The auto manufacturers devote more money on a per-vehicle basis to health care costs than they do to steel. These costs are rising at a rate that is far above the rate of inflation and it is having a big impact.

If you look at the issues in recent labor strife ranging from the transit strike in New York City to teachers' strikes in Vermont and elsewhere in the country, the underlying issue is health insurance. In most cases, this is the result of an employer realizing that the double-digit increases in health care premiums are not sustainable. These employers, seeking a solution, are asking employees to bear an increasing share of these premiums. Of course, health insurance premiums and salary are intricately intertwined. The increased employee contribution represents a pay reduction, hence the contentious debate.

Toyota recently located a major North American production facility in Canada rather than the USA because Canada has a universal, publicly funded health care system that will allow them to accurately predict their health care costs as an element of the taxes they pay rather than be subject to the cost-shifting nature of what passes for a health care system in the USA. The costs of health care are never going to be capped and will probably never go down because doctors and scientists will discover new ways of treating disease and keeping us alive longer. The real question is how do we gain control of these costs and ensure that they are fair, that everyone pays their fair share, and that everyone has access to needed health care including prevention, screening, and primary care.

There are 27 industrialized nations in the world. Of these, 26 have universal, publicly funded health care. The one that does not has the most expensive health care system in the world, a system that does not cover everybody and a system that does not get the value for the bucks because huge amounts are wasted on administrative redundancy. That country is the USA. I wouldn't mind having the most expensive health care system in the world if that meant that every American had access to the best medical coverage in the world. But that is not the case. There are millions uninsured in the USA and tens of millions underinsured. The medical results in the USA place us well into the pack in terms of the quality of care that our expensive system produces.

This system is on the verge of collapse because of its very nature. More than 30 years ago when I started my first company, I paid about \$1,500 a year for health insurance for a family. This was expensive at the time, but was a reasonable cost for an employer that wanted to offer this benefit to its staff. We now pay over \$12,000 a year for that same coverage and as a percentage of our payroll that amounts to a very large number. The response from business owners is to drop coverage, tag more of the premiums onto their employees, or dumb down the coverage by only providing catastrophic coverage. Others start to rely upon Health Care Savings Accounts (HSA) that also emphasize catastrophic coverage. This creates a ticking health care time bomb, because the key to holding down health care costs is early detection and treatment of chronic diseases such as diabetes, high blood pressure, and cancer. The longer you wait to find and treat these diseases, the more it costs to care for the complications.

The warning signs are as plain as a canary in a coal mine suddenly going limp. Labor strife, increased numbers of uninsured and underinsured, publicly funded programs such as Medicare and Medicaid struggling with budgets, and decreased real wages in your and my pocket should be the wake-up call that tells us we need to change. It is time to tackle serious health care finance reform. Over half of the current health care system is publicly financed. While any reform effort is always met with opposition from insurance company lobbyists and others profiting from the current system, and accusations of socialized medicine and bureaucracies are thrown about, it is time to grapple this difficult problem that is causing such economic strife in our country.

The only real solution is to adopt a universal health care system where health care is considered a public good. Society's need for health care is not a lot different from society's need for fire service. To ensure adequate service in the event of fire, we willingly invest in very expensive equipment which most of us hope we never have to use. We invest in training skilled professionals who need to be on call at all hours, but whom we hope we don't have to encounter except on a social basis. And we pay for this through the tax system. We should look at health care in the same way. It is time for true health care reform!
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