Eliminating the Healthcare Middleman

by
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Please forgive me. The thoughts expressed in this editorial mimic my own, but many are not original. I am unabashedly stealing much of the essence of this commentary from *The Washington Spectator*, June 15, 2008 issue. When I first read it, I called them and asked if that would be OK, and they agreed, as long as I gave them and the article's author, Ian Williams, due credit. That being said, I now have. Please forgive my subsequent overt plagiarism.

To set the stage: Did you hear the one about the health policy expert who died and went to heaven and got an interview with God? His first question of The Boss was "Will we ever have universal health insurance coverage in the United States?" To which God responded, "Yes, but not in My lifetime."

It seems that both presidential candidates, Obama and McCain, have abandoned the single-payer principle, the approach most likely to achieve universal coverage, despite ample evidence from abroad that single-payer works. To add fuel to this discussion, what if you heard of a country that in 1995 introduced a successful single-payer universal health care system, with complete freedom of choice of doctors and no waiting lists, and who was using a model familiar to most Americans? Wouldn't that be interesting? Wouldn't you expect both presidential contenders to be beating a path to their doorstep?

I invite you to take a look at Taiwan, who did just that. And the system they designed in 1995 is still working fine. It allows the choice between Chinese traditional or modern medicine, and provides dental and prescription drug coverage as well. It does this for just over a third of the proportion of the gross domestic product (GDP) that the U.S. "system" costs. To sharpen the irony, the designers of the Taiwanese system scoured the globe for a model, and in the end adopted what they thought was the most promising system to emulate – Medicare in the U.S.A.!

One of the important differences between the U.S. and Taiwan is the way in which they approach health care. In Taiwan, the government set out to include everyone, even those who could not afford the stunningly low premiums being charged for health care. Here, George W. Bush vetoed the SCHIP bill that would have provided coverage for nine million children, because the parents of a tiny minority of them might have been able to afford coverage for their kids. In Taiwan, their goal was to design a healthcare system that was first and foremost a public service, a healthcare safety net. In the U.S. our for-profit insurance companies have clearly stated that their primary goal is simply making money. "We will not sacrifice profitability for membership," president and CEO of WellPoint Angela Braly told financial analysts, while she emphasized her company's ability to lean hard on its network doctors to accept lower reimbursement. She is not alone.

Let's look closer at this Taiwan system.

In Taiwan, workers and employers pay premiums in the same way Social Security deductions are paid in the U.S. – on an income-based scale. The maximum premium is about $20 per month per

person, with a maximum of three dependents to be paid for. There are exemptions for those who cannot pay, loan packages to pay premiums, and referral to charitable organizations for payment if the loans fail. In addition, by the end of 2004 the Bureau of National Health Insurance (NHI) had issued 750,000 Catastrophic Illness cards, whose holders' co-payments are either reduced or eliminated entirely, relieving the financial burden of chronic illness for the class of people most American insurers would be trying to drop.

Far from being offered "socialized medicine" by an uncaring bureaucratic state, the Taiwanese get their medical services from a mix of private and public hospitals and clinics of their choice. What Taiwan has created would seem like a bureaucracy-free dream to anyone who uses American medical care. Each citizen has a smart card that automatically bills the NHI for treatment, while at the same time giving access to medical records. The card provides historical information regarding serious illness and injury, major medical examinations, lab tests, CT, PET and MRI scans, thus avoiding the unnecessary and expensive repeat testing done so frequently in the U.S. It also tracks prescriptions and drug allergies, averting the problems of adverse interactions between different medicines and minimizing duplication of prescriptions in a dangerous or expensive manner.

Standing up to the pharmaceutical industry allowed their single-payer system to control costs, while the NHI card technology provided a system that controlled overcharging and encouraged best practices. The 29 million monthly claims going through the system allow effective analysis of costs and billing patterns.

From the doctors' point of view, rapid, paper-free payment reduces their costs and frustrations. They and their staff do not have to spend time arguing bills with HMO clerks who get bonuses for denying coverage. It helps the doctors' bedside manner considerably that patients are not tied to any particular doctor, clinic or hospital and have the subsequent freedom to go "doctor-shopping."

Taiwan has provided excellent coverage for considerably less than the U.S. pays for bad coverage. Taiwan's health care costs ran at 6.2% of their GDP in 2005, compared with 16.2% for the U.S. In absolute terms, the difference is even starker. In 2003, Taiwan spent less than $800 per person, compared with the U.S. level of $5,500. In fact, by 2005, U.S. health care spending had increased 6.9% from two years earlier, to almost $2 trillion, or $6,697 per person per year.

Much of the cost – and cost increase – in the U.S. is driven by the industry into whose hands our presidential candidates want to place healthcare solutions. The industry's prescription is always the same: higher premiums, lower fees for doctors, and reduced coverage. Of course any health system faces escalating costs, and a "free" system does tend to create more demand. To contain costs, in 2005 Taiwan introduced a referral system, aimed at dissuading the insured from racing to the most prestigious hospital or specialist with every headache. Patients can still do that, but now they face an increased co-payment if they skip the referral stage. The co-payment should not dissuade anyone genuinely ill from seeking help – it is a mere $12 for an un-referred patient who chooses to self-refer to an academic medical center. For those who took the hint and went first to a clinic, referred or un-referred, the co-payment is $1.50. For some expensive, high-tech

and experimental procedures, pre-authorization is required, but it would appear that this is less onerous than dealing with an American HMO. Counterbalancing the co-payments are ceilings on in-treatment liabilities – for example, an annual cumulative ceiling of about $1,300 for co-payments. There are many exceptions to co-payments – for serious illness, childbirth, people in rural areas and low-income families – to ensure that people are not deterred from seeking the help they need.

The NHI manages prescription costs in a similar way. First it bargains down drug prices and, second, co-payments are determined on a proportional basis with a ceiling of approximately $6 per prescription, with exemptions for the needy. Some of the income for such social provision comes from a lottery and tobacco taxes, which are useful models for a U.S. system.

Not only does Taiwan show what is possible; it has based its success on U.S. examples. All the elements are here at home already. We have a Social Security system that is possibly the most efficient part of the federal government, with very low overhead, that could be adapted for health care premiums. We have Medicare, Medicaid, the Veterans Administration and a network of public and not-for-profit hospitals already in existence. U.S. health insurance companies spend approximately 20% of their premium income on administrative overhead, as opposed to a 2% cost for Taiwan's NHI. If you add the cost in the U.S. of dealing with insurance claims, the numbers become mind-boggling. In a Wall Street Journal op-ed in May, a Columbia University professor lamented that administrative costs of U.S. health care amounted to $500 billion annually. Health insurers have confessed that they have no intention of providing universal coverage. Besides which they are egregiously inefficient, callous and charge high overheads. The insurers are clearly an unnecessary part of the system. They should be invited to confine themselves to special additional care services, long-term nursing care and similar more profitable activities. Apart from the savings from rationalizing the system, just think about the master settlement between the tobacco companies and the states, which has paid out $250 billion so far in what state legislatures have treated like walking-around money. Appropriate that money for the health care system, not to mention some of the money spent in Iraq, and universal coverage should be a cinch. If the Kuo Ming Tang can find the political will to do it at the beginning of Taiwanese democracy, the U.S.A. should be able to pull it off some 220 years or so after ratifying its Constitution.

It's time for the liberals in this country to liberate that which must be liberated, namely the basic humanitarian goal of an organized society to assure adequate healthcare for all its people; and it's time for the conservatives in this country to conserve that which must be conserved, namely the strength and stability of our nation, currently so threatened by our healthcare crisis. May we be guided in this process with strength, courage and integrity to a path that is fair to all concerned and taken only because it is the right thing to do.

Obama, McCain, Schwarzenegger, Feinstein, Boxer, Thompson – get to work. Time's a wastin'.