

t r u t h o u t • e d i t o r i a l

truthout



[Print This Story](#)



[E-mail This Story](#)

The RX From "SiCKO:" More Choice

By Dean Baker

truthout | Columnist

Monday 02 July 2007

The pundits are working overtime trying to defuse the message from "SiCKO," Michael Moore's new film. They are trying to convince the public that the United States could not possibly do what every other rich country (and even some not so rich countries) have managed to do: guarantee their people decent health care.

The centerpiece of the pundits' whine is that universal health care could not work here. They claim the systems which work in other countries require a larger roll for government in health care than Americans want. While this claim is contradicted by poll after poll on the topic, we don't have to argue with the pundits, rather pointless task in any case.

We can just give people a choice and let them vote with their feet. Suppose the government were to establish a Medicare-type program and open it up to all individuals and employers in the country. Those who already have insurance can switch to the government-run plan. Similarly, employers can switch to it as well. Individuals who do not already have insurance would have the option of buying in to the expanded Medicare plan as would employers who do not currently provide insurance for their workers. We can also have a system of expanded subsidies for health care for low and moderate income households, which will make health care insurance more affordable for those families.

This is more or less what both John Edwards and Barack Obama have proposed in their presidential campaigns. To get to universal coverage, there are important issues like mandating that individuals have health care insurance, and also questions about the revenue source for subsidies, but the key point is to establish a national Medicare-type insurance system that can get costs under control and

d

donate

S

subscribe

i

issues

e

environment

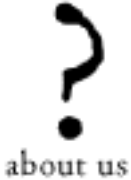
m

multimedia

eliminate the enormous waste in the private insurance system.



Medicare's administrative expenses are a small fraction of the administrative expenses of private insurers. Medicare uses just 2 percent of the money that flows through the system to cover administrative costs. By contrast, private insurers spend between 10 to 20 percent of their premiums to cover administrative costs. They use this money for marketing, high CEO salaries and dividends to shareholders; all expenses that Medicare does not have.



This is the reason Medicare always wipes the floor when it competes against private insurers on a level playing field. That is exactly what happened in the late 90s when the "Medicare Plus Choice" program was restructured to remove most of the subsidy for the private insurers that participated in the program. The vast majority of the HMO's that had entered the Medicare system went running for shelter, whining that they could not make a profit if they were only compensated as much per patient as the traditional Medicare program.

This is why when the Republican Congress wanted to expand the role of private insurers in Medicare with the 2003 Medicare Modernization Act: They put in a system of subsidies that the Medicare Payment Advisory Board estimates at 12 percent per beneficiary. The insurers again claim they could not possibly make a profit if they got the same per patient fees as the traditional Medicare program.

This experience is important. We cannot afford universal health care if we don't bring the costs of the US system more in line with the rest of the world. We currently pay more than twice as much per person, with no obvious benefit in terms of outcome. The key to creating a more efficient system is to have a government-run system comparable to the traditional Medicare system.

But, we don't have to pontificate about American values and the role of government - leave the silly pseudo-philosophical debates out of it. This is a straight dollars-and-cents question that can be determined by the market. Give people a choice and let them decide whether they want to be insured through the government-run system or want to stick with private health care providers.

The pundits have managed to flip reality on its head. It is the health insurance industry and their partners-in-crime, the pharmaceutical industry, that are scared of the market and competition.

If we just allow a government-run plan to compete on a level playing

field with private insurers, we can soon get a system of universal health care. The question for the insurance-industry-loving pundits is: "What's wrong with giving people a choice?"

Dean Baker is the co-director of the Center for Economic and Policy Research (CEPR). He is the author of The Conservative Nanny State: How the Wealthy Use the Government to Stay Rich and Get Richer (www.conservativenannystate.org). He also has a blog, "Beat the Press," where he discusses the media's coverage of economic issues. You can find it at the American Prospect's web site.

Jump to today's Truthout Features:



[Print This Story](#)



[E-mail This Story](#)

© : *t r u t h o u t 2007*

| [t r u t h o u t](#) | [issues](#) | [environment](#) | [labor](#) | [women](#) | [health](#) | [voter rights](#) | [multimedia](#) | [donate](#)
| [contact](#) | [subscribe](#) | [about us](#) | [rss feed](#) | [archive](#) |