

Medicare and Universal Health Care Coverage

Hoo, boy... So, where do we begin? Maybe the best thing to do is first talk about the concept of insurance. As we get into the topic of Medicare and the Affordable Care Act (ACA) it might be best if we first talk about the conceptual nature of insurance and the similarities between health insurance and auto insurance. So, what is insurance, and why do you need it? First of all, you only need insurance when you need it. Otherwise, it's just a cash outflow. This is true for any kind of insurance, including auto insurance, homeowner's insurance, and health insurance. Over the years, there have been a number of drivers out there who have faithfully paid their auto insurance premiums every year of their driving lives, and never had a need to file a claim (or receive insurance proceeds from another driver who was at fault). For these drivers, auto insurance was simply just another cost of driving, similar to the cost of gas, tires and oil. But the state in which you live won't let you drive (legally) unless you've paid your auto insurance cost. So here is the true nature of auto insurance - you send some money (an insurance "tax") to an entity (an insurance company) - the insurance company can then use that money to make a payment to another counterparty (for example, another insured motorist) who might otherwise have been financially wiped out if they also didn't have auto insurance coverage.

Another general insurance issue (and marketplace concept) is that there are different levels of costs for different levels of coverage. That is what the insurance market place is all about. That is what choice is all about. (We'll come back to this later).

Contrary to popular belief (ie, that universal health care coverage is an "entitlement") once the ACA was passed by Congress and then signed into law by President Obama on March 23, 2010, the true nature of universal health care coverage became clear - health insurance is now a mandated "tax" (like auto insurance). With the Supreme Court's landmark decision regarding the "individual mandate" provision of the ACA, every citizen must now obtain health care coverage, or they have to pay a tax/penalty to the IRS if they don't otherwise make arrangements to be covered under an employer's health care plan or obtain coverage through their state's health insurance exchange.

Prior to the passage of the ACA and the Supreme Court ruling, obtaining health coverage had been optional. To some degree, it still is. Under federal law, if you are a young healthy 20-something-year old who just moved out of your parents' home, and you want to roll the dice that you won't get sick, you are not required to buy health insurance. However (starting in 2014) you will need to include some amount on your federal income tax return to pay for your lack of health insurance coverage.

Having said all that.... It is the belief of our Editorial Board that Universal Health Care coverage is a laudable goal. There is some merit to the following statement, which was distributed by the Treasury Department - *The individual mandate guarantees personal responsibility. Without it, there's nothing to prevent people from only buying health insurance when they need it - which is similar to allowing people to buy homeowners insurance when their house is on fire.*

Prior to the passage of the ACA, it was reported that 49.9 million citizens (over 16% of the population) were not covered by health insurance during 2010, either due to a conscious decision to not acquire coverage, or due to an individual's lack of available funds to acquire affordable coverage. In some ways, it was a national embarrassment that a certain portion of the population who could afford coverage, decided to avoid personal responsibility, and instead intended to rely upon a government program (or the benevolence of their extended family or fellow citizens) to help them out in the event that they encountered a serious medical issue.

Our Editorial Board believes that the procurement of health care coverage is an act of personal responsibility (for yourself and to your family). We also understand the similarities with the government's requirement that you acquire auto insurance, which is needed because you are insuring against a risk that in the event of an accident, you could be affecting someone else's life and future financial situation. Conversely, home owners insurance is not mandated, because the government allows you to roll the dice in regards to the risk of fire, etc. (that is unless you are required to have homeowners insurance because you still have a mortgage loan against your home, in which case, you are really covering your lender's risk).

The connections that we are making in regards to health insurance is that nearly everyone (including the uninsured) could get their immediate trauma medical needs administered to them "free of charge" in the local Emergency Room at the local hospital. However, if that were to be the primary delivery mechanism for health care services in the country, the rest of the population would still end up paying for the cost of that care through higher insurance premiums.

Having said all of that.... Our Editorial Board is appalled that this complex social (and personal responsibility) issue is now formally under the management of the US government. (Cue up the "Highway to Hell" soundtrack).

In June 2012 the White House issued a press release after the Supreme Court ruled that health insurance is a "tax". There are three statements in the press release that we take exception to -

The Affordable Care Act includes numerous provisions to keep health care costs low. Someone in the administration needs to define "low". Due to the definitional nature of insurance (along with other taxes and other wealth transfer schemes) someone's "low" ends up being someone else's "high". The only way to decrease the overall aggregate level of cost for the country's annual health care bill lies within the medical community itself and in the free market. (We are not going to go into a discussion about ambulance chasers, medical litigation, the medical profession's excessive testing just to cover themselves against potential litigation, etc. and the resulting effects on health care costs).

Over 86 million Americans have gained from coverage of preventive care free of charge, like mammograms for women and wellness visits for seniors. There is no such thing as a free lunch (or free coverage) - - someone (else) is paying for these preventive care services. It's true that these particular 86 million people received these services free of charge, but other people have borne the cost. This is just another form of taxes / wealth transfer.

Millions of Americans will soon be eligible for tax credits to ensure that their health insurance is affordable. We are opposed to any expansion of the list of "tax preference items" that distort the marketplace. Instead, we are putting forth a number of recommendations (see below) on how health care should be handled for federal income tax purposes, which do not distort the marketplace or expand the list of government "entitlements".

Our Editorial Board does agree with the following statements in the press release -
....families will get the security they deserve and (ACA) protects every American from the worst insurance company abuses. As we have noted elsewhere on our website, the appropriate regulation of the capitalistic marketplace is an appropriate role for the federal government.

States can also implement their own brand of reform through Innovation..... If States can come up with even better ways of covering people at the same quality and low cost, this law allows them to do so. We are relieved to hear that much of the restructuring of the country's health care system is going to be handled at the state level, rather than the federal level. Our hope is that once a particular state (and the health insurance companies operating within that state) have figured out the best way to handle this federal mandate, those "best practices" ideas can be shared with other states, so that the benefits of the capitalistic system (ie, products and services at the lowest prices available) can spread from one insurance company to another, and from one state to another.

In regards to Medicare..... Similar to Social Security, this federal program is simply a program to help facilitate the transfer of wealth from one generation (of currently working employees) to another (previous) generation. And that's OK - as long as people understand that this is simply the existing "social contract" between generations, and We The People are not misled into thinking that Medicare is a health insurance program. The simple reason Medicare is not a health insurance policy is that insurance companies insure risks, and they set premiums accordingly. Therefore, the annual health insurance premium for a 20-something person would be, say, \$1,000 per year, and an annual health insurance premium for an 80-year old would be, say, \$25,000 per year.

So.... How should this vast pool of healthcare money be handled? First, the US government should not administer or pay for healthcare. The US government has done its job - it needs to continue to set appropriate federal regulations for healthcare, but healthcare needs to be administered at the state level. Accordingly, all Medicare payroll tax withholdings (ie, Medicare tax receipts) should continue to come into the US government, and then be immediately repaid directly to the state where those withholdings have come from, so that the states have their funds to administer Medicare, Medicaid and healthcare costs. Similarly, all federal income tax receipts that come in on federal income tax returns for the tax/penalty from those people who have elected to not obtain health insurance should be immediately repaid directly to the state where those tax proceeds originated.

Now the hard part - - we need someone to do the math, and set the "federal standard cost" for healthcare for individuals and families. Please refer to the Conversation Piece entitled *Tax Reform / Tax Simplification*. In that piece we recommend that taxable income should be calculated after deducting "the cost of daily living expenses" which includes the cost of assuming personal responsibility for obtaining health insurance. Once these "federal standard cost" amounts have been established, it should be fairly simple to complete an income tax return. It should also be somewhat easy to determine whether someone has maintained coverage or not, and if not, pay the health insurance amount to the federal government, so that this "mandated tax" can be forwarded back to their home state.

One last thought on insurance premiums. There has been a lot of discussion about the state healthcare insurance exchanges, along with their insurance offerings and the associated costs. We recommend that the "federal standard cost" amounts be based on the cost of the "bronze level" of coverage. We feel that all citizens should have a minimum level of coverage to handle catastrophic losses. Beyond that level, it would be the personal responsibility of the individual to determine the cost versus benefit of signing up for a more comprehensive (and more costly) health insurance policy. That is what choice and personal responsibility is all about....