

September 5, 2008

A Paradigm Shift in Health Care

By Gregory Schneider

The manner in which people receive their health insurance in America is changing.

In the past 60 years, employers provided the majority of Americans with health insurance and in return employers received a tax deduction for doing so. Employer-sponsored insurance was the norm during a period after World War II when American corporations were huge employers and American industry was dominant. By the end of the 1940s, close to two-thirds of those insured received their health insurance from their employers.

The decline of ESI insurance and the growing importance of government-sponsored health insurance has been one of the bigger stories dominating the debate about health care. If government now insures, through Medicare and Medicaid, more than 25 percent of the population and if large employers such as General Motors, are struggling to pay health insurance costs (about \$1,500 of every GM vehicle sold goes to health care costs for retirees), then, some say, we need national health insurance in order to be competitive in a global marketplace.

There is another way. The cost of government-funded health care is on the rise and expected to consume 19 percent of gross domestic product by 2082 (federal spending on health care currently is 4 percent of GDP). Total spending on health care already amounts to 16 percent of GDP. If Americans want to have higher taxes and cuts in spending on other priorities, such as defense, to pay for health care, then we can continue on such a path. If we want government to spend on other priorities and keep taxes low, we cannot take such a path.

How about a new paradigm altogether? If big employers continue to slash workforces and small businesses continue to have difficulties paying for health insurance, why not empower individuals to pay for their own health care and increase the numbers of those who pay for health insurance on their own?

In time, such practices would encourage the recipients of government assistance to purchase health insurance in the marketplace. What this new paradigm would constitute is the creation of a true market for health care, something which doesn't exist now.

The easy criticism of such a plan is that it costs too much.

Individuals have to pay for what their employer would have kicked in for their insurance. They also do not receive the tax deduction for doing so. How could an individual with a family afford health insurance?

The easy answer to this is to restack the decks in a way which favors individual consumers of health care rather than the providers of health insurance and the providers of health care (doctors and hospitals). Give a tax deduction comparable to ESI-based insurance to those who pay individually. Maximize the existing laws that favor the creation of Health Savings Accounts

and provide needed incentives for individuals to subscribe to them.

Paradigm shifts are not wishful thinking. They can and do occur. It is high time we start thinking and applying such a shift to health care.

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