

Evenings at FEE

Saturday, October 14, 2006

“Clogging the Pipeline:
New Central Planning and the Energy Crisis”

Dr. Robert L. Bradley, Jr.

President, Institute for Energy Research, Houston, Texas

Saturday, November 11, 2006

“Deadly Delusions:
Intellectuals and Utopian Dreams”

Dr. Paul Hollander

Professor Emeritus, University of Massachusetts at Amherst

CONGRATULATIONS, FEE ALUMNI 2006!

263 outstanding young men and women from 35 countries and 39 states attended our five week-long student seminars this summer.

- Freedom 101 (high school students)
- Freedom University (two sessions for undergraduates)
- Young Scholars Colloquium (undergraduate and graduate students)
- Austrian School of Economics (undergraduate and graduate students)



Healing America: The Free Market
Instead of Government Health Care
By Jane M. Orient, M.D.

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Healing America: The Free Market Instead of Government Health Care

Jane M. Orient, M.D.

The following is abridged from a speech delivered at “Evenings at FEE” in July 2006.

Our society has been bedazzled by a host of seductive and erroneous ideas about American medical care: we can change human nature, and this time we can do it right; we can find the fountain of youth; we can eat from the Tree of Life; and we can surely fly into the Sun with our paraffin wings.

Unfortunately medicine is very well adapted to fuel all of these dangerous illusions. It is a two-trillion-dollar pot of gold, one seventh of the American economy. It is certainly a great magnet and motivation for all types of people. It attracts people because of fear and greed, and it attracts people because of their better instincts. It is also the third-rail of politics. Once people are given some sort of entitlement to medicine, it can never be taken away. Let us not blame the free market for that; there has been no free market in medicine for at least 60 years, thanks to the public-private partnership, the

federal tax code, and all types of government intrusions and incentives.

Medicine is a great place for practicing Sutton’s Law. When asked why he robbed banks, the famous bank robber Willie Sutton replied, “Well, because that’s where the money is.” But the money is not in taking care of sick people. The money is in what we now call *health care*. Money comes from things like data mining—from selling information to pharmaceutical companies so that they can monitor doctors to make sure they are prescribing enough drugs.

The real money, of course, is in so-called insurance. Insurance is supposed to be a voluntary means of sharing risks and paying a premium based upon an estimate of an individual’s risk. For example, when you buy life insurance, it does not actually protect your life. In fact, it may become a danger to your life, depending on who the beneficiary is. Who are the beneficiaries of your health insurance? To a large extent, hospitals.

So health insurance is not really insurance but a *health plan*, a way of prepaying for medical care. Customers pay the premiums; insurance companies collect all those premiums and make huge money through investing the float. They also make a great deal of money from doing the administrative paperwork, often just by processing the claims to give the patient back his \$2.50 worth of reimbursement. The more money flows through their hands, the more of it sticks to their fingers. This is why insurance companies are so upset about the idea of individual health savings accounts: they want all that money in their accounts, not in yours.

Nevertheless, health-insurance companies can be credited with the greatest marketing success in history. They have managed to transform something that people generally begrudge—insurance—into the “Holy Grail” that everybody thinks he must have. Somehow they were able to convince all of us that having health insurance automatically guarantees access to care when we are sick or injured.

But the very people who are marketing the idea of “universal coverage” want us “covered” so they can



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Dr. Orient serves as executive director of the Association of

American Physicians and Surgeons (AAPS) and editor of its newsletter. She is also a professor of clinical medicine at the Oregon Institute of Science and Medicine and a clinical lecturer at the University of Arizona College of Medicine.

During the Clinton presidency she was instrumental in bringing about the high-profile lawsuit, *AAPS v. Clinton*, which successfully challenged the illegal secret operations of the Clinton Task Force on Health Care Reform.

Dr. Orient, a former trustee, is a member of the FEE faculty. Her lectures are very popular with our summer seminar students.

Dr. Orient resides in Tucson, Arizona.

control medical care. This way they do not have to spend all that money on sick people who are too big a liability and do not fit into their central plan. Sick people are kind of a “disaster”: they cannot go to work, treatment takes up all their money, and they cannot really pay for their care. Clearly insurers do not make money from paying sick people’s bills; they make money from collecting the premiums in advance from healthy ones.

In other words, medicine cannot be a big source of profit if people only use it when they have a problem. The solution? Find a steady source of income from people who are not sick, but healthy, promise to take care of their health, and turn what used to be called medicine into “health care.”

Coercion versus Choice

Proponents of universal health care keep a big “secret” that I want to share with you: *your health care is up to you*. It is your individual responsibility, and you probably learned everything you need to know about it from your grandmother. You should eat your vegetables and get your exercise, you should not smoke or drink to excess, you should not run around. In reality your health is determined by your genetic endowment, by your behavior, by the choices you make, and, to a large extent, just by pure luck.

Yet we are constantly being told that we ought to have a better health-care system. After all aren’t we the only industrialized country without universal health care? We Americans need to be made healthier. We need more and more guaranteed preventative services like mental-health screening and treatment for high cholesterol and hypertension.

At the same time the standards that make one eligible for all those treatments are getting lower and lower, as more and more new, expensive drugs become available. A lot of these protocols may possibly decrease one’s risk of certain types of mortality by half a percent. But the cost is very high in both money and potential side effects, which are not very well researched, cannot possibly be known, and may determine long-term outcomes.

Nevertheless, the insurance companies want to make sure that you will buy all of these products, allegedly to improve your health. It makes you very dependent: the more expensive drugs and services you have to buy, the more important it becomes for you to have health insurance. In other words, all of these products and services react in a synergistic way: they are very expensive, and you need more and more of them, so you need more and more health coverage. If you do

not have health insurance, you are in bigger and bigger trouble because you cannot afford to buy all of these health solutions.

That is the reason why the universal health-care movement, which is really the universal get-you-covered-by-insurance movement, continues to gain momentum. Those on the left insist that health care is a shared social responsibility and demand legislation which will guarantee life-long, affordable health-care coverage for all Americans.

Many people have chosen not to buy coverage, either because it is expensive and they don’t think they need it—or because they think it is a rip-off and plan to pay their own bills when they get sick. Today the tide has turned against them. They are branded as free riders who don’t pay their bills, and thus must be forced to buy health insurance. Sadly, Massachusetts has just passed a bill mandating everybody to buy health coverage.

Socialism Through the Back Door

Besides being a scam as far as health is concerned, universal health care is a great way of implementing one of socialism’s main objectives through the back door: equalization of incomes through redistribution of wealth. Let us not forget that Lenin called medicine the “keystone in the arch of socialism.” In Canada, for example, socialized medicine is a reality of everyday life. Everybody has to have insurance. It is universal, it is mandatory, and it is affordable. People with low incomes may pay as little as \$300 a year through their taxes whether they like it or not.

Those in the upper-income category may pay as much as \$22,000 for the same low-quality insurance policy. Canada’s upside-down-and-backward universal health care makes sure that anybody can go to the doctor because of a sniffle without paying the bill. On the other hand those who are really sick are “guaranteed” to be circling around the emergency room or piled up on gurneys in the corridor, and they are forced to pay for such care on the basis of income. It is the ultimate sliding scale.

Can you think of any other product that you have to pay for according to your income? When you buy a car, does the dealer look at your tax return and say, “Well, this car is going to be ten times as much for you as it is for me”? It’s a great way to redistribute the wealth.

Vernon L. Smith, a Nobel laureate who has spoken here at FEE, explains the way we buy health care in a recent *Wall Street Journal* article: A is the customer, B is the service provider. B tells A what service he should

buy. Then a third party pays for it from a common pool of funds. This problem has no economic solution. We have simply disconnected supply from demand by taking the price to be paid directly by the customer out of the equation. Thus we have absolutely no control over the cost of this system. No wonder the cost keeps going up and up and up. Medicare is a perfect example.

Every time the government passes a law to make health insurance more affordable, the expenditures rise and so do the premiums. As a result, the number of uninsured people goes up as well. The only way we can get people to buy such an overpriced product is to use force. Having disconnected the free-market mechanism, the government now must control the supply side by rationing health-related products and services. Of course the word rationing is never used; instead, medical services are *rationalized*.

Under this “non-rationing” rationalized system, we are going to make sure that we get the right care to the right person in the right setting at the right time. The government promises to eliminate disparities so no one gets better treatment than another.

Quality or Equality?

The medical central planners are determined to make us all equal, insisting that it is not right that a rich person can get better treatment than a homeless one. In practice this means cutting off the outliers from both ends of the bell-shaped curve. On one end, you should not be at liberty to spend your hard-earned wealth to improve the quality of your own medical care. On the other end, if you are poor and become a liability—if you live too long or are disabled and the system has to take care of you—well, don’t get your hopes up. In other words, cut off the rich so they don’t have more than anybody else, and cut off the poor.

This can in no way improve the quality of medical care unless quality is redefined to mean compliance with the rules. Compliance with what the government allows you to have, which, of course, will be influenced by a political process. We already practice this in Medicare. A doctor is not allowed to give charity to a Medicare patient. One could even go to jail for it. In spite of all this the word compassion is constantly used in an attempt to sell universal medical care, under which compassion is simply not going to be allowed. What total and utter hypocrisy!

But people are in denial. They are bedazzled by all kinds of illusions and false promises that keep their eyes off what the man behind the curtain is doing. Americans believe that we can all have good health and we can all be taken care of by the compassionate state.

There is a sense of urgency in all these political plans

to bring about universal health care. We’ve already begun to see the effects in the older age groups. Through Social Security taxes a large younger generation, the baby-boomers, supported very generously the less-numerous older generation. The government has taken the excess, spent it, and stuffed the Medicare trust fund with IOUs.

Do you know what is in that famous “lock box”? It is full of IOUs, which the younger generation is going to pay off one of these days to support the aging baby-boomers. In fact, people of my age (I am at the leading edge of the baby-boomers) are the real troublemakers here because they will cause the day of reckoning.

Ignoring Ethics

Medical ethics is being turned upside down and backwards. When you go to the hospital, even for some minor outpatient procedure, you will be asked to sign an advance directive or possibly grant permission not to resuscitate you in case of some disaster. For example, I once admitted to the hospital an older patient of mine with a minor problem. I expected her to do well and reassured her that she would go home in a couple of days. I had completed my examination when somebody asked her to sign a paper giving us permission not to restart her heart if it stops. Why was my patient being terrorized? I had just finished trying to reassure her.

When I was an intern at Parkland Memorial Hospital in Dallas, I expected people who were admitted with a little bit of heart failure or a mild stroke to get better fairly soon. These days, such patients may suddenly go downhill and die. I think they are administered large dosages of sedatives or painkillers they do not really need. They cannot take a deep breath, they cannot cough, they cannot get out of bed, they get blood clots, and finally they just die.

We got ourselves into our current dilemma by trying to repeal the laws of economics, and now we are trying to cope with it by repealing the laws of ethics. We must not ignore the fact that all of this rhetoric about the “universal right to health care” has very serious implications. Being covered by health insurance by no means guarantees you medical care. On the contrary, the more medicine is socialized, the less medical care you can count on receiving. If you have the right to all the health care that society determines you are entitled to but cannot afford to provide, that means that you have no right to live.

Medical care is no longer a free-market enterprise. It is used to cover up for making political promises that we should have known a long time ago cannot be kept. Until we are willing to face the truth of what we have done, the consequences are going to be disastrous.