

PERSPECTIVE

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How should Colorado lawmakers fix a broken system?

Determine the real scope of the problem

By Sen. Andy McElhany

Freshman state Rep. Claire Levy's recent call for "radical changes" to our health care system left me wondering just how far she would have us go in pursuit of "universal" health care.

My hunch is that she wants the General Assembly to embrace the failed models of some other states and a number of other nations — with dire consequences. Like Canada, where the government is the only insurer — the so-called "single payer" — and patients can wait

months for a bypass operation and years for a knee replacement. Or maybe a U.S. state like Tennessee, whose disastrous attempt to reinvent Medicaid hemorrhaged red ink. All took a wrecking ball to the status quo and wound up with a cure worse than the ill. Rushing headlong into radical change is likely to leave us with a bad case of buyer's remorse — busting budgets, inhibiting choices and undermining the quality of care.

Without a doubt, our health care coverage has gaps that leave some people

out. It also saddles most of us with soaring costs. These are serious shortcomings. Yet, my 13 years in Colorado's General Assembly have taught me that you don't repair a flat tire by reinventing the wheel. You find the leak and fix it. That means the first thing we must do in the public policy debate over health care is determine the real scope of the problem.

How many people really are chronically uninsured and actually want, and need, coverage? Far fewer than the 700,000-plus Coloradans — and at least 45 million people nationwide — you often hear about in this superheated debate. In reality, the federal government estimates that roughly half of the uninsured lack coverage for only six months or less, usually because they are simply between jobs.

Consider age, too. According to the U.S. Census Bureau, more than 30 percent of the uninsured are between 18 and 24 years old, and another 26 percent are between 25 and 34. These are, by and large, healthy young people — health-care statisticians call them the "invincibles" — who spend their income on other things besides health insurance.

Let's also remember there are few if any elderly among

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Rethinking health care

Don't model state reforms on Medicaid

By Brian T. Schwartz

Colorado's Blue Ribbon Commission for Healthcare Reform recently selected four proposals for further analysis and eventual legislative review. The so-called 208 Commission's goals include improving access, encouraging personal responsibility, and supporting a "financially viable, sustainable and fair" system. Yet, these proposals pre-

serve or expand Medicaid, which fails to meet these goals.

Colorado's Medicaid spending has almost doubled since 1997, eats up 20 percent of your state taxes, and increases prescription drug prices. The National Association of State Budget Officers reports that "increases in Medicaid costs will far outstrip the growth in state revenues into the future." But why should state-level administrators be frugal? For each dollar state taxes compel you to donate, the feds

pitch in another by taxing someone else.

One of the four proposals being considered recommends that Medicaid switch from its current "fee-for-service" model — where taxpayers pay doctors at government-set rates — to HMO-style managed care. However, a National Bureau of Economic Research study concluded that switching from "fee-for-service" to managed care was associated with a substan-

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MEDICAID: Wrong approach to reform

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tial increase in government spending but no observable improvement in health outcomes."

Medicaid and managed care are not insurance, but prepaid health care. Tiny or non-existent copayments and deductibles discourage prudent spending. Medicaid patients spend someone else's money, so providers need not reduce costs. Because the federal tax exemption for employer-paid premiums has transformed insurance into prepaid health care, the privately insured do the same. This tax policy makes medical costs skyrocket.

Medicaid recipients also have poor access to medical care. Doctors are five times more likely to refuse seeing new Medicaid patients than privately insured patients, who also have greater access to physicians after ER visits. Increasing reimbursement rates won't induce many doctors to see Medicaid patients; more than two-thirds of doctors reported being overwhelmed by Medicaid's billing requirements, paperwork, and delays in payment.

Medicaid erodes personal responsibility. Many recipients avoid higher-paying jobs and saving money because such admirable behavior disqualifies them from benefits. Hence, Medicaid keeps those it "aids" helpless, on their backs and dependent on government.

Medicaid is a bully. It unfairly competes with private insurers and private charities, crowds them out of the



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market, and hence forces some to depend on government for inferior health care. Harvard's George Borjas found that Medicaid cutbacks have significantly increased immigrant enrollment in employer-sponsored insurance.

And USA Today reports that "many workers choose Medicaid over insurance offered by their employers." One state proposal advocates significantly expanding Medicaid eligibility. This would further crowd out insurers and subject yet more Coloradans to Medicaid. The "single-payer" proposal advocates squashing private insurance entirely — forcing us all to depend on government for health care. A scary thought, given Medicaid's track record. If Medicaid is as good as its defenders claim, why not let it compete fairly with insurance companies and voluntary charities for customers and donations?

An alternative to Medicaid is consumer-directed health care, which combines low-premium, high-deductible policies with tax-deductible Health Savings Accounts (HSAs). Patients spend their own HSA funds until reaching their deductible, after which the policy's coverage applies. With savings from lower premiums, employers often contribute to employee HSAs, which employees own even after changing jobs. Further promoting consumer choice and afford-

able insurance entails eliminating laws mandating minimum benefits; these laws criminalize the sale of economical insurance policies. Empowering consumers provides quality, affordability and portability.

Patients spending their own money on medical care empowers them to consume wisely, take personal responsibility for their health, and gives doctors incentives to satisfy patients instead of bureaucracies. The RAND Health Insurance Experiment found that patients with the equivalent of consumer-directed plans spent 30 percent less than those with prepaid plans — with negligible effect on their health.

Consumer-driven health care is not foreign to Medicaid. Cash & Counseling programs have high participant satisfaction and Colorado's Consumer-Directed Attendant Support operated 21 percent under budget in its first two years.

Medicaid fails to meet the 208 Commission's criteria for cost, quality, access, personal responsibility, and fairness. The Colorado legislature should choose consumer-directed over authority-directed health care. Health care is too important to be left to government.

Brian Schwartz is an optical engineer in Boulder. This article was adapted from his proposal to Colorado's Blue Ribbon Commission on Healthcare Reform, called **FAIR: Free-Markets, Affordability, and Individual Rights**. The proposal is available at WhoOwnsYou.org.

UNINSURED: How many?

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the uninsured; everyone over 65 is on Medicare. Meanwhile, an estimated one-quarter of all the uninsured are people who qualify for some form of public assistance right now but do not seek it for one reason or another. This is particularly important to note when it comes to poor families with young children who might qualify for programs like the State Children's Health Insurance Program.

In other words, a fairly small percentage of our population truly does not have access to the quality health care most Americans enjoy. Our goal should be to enable those people to get coverage as cost-effectively as possible — while minimizing the collateral damage to the health care coverage most Coloradans already have.

We also must curb the spiraling cost of coverage. However, we never will accomplish that if we embrace one of the grand schemes to shift the entire cost of health care to the government. U.S. employers pay \$800 billion a year for our health plans. Naturally, taxpayers will pick up that tab if the government takes over. As the saying goes, if you think health care is expensive now, just wait until it is "free."

The good news is we can curb the cost of coverage and extend it to more people without radical and reckless changes. Modest, common-sense measures can make a big difference, like a bill that Rep. Ken Summers introduced this year making it easier to de-



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duct out-of-pocket medical expenses from state income taxes. Or a proposal by Sen. Shawn Mitchell to do a top-to-bottom audit of Medicaid in search of fraud and waste. Unfortunately, the ruling Democrats killed both bills in committee and threw cold water on another measure — a health-care connector, which finds coverage and providers for those in need — before it even could be introduced. That bill could have helped the 25 percent of uninsured people who are entitled to public assistance but don't know it.

Paradoxically, the majority party wound up enacting new mandates that actually will drive up the cost of coverage. One measure forces health insurers to cover even more mental illnesses and another bars small-group plans from offering discounts to healthier workers.

A task force appointed by the General Assembly and the governor is now looking at wide-ranging health care issues. My hope is that panel will understand the serious damage we could do to our health-care system through legislative overkill.

We do not have to destroy our health-care system in order to save it. Andy McElhany, a Colorado Springs Republican, is the Colorado state Senate's minority leader.