‘Yes We Can’

of

Health Care Reform

Watch Bill Moyers’ Journal on PBS and take it to heart. For us average citizens who believe in the Democratic process of ‘for the people and by the people’, and who are not empowered with enough capital to lobby and control the decisions of our elected officials, the message seems to be one of hopelessness. A particular broadcast on July 10, 2009 comes to mind. The guest Bill Moyers interviewed that night was Wendell Potter, who testified to how large insurance companies counter all attempts by Congress and the Senate to enact laws to reform healthcare.

For fifteen years Wendell Potter had been a top executive of Cigna, one of four top insurance companies in the USA. He professed to having been well paid by his employer, as for his promotion to a top position in public relations, and to having no other grievance against the company other than the unfair tactics it used to discourage and deny claims of policy holders. He said he quit the company when he finally realized how company policy truly affected the people who depend on it. He was thus no longer able to perform his duties with good conscience.

Do insurance companies have an unfair advantage when they lobby to influence the decisions of our elected officials? The answer takes issue with the Democratic process. If elected officials cater to the more rich and powerful instead of to the majority of the people, then people are not vigilant enough with their votes. The process needs to become more transparent, such that voters are more aware of what they vote for.

The task of this article is not to accuse the insurance companies of any wrong doing; it is only about how universal healthcare best serves the interest of us all, including both the insurers and those in need of the service, in a free enterprise system that is without monopoly or oligopoly.

Bill Moyers alluded to the nature of free enterprise to make profit as a way of human nature for achieving the American dream. Play by the rules and reap the rewards. What, then, is the justification for government to fix the healthcare system? This is the primary issue of concern for this article.

It will be argued that government is sometimes better qualified to protect the free enterprise system from internal collapse by the greed of its individual members. It has been assumed by economists that each individual’s self-serving satisfaction of their own needs best promotes the whole economy. This assumption is hereby challenged to be sometimes true and sometimes only wishful thinking.

Free enterprise tends to break down by way of monopoly or oligopoly. However, to argue that insurance companies have become an oligopoly is a stretch of the imagination. There is plenty of fair competition among them. The argument here put forth is not about monopoly or oligopoly; it is simply with regard to how the system works in a competitive environment.

Insurance companies provide a legitimate service in the private sector. However, it is here argued that the service can be improved by way of governmental reform in a way there will be an improved product without cost to the general public.

The argument is with regard to how individual competitors serving their own interest do not adequately serve the social needs of the community at large, particularly when a large investment is required to promote social conditions by which the private sector has better opportunity to succeed. Highways provide a way to transport goods and services to the market place. Public schools educate the general populous for it to know how to demand and produce better products. A healthcare system can maintain healthy employees to promote production.

To the contrary, private insurance companies fall short of being ideal for universal health coverage when they are more inclined to serve the interest of Wall Street rather than the insured, as they terminate contracts to maximize profits.

Free Choice and Fair Competition

The founders of free enterprise stated it best works according to a set of ideal principles, such as freedom of entry into the market place and ample knowledge of goods and services. By this way of fair competition, whoever makes wise decisions is more apt to profit, whereas whoever errors is more inclined to fail. Producers of goods and services are the innovators; consumers are judge and jury. Vigilance of the latter encourages the innovativeness of the former.

Potation chips are produced for profit. They are salted to make them tastier. Likewise, other food items are sweetened for taste. Advertisement informs customers of the fine qualities of certain products. Buyers decide which products to purchase according to their own preferences and needs.

Choices are not always wise. Studies of late, for instance, indicate people are inclined to eat out of habit rather than for good health. Habitual eating thus strains the healthcare system, but this is just life. Neither producers nor consumers have been fully away of the adverse consequences of pleasure eating. It is only new knowledge needing adjustment to, one way or the other.

It is up to the consumer to decide whether to consume food either for pleasure or health. If someone chooses to eat out of habit for gratification, then so be it. In later life, if that same someone incurs health problems for obesity and drives up healthcare cost because of it, then so be it as well. A choice was made; the consequences must be accepted, even if it affects innocent bystanders. If those innocent bystanders can no longer afford health insurance because it has become too expensive, they should have done or need to do something different to enhance their way of life.

Freedom to exercise our natural abilities is a preferred way of life. Many of us are natural gamblers, as for the thrill it brings to our psyche. We live our own lives, as to enjoy our freedom to choose how to live it instead of relenting to the dictates of others. However, that is not to say everyone needs to suffer because of free choice if government can somehow intervene to cushion its adverse effects.

If the private sector serves more for profit than for health benefits, as for the sake of survival, then it is up to government to prevent the system from collapsing under its own weight. Indications are that healthcare is becoming more unaffordable to Americans, even to those who labor to produce goods, as insurance companies cancel out the policies of those of us needing them the most.

Since insurance companies cannot afford to serve the needy, most doctors, hospital administrators, pharmaceutical companies, and insurers generally agree some kind of government reform is needed. The problem is government wants to bring healthcare cost down whereas insurance companies still want to maximize their profits. To find a common solution we must reexamine the role of government in its management of the private sector. Supply and demand economics is here the key principle at work.

Paying for Healthcare Reform

Money is not true wealth. True wealth is the goods and services available that money can buy. Double the supply of money and, as according to supply and demand economics, products tend to cost twice as much. The same trend occurs if products per customers are reduced to half as much. All the money you can have to buy products is worthless if there are no products to spend it on.

There are no guarantees in life if, for instance, our food supply is cut short by drought. The welfare system will go broke, for sure. However, if supply maintains or even increases, then the task of government is only to ensure the incentive of producers to produce goods and services, as not to compensate others with social spending simply because the others are too lazy to contribute their fair share of the effort.

The same logic applies to healthcare reform. If we somehow fund universal healthcare coverage, then a sufficient amount of doctors, nurses, hospitals and medical equipment will be needed to serve the sick and injured. If there are not enough service providers to go around, then prices will inflate and either the neediest or more privileged will only be served.

Healthcare reform must thus focus on the education of doctors and nurses, and the investment of facilities to handle the increase in demand and the competiveness of suppliers to keep the price from skyrocketing out of control.

How, then, do we pay for this future investment in the healthcare system?

We commit to the principle that real economic wealth is product, and that money is only a relative means for the distribution of goods and services according to our fair share of what is available at the time to spend it on. If we invest wisely to increase supply, then we will increase the economic wealth for all of society.

Consider there are ten goods in the private sector equally produced and distributed by ten producers according to the equal demand of ten customers. Let there be ninety dollars in circulation such that each producer earns nine dollars from nine customers and has nine dollars to spend, as to spend one dollar per item of nine items, of the other product. The system is therefore in economic equilibrium.

Let this society agree that universal healthcare is needed. How, then, will they implement it without the sacrifice of other product? In view of the conditions given above, supply and demand economics dictates that the least amount of preference of a particular product must be eliminated in order to compensate for the cost of a new and better one.

In a society of only ten people this sacrifice could be severe, but in the real world of multitudes of people there is plenty room for improvement. Unemployed members seek work. Many products are frivolous. Automation and computerization increases production, providing our energy supply is maintained. We will thus modify our conditions to allow economic wealth to increase.

Say production is increased for there to be eleven goods instead of ten. For equal distribution to be restored to the system either the price per item needs to be lowered or the money supply needs to be increased. The former method is deflation. Neither deflation nor inflation occurs with the latter, as each person now has ten dollars to buy ten items at one dollar per item, the same as before.

It seems odd that we can increase the money supply without the risk of inflation, but inflation only occurs if we increase the money supply without an increase in product per customer. (Money supply must also accompany an increase in production by way of an increase in population.) Real wealth can thus be increased by an increase in money supply along with an increase in product in a way economic equilibrium is maintained.

Why not deflation?

If deflation occurs because of an increase in product, population or whatever, people tend to hoard their money under a mattress, or banks refuse to lend it out. Whether intentional or not, they can then gain in their share of monetary value to more easily take control of the economy as it stagnates in a period of recession, or even one of depression.

That is why Keynesian economics of the FDR era recommended a slight inflation as a better means for prosperity.

Both deflation and inflation encourage speculation, but the latter encourages investment, as it adds to the equity of a home or some other long term commodity. However, too much inflation can also backfire. Cheapening the dollar, for instance, tends to increase the price of foreign oil.

Tax and deflate the value of the dollar. Print money and inflate its value. Why not do both?

The two results could cancel each other except it is the general populous that makes the adjustment. A new road financed by government, for instance, benefits some people at the expense of others, as to divert potential customers elsewhere. Besides, voters tend to be blind to what a tax increase can do for them, as to feel the immediate loss out of their wallet because of it instead realizing the future benefits of their investment.

Gradual change is thus more easily adjusted to. In this sense, forty years down the road, thirty, twenty, or even ten, who is to say what our monetary conditions will be like? We will more likely leave our grandchildren in debt if we allow our infrastructure to crumble than if we invest wisely to finance social security and healthcare reform.

In Conclusion

Indications are it is possible to reform healthcare and finance it in a way real wealth in increased. Details of the nature of this reform have not been provided, nor are the losers and winners specified. Only investment in the education of doctors and healthcare facilities is suggested, as more competition among them will keep costs down for patients as well as for insurers, even the private ones.

As for what healthcare reform should entail, Medicare for seniors and the disabled could be expanded to include everyone else.

Medicare is not a mandate, except for hospitalization without cost to the patient is automatically paid for by government as part of plan A. Plans B, C and so on are optional, but with the added option of contracting either with a government program or one from a private insurer. Private insurers receive the tax revenue from the government contract and also have the option of charging higher premiums or even lowering the premium to refund some of the tax revenue.

The result is a variety of ways to more efficiently satisfy a variety of needs. Some policies, for instance, require specific doctors, as for a cheaper rate, while others allow for any qualified doctor. The rich, of course, are apt to receive the best care, as is the nature of free enterprise.