

Re: What is the root cause of the rising cost of health care ?

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- *From:* professorchaos <professorchaos@xxxxxxxxxxxxxxxx>
 - *Date:* Tue, 11 Sep 2007 02:07:11 -0500
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royls@xxxxxxxx wrote:

On Mon, 3 Sep 2007 22:58:43 -0500, "Peter Olcott"
<NoSpam@xxxxxxxxxxxxxxxx> wrote:

If no one had any health insurance, and instead put the same amount of money away into health savings accounts that could later be converted into retirement savings accounts, then and only then would the market forces be in full force driving prices downward.

No, that is just flat false. Insurers already have every reason to want to reduce the prices they pay (which might be why they often try to avoid paying at all), just as individual consumers would: they want to make more profits. They are just unable to do so because of government restrictions on supply.

-- Roy L

Roy again shows a lack of understand for demand and supply. He wishes to believe in this case that supply only determines price.

I will give the troll some credit. It is true insurers have incentive to keep prices they pay per a service low. What Roy ignores here is how insurance affects demand and causes the NUMBER of services paid for to rise. When I go to the doctor I pay \$15. The insurance company pays the other \$25. My cost is only \$15 so I will go to the doctor more often for less serious things than if I had to \$40. This pushes up demand and causes prices to rise.

Insurers negotiate to keep the cost down and lower prices somewhat from market prices but the part of the rise is due to the increase in demand.

Roy does not understand with an HSA and a catastrophic policy demands would decrease. Now I draw money out to go see the doctor. I pay \$40 instead of \$15. My medicine now cost the price at the pharmacy rather than a copay of \$5 to \$15. So the trip may cost me \$100 instead of \$20. Before my head hurt and my sinuses were

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clogged for \$20 I go to the doctor to relief for \$100 I stay home.

A example of this I can attest to comes from a few years ago. After making the mistake of using too much protein powder and another popular supplement lack of water retention caused a kidney stone. I and my doctor knew the stone had passed. Yet test were ordered to make sure it was the only stone. I paid nothing for the test so I said yes. Had I had to pay several hundreds I would not have had the test down. My demand for medical services increased because of the insurance payment.

As much as an insurer wants to decrease cost this would happen under the contract because the doctor diagnosed and saw a need for test. They may have kept the cost of the procedure down by they paid for a procedure that would not have occurred had I had a HSA and had to pay for the procedure. I would have no. The stone passed and if I start hurting again I will come back to check for another stone.

Demand is not the only reason for rising health care. Patent laws rise the cost of drugs used. Sometimes the patent is renewed for a minor tweak in the drug that treats the same condition. New procedures often require expensive equipment in which few doctors know how to use. The AMA keeps the supply of doctors low and nurses from making diagnoses most mothers can make accurately.

However, demand is a reason for rising cost and publicizing HSAs and giving more tax breaks could reduce the prices of health care. Businesses turning to a combination of a HSA and catastrophic plans will reduce cost. In the old days before everyone had insurance people could pay for most of the care they needed. Sure heart surgery, cancer and things like were too expensive but that is what catastrophic insurance is for. Unless you were hurt in a somewhat serious matter you didn't go to the doctor. You didn't go to the doctor every time you sneezed. People do now. Why the difference? Because back then you paid full price now you pay a copay and the insurance company pays whether you needed it or not.

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