Bad Economics & Medicine

ITEM: *Writing in the* New York Times *for December 4, MIT Professor Jonathan Gruber claims that "health care reform is good for our economy. As the country slips into what is possibly the worst downturn since the Depression, nearly all experts agree that Washington should stimulate demand with new spending. And one of the most effective ways to spend would be to give states money to enroll more people in Medicaid and the State Children's Health Insurance Plan. This would free up state money for rebuilding roads and bridges and other public works projects — spending that could create jobs."*

"Health care reform can be an engine of job growth in other ways, too. Most proposals call for investments in health information technology, including the computerization of patient medical records.... More immediately, it would create jobs in the technology sector."

CORRECTION: Many so-called experts may say a nation can spend itself rich, but that doesn't make it so, whether the expenditures are made in the healthcare field or in building pyramids. As with most public-spending schemes, the jobs "created" are visible; the ones lost and economic damage done are not so obvious. Government programs are funded in several ways, including taxing individuals and businesses, giving them less to spend on their own choices; borrowing money, thus increasing deficit spending and the National Debt; and running off more printing-press money, which worsens inflation and drives down the value of the currency. Professor Gruber, quoted above, is one of the "experts" who is pushing this insidious notion. The *New York Times* somehow forgot to tell readers that he was an economic adviser to Sen. Hillary Clinton and supported her "universal coverage" designs. His piece was called "Medicine for the Job Market," no doubt because "Selling Snake Oil to the Masses" would have been a bit longer and had the benefit of accuracy.

In the meantime, former South Dakota Senator Tom Daschle, President-elect Obama's point man on healthcare, has said the new administration's priorities in this will be "expanding insurance coverage, as well as reducing costs and improving quality." Walking on water will apparently take a bit longer. The various plans that have been advanced by the Democrats, including strategies by Obama, Daschle, and Montana Senator Max Baucus, all involve the creation of a new public entity, variously called a national board, council, or institute, that will make the decisions that otherwise might be made by doctors and those of us on the plantation who might prefer not to have such choices made by bureaucrats.

Daschle, for instance, would establish a National Health Board that would be modeled on the Federal Reserve Board. The politically appointed experts on this board would be, the senator has said, "insulated from politics." It is beyond naïve to expect that hundreds of billions in public expenditures are going to be spent without political considerations.

Yet, the idea that government funding can occur without government controls is still trotted out as a selling point, though it does not fit with experience or common sense. Indeed, it would be irresponsible for the government to spend such monies without oversight.

And claims that the United States needs government to fix a flawed private healthcare system ignore government's influence on the healthcare system. Socialized medicine is not just a *potential* route for the medical-care field in the United States: we are presently quite a way down that dangerous path. The federal government already subsidizes healthcare to a fare-thee-well. Chris Brown, a lecturer at the Australian Graduate School of Entrepreneurship at Swinburne University, has pointed out in an article for the Ludwig von Mises Institute that "government accounted for over 45% of all U.S. healthcare expenditures in 2006; it spends almost 20% of GDP on healthcare; indeed, it spends more per capita than any other" nation in the Organization for Economic Cooperation and Development (OECD), which includes "those with socialist, government-funded healthcare. In short, this is not a free market."

The infant-mortality figures cited in the *Washington Post* piece above are often trotted out to prove how the "free" market doesn't work as well as those economies where healthcare is socialized. The statistics are very misleading, which is no accident. Writing in *National Review* in 2007, Ramesh Ponnuru clarified such claims: "The advocates of national health insurance argue that America spends more than any other country on health care and that we still have a higher infant-mortality rate and a lower life expectancy than other developed nations. Both factual points are correct. But the infant-mortality rates are misleading. In this country, a premature delivery followed by death would be counted toward the infant-mortality rate; not so in some other countries. And whatever we think of our health-care system, it is not to blame for the fact that America has a lot of car wrecks and homicides. When health economists Robert Ohsfeldt and John Schneider adjusted for these factors, the U.S. had the highest life expectancy of any developed country."

David Gratzer, a Canadian-born doctor who used to believe in socialized medicine, saw its many weaknesses firsthand and has exposed them. As he noted in *City Journal* in its Summer 2007 issue, the United States may lag behind other countries in some "crude health outcomes." However, as Gratzer explains,

> Such outcomes reflect a mosaic of factors, such as diet, lifestyle, drug use, and cultural values. It pains me as a doctor to say this, but health care is just one factor in health….
>
> And if we measure a health-care system by how well it serves its sick citizens, American medicine excels. Five-year cancer survival rates bear this out. For leukemia, the American survival rate is almost 50 percent; the European rate is just 35 percent. Esophageal carcinoma: 12 percent in the United States, 6 percent in Europe. The survival rate for prostate cancer is 81.2 percent here, yet 61.7 percent in France and down to 44.3 percent in England — a striking variation.

Many healthcare problems here result because of government meddling, not because government hasn't intruded enough. Chris Brown lists just "a few of myriad government and other regulatory programs that keep prices high and stifle innovation: the Center for Disease Control and Prevention, the Food and Drug Administration, the American Medical Association, the United States Department of Health and Human Services, etc. One reason healthcare costs are so high is because the industry is subsidized; and one reason government intervention only grows is because you can expect more of anything that is subsidized. Doctors and physicians raise their prices on those paying privately to cover those who do not pay, i.e., those the government pays for through theft, a.k.a. taxes."

The nation's economy is in dire straits from too much spending and too much regulation. Yet that has not stopped those with ultimate chutzpah from asserting that the way to get out of a hole is to dig ourselves in deeper. One difficulty is that when healthcare spending becomes overwhelming, cost containment is going to be accomplished through rationing (although euphemisms will be used to disguise that). Current health "entitlements" are about 4 percent of Gross Domestic Product, and headed to 15 percent by 2062, according to government projections. That is unsustainable.

Medicare is already the third-largest government program in the budget, behind only Social Security and military spending. The Medicare Trustees' Annual Report released in 2008 projects Medicare's excess costs to be $85.6 *trillion*, a staggering figure equivalent to about six times the entire U.S. economy in 2007.

The trend is already bad, and nationalizing healthcare even more will only make matters worse. On November 20, the *Wall Street Journal* examined the emerging Obama health plan, pointing out:

> Over the past 40 years, per capita health spending has grown an average of 2.1 percentage points faster than the economy. The dominant U.S. insurer — Medicare — has had no success in mitigating this climb, despite valiant attempts. Since the 1980s, Medicare has actually controlled the prices that physicians and hospitals are paid for thousands of billable services. In 2007, the program spent some $425 billion according to these arbitrary guesses. Because of its huge purchasing power, and because many private plans adopt its reimbursement rates, Medicare significantly shapes all health-care financing and delivery.

Now the Democrats want to double down with the public option, apparently on the theory that the bureaucracies fail only when they're too small. Even without the new program, Medicare and Medicaid costs are rising substantially both as a share of the economy and the federal budget.

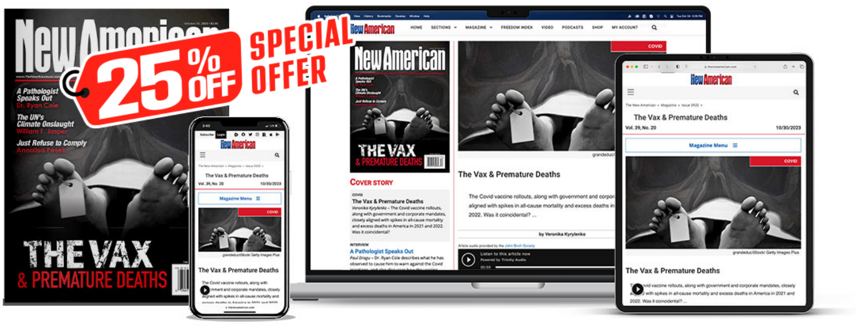
And what about all those figures that seem to indicate that the U.S. system is worse than elsewhere? As we have noted, there's a good bit of chicanery about such assertions, whether they emanate from the World Heath Organization (WHO) or the OECD — particularly since those statistics are gathered in an attempt to justify even more government involvement.

Grace-Marie Turner, president of the Galen Institute, has written in the *San Diego Union-Tribune* that such rankings "are highly influential among policy-makers and help drive health reforms around the world. But common sense suggests that when the rankings show the United States has a health care system worse than Morocco's or Costa Rica's, it's clear that the rankings are a poor reflection of reality. An objective assessment would have listed America at — or certainly near — the top."

The criteria used by WHO and other international bodies are self-serving. As Turner observed: "Countries with tax-funded, socialized health care tend to be ranked higher simply because citizens are treated equally — even when the quality of care is extremely poor. Meanwhile, countries in which citizens have unequal access to medical care tend to be ranked lower, even when the overall quality of care is superior. By the WHO's logic, treating people equally matters more than treating people well. So theoretically, a country with a negligent health care system could improve its rankings just by neglecting everybody more equally."

Who is above the United States in such rankings? Well, the U.K., for one, scores better. This is the same nation where the government cancels up to 100,000 operations annually, in large part because there is a shortage of doctors, nurses, and facilities. That is our bleak future if we try to level the playing field by driving everyone into the ground.

Photo: AP Images



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