

The Health Insurance Mafia

By Jonathan Kellerman

Most discussions about the rising cost of health care emphasize the need to get more people insured. The assumption seems to be that insurance—rather than the service delivered by doctor to patient—is the important commodity.

But perhaps the solution to much of what currently plagues us in health care—rising costs and bureaucracy, diminishing levels of service—rests on a radically different approach: fewer people insured.

You don't need to be an economist to understand that any middleman interposed between seller and buyer raises the price of a given service or product. Some intermediaries justify this

Almost everyone would be better off if most people paid doctors out of pocket.

by providing benefits, such as salesmanship, advertising or transport. Others offer physical facilities, such as warehouses. A third group, organized crime, utilizes fear and intimidation to muscle its way into the provider-consumer chain, raking in hefty profits and bloating cost, without providing any benefit at all.

The health insurance model is closest to the parasitic relationship imposed by the Mafia and the like. Insurance companies provide nothing other than an ambiguous, shifty notion of "protection." But even the Mafia doesn't stick its nose into the process; once the monthly skim is set, Don Whoever stays out of the picture, but for occasional "cost of doing business" increases. When insurance companies insinuate themselves into the system, their first step is figuring out how to increase the skim by harming the people they are allegedly protecting through reduced service.

Insurance is all about betting against negative consequences and the insurance business model is unique in that profits depend upon goods and services *not* being provided. Using actuarial tables, insurers place their bets. Sometimes even the canniest MIT grads can't help: Property and casualty insurers have collapsed in the wake of natural disasters.

Health insurers have taken steps to avoid that level of surprise: Once they affix themselves to the host—in this case dual hosts, both doctor and patient—they systematically suck the lifeblood out of the supply chain with obstructive strategies. For that reason, the consequences of any insurance-based health-care model, be it privately run, or a government entitlement, are painfully easily to predict. There will be progressively draconian rationing using denial of authorization and steadily rising co-payments on the patient end; massive paperwork and other bureaucratic hurdles, and steadily diminishing fee-recovery on the doctor end.

Some of us are old enough to remember visiting the doctor and paying him/her directly by check or cash. You had a pretty good idea going in what the service was going to cost. And because the doctor had to look you in the eye—and didn't need to share a rising chunk of his profits with an insurer—the cost was likely to be reasonable. The same went for hospitals: no \$20 aspirins due to insurance-company delay tactics and other shenanigans. Few physicians became millionaires, but they lived comfortably, took responsibility for their own business model, and enjoyed their work more.

Several years ago, I suffered a sports injury that necessitated an MRI. The "fee" for a 20-minute procedure was over \$3,000. My insurance company refused to pay, so I informed the radiologist that I'd be footing the bill myself. Immediately, the "fee" was cut by two thirds. And the doctor was tickled to get it.

A few highly technical and complex procedures that need to amortize the purchase of extremely expensive hardware will be out of reach for any but the wealthiest patient. For that extremely limited category, insurance might work. A small percentage of indigent individuals won't be able to afford even low-cost procedures. For them, government-funded county facilities are the answer, because any decent society takes care of the weakest among us. But a hefty proportion of health-care services—office visits, minor surgeries—would be affordable to most Americans if the slice of the health-care dollar that currently ends up in the coffers of insurance companies was eliminated.

When I was in practice as a psychologist, I discussed fees up front with prospective patients, prior to their initial visit. People appreciated knowing what to expect and my bad debt rate was less than 1%. That allowed me to keep my charges reasonable and, on occasion, to lower them for less fortunate patients. And I loved my job because I was free to concentrate on what I went to school for: helping people, rather than filling out incomprehensible forms designed to discourage me from filing them in the first place.

Physicians and other providers need to liberate themselves from the Faustian bargain they've cut with the Mephistophelian suits who now run their professional lives. Because many doctors are loath to talk about money, they allowed themselves to perpetuate the fantasy that "insurance is paying." It isn't. There is no free lunch and no free physical exam.

If substantial numbers of health-care providers shook off the insurance monkey on their back, en masse, and the supply of providers was substantially increased by opening more medical schools, the result would be a more honest, cost-effective system benefiting everyone. Except the insurance companies.

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Most commentary on the subject laments the impression that China and India are going to flood the United States in an avalanche of technology. Consider, for example, a much-discussed Fortune article that included the claim that India turned out 600,000 engineers in 2007. In that year, India graduated 350,000 and post-graduate America could manage only 70,000. Fortune showed a buff Chinese beaching himself over a skinny Uncle Sam. The headline: "Is the U.S. a 97-pound weakling?"

... The source of the China number is the China Statistical Yearbook, a government publication... But a sub-

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