

What on earth just happened in healthcare?

OH MY! What just happened to the repeal of Obamacare? With the power of the “retrospectocope” it is really very easy to understand. All the ingredients were



there for deadlock. All you really had to do was take off the rose colored glasses to see the ingredients.

- 1 cup of ‘no one ever gives up entitlements’
- 1 quart of ‘lack of removing government regulations and taxes from Obamacare’
- 2 large helpings of ‘my way or the highway’
- 1 ounce of ‘refusal to consider an alternative’
- Stir ingredients together slowly to elicit the highest amount of pain

This recipe was used to craft a poorly considered bill to repeal and replace Obamacare. When submitted, sometimes under lock and key, to members of the house it was rejected. Thus, we are in the unenviable position of continuing to suffer under one of the worst laws in history, the “Affordable” Care Act, aka Obamacare.

It is times like these that I am reminded of Winston Churchill's words.

“Many forms of Government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed it has been said that democracy is the worst form of Government except for all those other forms that have been tried from time to time....”

In actuality, it's probably for the better that the Ryan bill did not pass the House of Representatives. Logically, it really had nothing going for it. The public polling was abysmal. The minority party was not going to aid in its passage, the Senate would have torn it to shreds and the Republican party's ideologues hated it. Aside from that though, its future was bright, he says sarcastically.

In order for a hotly contested item to pass, it needs the full throated support of the ideologues of the party trying to pass the legislation. This is especially true if the vote will be along party lines. When Obamacare passed, most of the farther left leaning congressman were on board and the moderates had to be enticed with special carve-outs and favors. With the Ryan plan, the ideologues were left hanging out there. Ryan was afraid of losing moderates like Collins and Murkowski, so he left in many of the governmental regulations and taxes of Obamacare and tried to limit how many people would “lose” insurance. By leaving so many rules and regulations in place and by not repealing many of the Obamacare taxes, the Freedom Caucus or conservative wing rebelled. In my opinion, when you start from a point where the base of your party does not like your plans, you are doomed to failure. To understand what drives the Freedom Caucus you should understand that they represent districts that are very safe. Like



their counterparts on the left who represent districts that vastly favor Democrats over Republicans, the Freedom Caucus members represent very conservative

districts that in some cases gave Trump a greater than 40-point edge over Clinton. Both of these wings tend to be more ideologically driven and find less need to compromise. In this case, it was to the detriment of the Ryan tax proposal.

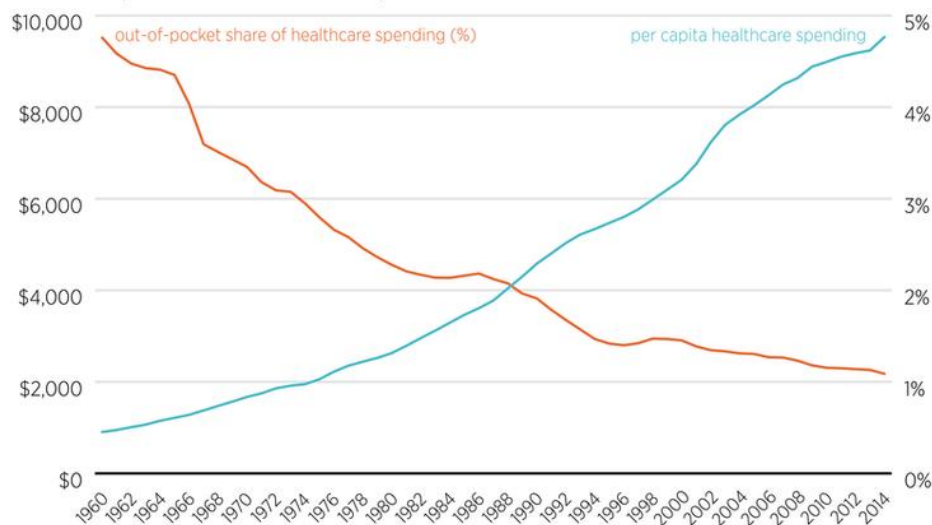
As we discovered with Obamacare, if you don't have the people behind you, you are in for some very rough waters. The Republicans watched the bloodbath that happened to the Democratic party after Obamacare and the party's staggering losses in the Congressional elections and wanted no part of it. A Quinnipiac Poll showed only 17% of people favored the bill and 56% of people were opposed. I must say, though, that I question this poll since I wonder how they even found people with any knowledge to answer the survey. Remember only 40% of Americans can name the 3 branches of government, only 25% know that senators serve 6 years and less than 20% of people know how many senators there are.

But ultimately, the current failure to reflect something that no one wishes to confront: the mere fact of having insurance does not mean lower health care costs. John Graham has a very good article (linked here) that you should read.

http://www.realclearhealth.com/articles/2017/03/27/the_root_cause_of_health_care_dysfunction_110514.html

Basically as he relates, it's a fundamental truth that increasing insurance coverage increases the cost of health care spending.

FIGURE 4. PER CAPITA HEALTHCARE SPENDING AND OUT-OF-POCKET SHARE, US POPULATION, 1960-2014 (CONSTANT 2014 DOLLARS)



Source: Data through 1997 are from Milton Friedman, "How to Cure Health Care," *Public Interest* 142 (Winter 2001): 3-30. Data for the 1998-2014 period are from Centers for Medicare and Medicaid Services, "National Health Expenditure Data: Historical," December 6, 2016. Constant 2014 dollars are estimated from the GDP deflator at Bureau of Economic Analysis, "Implicit Price Deflators for Gross Domestic Product," February 28, 2017, table 1.1.9.

Health care insurance is unlike any other type of insurance. Let's do a little test and compare it to car insurance or homeowner's insurance. When you need a new windshield wiper, do you rush to your insurance coverage? How about those other common auto maladies such as a flat tire, an oil change, a tune up, car wash, new brakes? No, that is not what car insurance is for. How about for your home, let's say you need a new roof, paint, extra plants in the garden, new curtains? You would not think of calling your homeowners insurance. Auto insurance and homeowner's insurance are for big catastrophes. You smash up your car and have a repair bill totaling thousands of dollars or get injured. Your house catches fire or is badly damaged. You call your insurance and expect service. In this way, car insurance and homeowner's insurance do not cost as much- because you are paying for some of the car and home "health" needs.

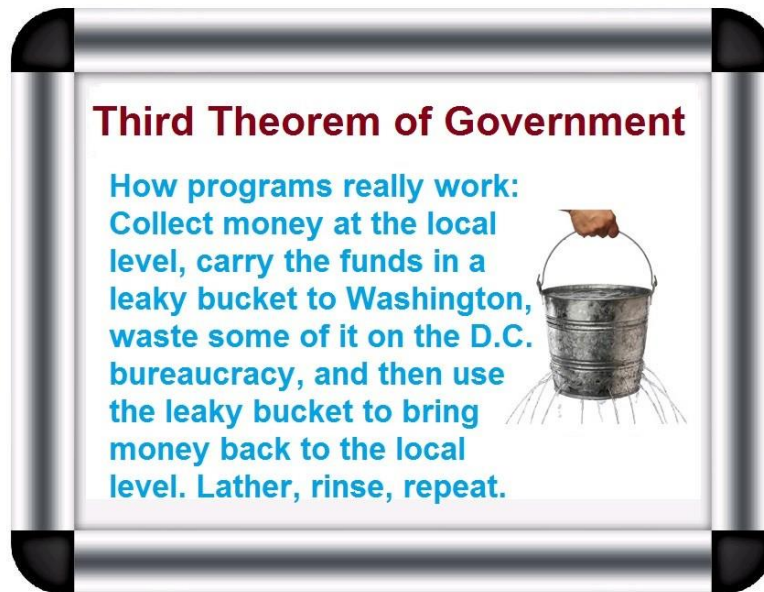


On the other hand, cold or flu, minor cyst removal or an eye exam, you head right to your medical insurance. Well-baby exam, vaccination, sprained ankle, just make an appointment; you could care less about the cost, as long as someone else is paying the bill. Most Americans leaving a doctor's office never ask what the visit will cost, nor have any idea what the price of tests and studies they have just undergone.

According to Obamacare, everything must be covered, soup to nuts, flu to heart transplant. If things are pulled from this insurance plan, the entitlement hounds come out and call you names and attack you physically. If a government hand-out is removed, the politicians who favor big government run screaming to the press

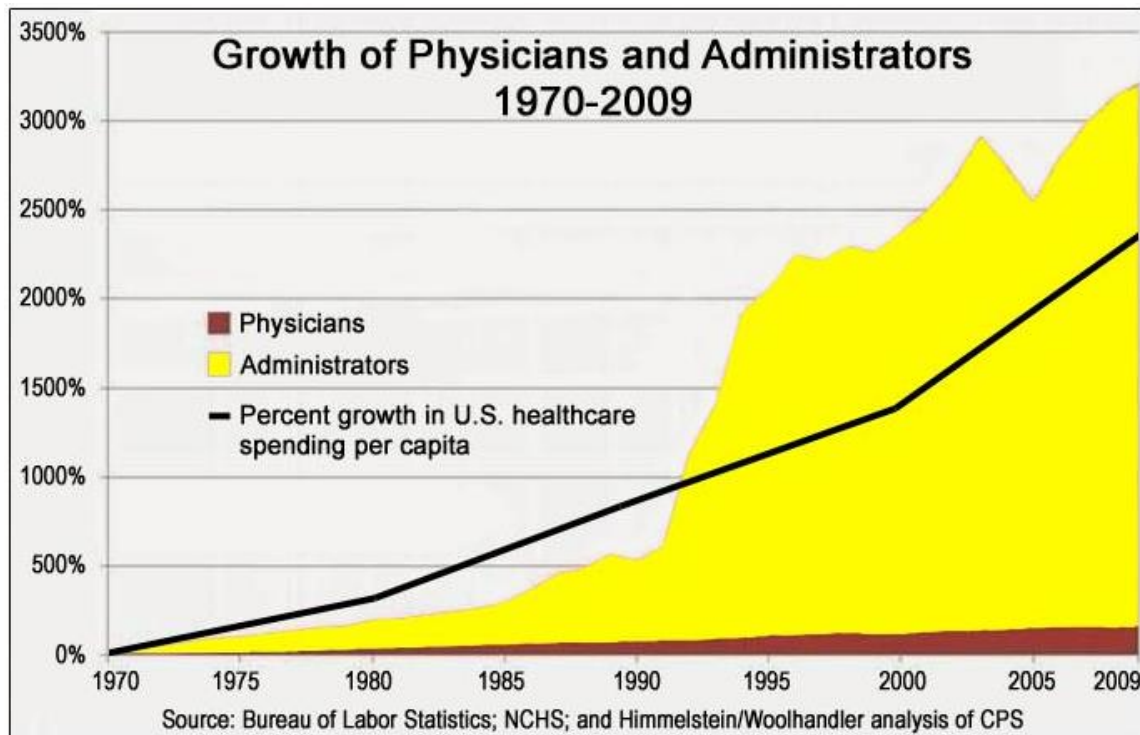
about the harm being done by the heartless politician trying to work within budgetary constraints.

It is a truism that if you are not financially responsible, you are not going to be as careful on managing costs. Who pays is the ultimate decision maker in how careful the average patient is with the healthcare checkbook. Using the car analogy, if car insurance covered everything and was paid for by a third party, how many people would get cheaper gas if it involved traveling a few more miles.



Would you really look for a cost-effective mechanic to service your car? If insurance paid for all car issues, how many times a month could you have your car fully detailed, and make those low profile tires sure look sporty! I think I heard a squeak on my brakes, time for a new set. Let's be reasonable. We all knew that with the ACA guaranteeing more care for more people, the cost was not going to decrease. As Mr. Graham relates, if a politician promised to cut the overall costs of driving by getting insurance to pay for gas, oil changes, lube and tune-ups, all of us know that our insurance premium would increase to pay for this. Why on earth was anyone surprised when our insurance rates went flying high with the healthcare equivalent of these costs?

Furthermore, we all know that once government gets involved, the cost of regular items sky rocket. We have all seen the well documented examples of the \$285 screwdriver, a \$7,622 coffee maker, a \$387 flat washer, a \$469 wrench, a \$214 flashlight, a \$437 tape measure, a \$2,228 monkey wrench, a \$748 pair of duckbill pliers, a \$74,165 aluminum ladder and \$659 ashtray all purchased by the federal government. We all know that with the added layer of bureaucracy, both governmental and non-governmental, the costs will continue to rise. Legislating more government and bureaucracy will only lead to further cost elevations. I know



I have shown this graph before but it still screams for attention. Look carefully at the increase in physicians vs. administrators in the last 40 years. We physicians have increased mildly; we are the face to face contact person for the patients. The number of administrators and thus cost of healthcare has skyrocketed. Is it so hard to see an association?

In 2014 the real spending on healthcare per person was almost \$10,000 (\$9532). But it is calculated that if the shift of healthcare spending to government had not taken place it would have been about \$4000 (\$4316) per person. In this, the Freedom Caucus was correct, the government intrusion into healthcare must be decreased. The only way to save money is to have government exit out of healthcare not to take it over in totality.

What is the answer? It is going to take a lot of common sense and incredible political bravery to face this problem. Once an entitlement is granted to the populace it is almost never taken away. There is always a politician that is going to scream that you are killing children, puppies or the disadvantaged.

The best true solution is to return healthcare insurance to something akin to automobile insurance.

1. Let people decide for themselves how much coverage they wish. I know that I will not be having more children, so let me purchase a plan without pregnancy coverage.
2. Let young people purchase a plan that is simply catastrophic, the most likely coverage they will need.
3. Encourage health savings accounts that allow discretionary spending based on the consumer's wishes.
4. Stop covering everything. Let the windshield wipers, oil changes, car washes be handled by the consumer.
5. Let doctors and hospitals publish actual costs for all procedures to let patients shop around. If a hospital is an outlier their bottom line will suffer.
6. Let the doctors and patients determine the market, that is the meaning of the free market system.
7. For the truly needy, let there be a safety net. But, please realize that being uninsured is a choice made by many who are not financially destitute. Yes, our society needs to take care of the needy, but that definition keeps expanding with time.
8. Tort reform and insurance reform will help keep the costs down.

A final note before we move on to another topic. Just because you don't hear about it in the news, the healthcare negotiations are continuing. At any time, you may see another bill with more support head to the House of Representatives. Furthermore, with Obamacare failing as more insurance companies exit the program, something will need to be done. One report I heard gave a great comment. They said democracies tend not to act unless there is a crisis. Obamacare is in pre-crisis. Over the coming 1-3 years it will enter a crisis phase and the democracy will be forced to act.

We stand with you!

We at Private Practice Doctors have one goal and one goal only. We stand for the private practice of medicine. We know that the best practice for our patients is one that is based on the personal relationship of doctor and patient. We understand that government and bureaucrats cannot substitute for the bond between doctor and patient. We are here to help you, the private practice physician, survive so that our patients can get the best, most personal care possible. We have so many programs for you to save and expand your practice. When we act as a single team our purchases go farther and we are stronger. Let us help you with medical supplies, office supplies, computer supplies, insurance products, medical records, financial services, mailing, water supplies and so much more.



An upcoming “can’t miss” event

In the next short time period we are working on putting together a large social get-together even better than our initial meeting of 400 physicians. Be on the lookout for more information. It should be a very memorable affair.

Once more, if you have any questions, do not hesitate to contact our sales manager, Sarah at sarah.wilson@privatepracticedoctors.com

Thanks again

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