

STATEMENT AT NEW THE YORK STATE HEARINGS ON MEDICAL CARE AND MEDICAL INSURANCE

Old Westbury, NY, 5 Dec. 2007

By Dr. Dan Farcasiu

These hearings are based on the premise that medical care in this country and state is deficient. It is alleged that the problem is a large number of uninsured people. Furthermore, the solution offered is a general insurance system, guaranteed, *i. e.* financed, by the government. The premise is faulty, the reasoning is uninformed and the conclusion, unsurprisingly, is wrong. Before any discussion, a few basic truths, or axioms, have to be considered.

1. Medical care cannot be equated with medical insurance. Insurance is just one way to pay for medical care. There are systems in which general, government-provided insurance is in effect, yet medical care is deficient. Conversely, there are people uninsured by choice, preferring to pay for medical services in a different manner.
2. If a country uses X billion dollars' worth of medical care, it has to pay X billion dollars for it.
3. The cheapest way of covering the cost is through direct payment by the user to the provider of services. Any indirect scheme, such as insurance, adds, sometimes significantly, to the cost, by adding overhead.
4. Governments generally have the highest overhead, whether as medical insurers or in any other activity. As the degree of separation between the parties involved in the transaction (here, patient and provider) on one hand and government (local, state, federal) on the other increases, so does the overhead.
5. The fact that no government activity is ever free of political considerations distorts the transaction between patient and provider, thus lowering the quality and adding to the cost.
6. With respect to employers, an analogous argument demonstrates that the societal cost of health care is lower if employers do not pay for medical insurance, but distribute the money as higher salaries to employees.
7. There are, however, exceptional cases for an individual, that are beyond his immediate ability to pay. Medical insurance is needed for *such* cases. *i. e.* cases of catastrophic need. On the other hand, covering small expenses makes little sense, again due to the high ratio of waste to benefit deriving from inefficiency and overhead.
8. Statistically, the medical expenses of an individual increase with his age. For routine or predictable needs the medical savings account type of insurance is the cheapest approach. A small additional premium should suffice to insure against catastrophic occurrences. Insurance contracts should be individually tailored, as is the case for automobile insurance.
9. If, to preserve tradition, insurance contracts were purchased through the employers, they should be transferable upon changing or leaving employment, with no vesting provisions.
10. A medical expenditure should be for an illness, that is, infection, malfunction, or malformation of the normal (natural) organism. Expenditures determined by choice, sometimes modifying the natural functioning of the organism (esthetic surgery, contraception, etc.), should be borne by the beneficiary, not spread to others. Lumping such expenditures into societal medical expenditures gives a false (too high) total for the latter.

11. To reduce waste, *all* beneficiaries should cover at least some part of the cost of the service received. For those unable to pay, a non-monetary contribution would be in order.

12. The existence of a service free of charge dissuades people from paying for the service. (I predict that if the 2.6 million uninsured New Yorkers obtain taxpayer-assisted insurance, a large number of those now insured would drop their coverage, altering their financial status, if necessary, to qualify for the subsidized service.)

13. Besides bureaucratization and excessive regulation, excessive malpractice suits and the resulting malpractice insurance premiums increase significantly the medical expenditures of all. A cap on awards and an even more drastic cap on attorney fees is absolutely necessary.

14. Special cases of people needing help with their medical bills must always be considered. No matter how and by whom that help is provided, however, eligibility should be determined by an examination of the individual's or family's cash flow (especially expenditures not necessary for subsistence), rather than of income tax returns.

Conclusion: The State of New York should reduce, rather than increase its participation as a provider of medical insurance.