
America Isn't a Corporation

By Editor Test *Mon, Apr 11, 2011*

Congressman Paul Ryan's approach to the budget makes sense only if you think America should function like a corporation and that Medicare payments are income for beneficiaries. Nix to both ideas.

Wisconsin congressman Paul Ryan, in his "Path to Prosperity" polemic, was correct to point out that the United States is on an unsustainable financial course. No one seriously disagrees with that conclusion. The projections are scary.

And his proposals made sense if you're inclined to think of the government as a corporation. If taxpayers were like shareholders, if those who pay the most taxes were the biggest shareholders, and if the rest were like employees with fat benefit packages, then it would be perfectly reasonable to act like a corporation and start cutting fast, from the bottom.

Similarly, his proposals about health care made sense if you believe, as some people do, that Medicare and Medicaid payments should be counted as income for the people who receive treatment under those programs.

But framing is everything. If you frame things differently his ideas don't make as much sense. First, the country isn't a corporation. Corporations aren't societies. They aren't democracies. They aren't perpetual. The country is all three. Second, entitlement payments aren't income for the masses. Since 1965, they've been a font of income—a moral hazard, a "blank check," a boondoggle—for the very profitable medical industry.

We have to find a way to deliver good health care to everybody at lower cost, rather than deliver perfect health care to some people at very high cost.

Charlie Baker, a Harvard and Kellogg School graduate, son of a Mayo clinic surgeon, former CEO of Harvard Pilgrim Health Care in Boston, and recent unsuccessful Republican candidate for governor of Massachusetts, was asked at the recent RIIA conference in Chicago how he would reform the medical system if he were its "czar."

Baker, like Ryan, said that the government should give older people a "basket of money" and let them choose their own insurance plans. The amount in the basket would get bigger as they aged." But in calling for medical teamwork and a change in Medicare that would reward "cognitive" care rather than encourage costly procedures, he also targeted the costly fragmentation and duplication in the medical care delivery system.

Arnold Relman, the 88-year-old nephrologist and former editor of the *New England Journal of Medicine*, has argued in print and in speeches for 30 years that the country could afford comprehensive high-quality health care for everyone if medicine were a not-for-profit business, with highly-paid salaried doctors working in groups and no investor-owned hospital chains.

“Health care should not be a playground for investors,” Relman told *RIJ* last week. “The single payer is the first step. But you have to reform the delivery system, by saying to the medical system, ‘This is what we can afford, this is all we can pay you and you’ve got to do the best you can.’ Some say that will lead to rationing. That’s nonsense. There’s more than enough money in the system. It’s just not being spent on health care. It’s being spent on administration and duplication and fraud.”

Every human being is a million-dollar medical bill waiting to happen, and if nobody stops the growth in health care spending, then BabyBoomers will spend all of their savings on nothing else. But the solution isn’t to shift rising costs away from taxpayers and onto older people. The solution is to reduce costs by taking the profit motive (and the profiteering) out of medicine.

In that regard, Baker was pessimistic. At 18% of GDP, he said, the medical system is too big to let anyone to dictate to it. He believed that health care might account for 30% of the economy by 2035. Relman was more optimistic. He noted that some 200,000 doctors now work in salaried groups like the Mayo Clinic, where costs are lower and outcomes are better. Doctors themselves, he said, can change the system, he said.

Relman thinks the Ryan Medicare proposal is just plain wrong. “It’s a sham. It’s mean-spirited. It’s a reversion to the old ‘devil-take-the-hindmost’ philosophy,” he said. “It guarantees that people would have to pay more and more out of pocket to insurance companies. Doctors would continue to practice fee-for-service. Costs wouldn’t be controlled at all.”