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A Health Care Plan So Simple, Even Stephen Colbert Couldn't Simplify It

By ROBERT H. FRANK

In his State of the Union address, President Bush proposed tax cuts to make health insurance more affordable for the uninsured. The next day, [Stephen Colbert](#) had this to say on his show on Comedy Central: "It's so simple. Most people who can't afford health insurance also are too poor to owe taxes. But if you give them a deduction from the taxes they don't owe, they can use the money they're not getting back from what they haven't given to buy the health care they can't afford."

Just so. As health economists have long known, market incentives induce private insurers to spend vast sums to avoid people who may actually require health care. This problem is mitigated (though not eliminated) by employer-provided group policies. Because Mr. Bush's proposal would steer people toward individual policies, it would actually strengthen the incentive to shun unhealthy people. Such people can now keep their insurance by not changing jobs. But no private company would want them as individual policyholders at a price anyone could afford.

That Mr. Bush's proposal will not shrink the ranks of the uninsured is not its most serious problem. Far more troubling is its embrace of a system under which we spend more than twice as much on health care, on average, as the 21 countries in which life expectancy exceeds ours. American costs are so high in part because the reliance on private insurance multiplies administrative expenses, currently about 31 percent of total outlays.

Most health economists agree that government-financed reimbursement is the only practical way to control these expenses, many of them stemming from insurers' efforts to identify and avoid unhealthy people. Canada's single-payer health system, which covers everyone, spends less than 17 percent on administrative expenses.

Annual health spending in the United States currently exceeds \$2 trillion. A single-payer system that did nothing more than reduce administrative expenses to the levels of other countries would save roughly \$300 billion annually.

Some critics worry that expensive but ineffective medical interventions may proliferate if health care becomes a federal responsibility. But Victor Fuchs, a respected health economist at [Stanford University](#), and Dr. Ezekiel Emanuel, chairman of the department of clinical bioethics at the [National Institutes of Health](#), have outlined a single-payer plan that would limit such interventions far more effectively than the current system. (A [copy of their plan](#) is on the links page of my Web site, [http://www.robert-h-frank.com/.](http://www.robert-h-frank.com/))

If the single-payer system embraced by virtually all other developed countries is clearly the best solution, why doesn't the United States adopt it? Some analysts concede its merits, but characterize it as either unaffordable or politically unrealistic. But why should a policy that promises better results for less money be considered a

nonstarter?

There are two obstacles, which could both be overcome by intelligent political leadership. One is that the single-payer system would require additional tax revenue. In the current climate, that's a tough political hurdle, to be sure. Yet how complicated would it be to explain to voters that because the single-payer plan would reduce costs substantially, every additional tax dollar would be offset by an even larger reduction in private insurance spending? Given that such a system is so much cheaper over all, calling it unaffordable makes no sense.

The second obstacle is opposition from private insurers, who would be understandably reluctant to abandon multibillion-dollar annual profit streams. Those who stand to lose from policy changes always battle harder than those who stand to gain — an asymmetry that is exaggerated when losses would be concentrated and gains diffuse. So, yes, the insurance industry would bitterly resist.

But intelligent leadership could overcome that resistance. Whenever a pie gets bigger, everyone can get a larger slice than before. Because moving to a single-payer system would make the economic pie bigger, it should be possible for everyone, including the insurance industry, to come out ahead.

The first step is to acknowledge that insurance companies are not evil, that they invested in good faith under tax laws that favored employer-provided private health insurance. To put them out of business with an overnight switch would be unjust.

Even so, they are not entitled to a permanent license to operate a system that has become economically unsustainable. The move to a single-payer plan would save far more than enough to compensate insurance companies for lost profits. Compensation for losses could start at 100 percent, then be gradually phased out as companies shifted investments elsewhere.

Selling this argument in an era of 15-second sound bites would be challenging, but hardly impossible. Indeed, forceful advocacy of the single-payer approach offers a golden opportunity for any serious presidential candidate. Voters are fed up with rising insurance costs and dwindling coverage. On the merits, single-payer coverage is an unassailable solution to both problems. Its rationale is simple enough to articulate clearly during a long campaign. And if the proposal were devised so that everyone stood to win, corporate interests would have little reason to attack it.

Critics of the single-payer plan have long railed against the specter of socialized medicine, suggesting that it means being treated by government functionaries. Yet people who have experienced single-payer coverage firsthand seem unconcerned. When one of my sons needed surgery for a broken arm during a sabbatical in Paris, for example, the medical system we encountered was just as professional as the American one and far less bureaucratic. And in France, which spends half as much on health care as the United States and has more doctors and hospital beds per capita, everyone is covered.

We live in challenging times. Does a candidate who couldn't persuade voters to embrace the single-payer approach deserve to be president?

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