Is Health Insurance Good?

So, is comprehensive health insurance a good thing or a bad thing?

OK, that was a trick question. The correct answer is, it’s both. But how you answered that question should determine whether you think the Obama Insurance Reform plan should go forward or be abandoned.

The Democratic view is that comprehensive insurance is good, because it protects us against all health risks. Most of the people who read this column won’t get cancer over the next year. But perhaps one or two will. And those one or two, if they have comprehensive health insurance, won’t have to worry about how they’ll pay for all the treatment. Insurance – that is, all the premiums paid by all of us who don’t get cancer – will cover it.

Now if comprehensive insurance is a good thing – the Democratic view – then insurance companies shouldn’t be allowed to refuse to cover you or me, or allowed to take our coverage away. But if insurance companies have to take all comers, then everyone must be required to buy it. Otherwise, none of us would purchase insurance until we discover that we’re the ones with cancer or some other disease.

So the Obama bill, to make sure everyone can be covered, has to require that everyone has to buy insurance. But that means subsidies for those with lower incomes. If any part of the Obama plan is desirable, then the entire structure of the Obama plan is needed, because all of its parts support each other. You can’t build an edifice piecemeal, and the Democratic vision, that comprehensive insurance is a good thing for everyone, requires an edifice.

The Republican view is that comprehensive insurance is bad, because it encourages wasteful spending. If you, all the other insurance premium payers, are covering most of my health costs, if that $5000 MRI costs all of you $4999 and me only a buck, sure, give me an MRI just to be sure, whether it’s really needed or not. We have little to no incentive to not overspend, so we do.

The Republican solution is less insurance, not more. That’s why they want the Democratic bill thrown away, why they want a restart – in their view, the Obama bill is going in the totally wrong direction. The Republicans would rather replace comprehensive insurance entirely, with medical savings accounts and catastrophic insurance.

Under their system, you put some amount in a savings account every year. You then withdraw from that account to pay for the first $10,000 or so of health costs each year. Only after that much is spent would catastrophic insurance kick in. Not until I’d already paid for an MRI or two on my own would you all be on the hook to cover my health costs, so presumably I wouldn’t have so many unnecessary MRIs.

The Republican approach would definitely reduce wasteful spending. But it would allow a goodly number of people, folks who couldn’t afford to put a full $10,000 or so in their medical account each year, to fall through the cracks. The Democratic approach would cover those people, but would ultimately have to turn to bureaucracy to try to hold down wasteful spending – i.e. the same annoying “we don’t cover that” the insurance companies use now.

So again the question, is comprehensive health insurance a good thing or a bad thing? Is the security it provides us worth the wastefulness it generates? The answer is either yes or no – there’s no magic Utopia in between. Choose carefully, choose thoughtfully, and then hope like heck your perspective ends up the one that wins.