

Guest Editorial

The Five Myths of Health Care

By **Sally C. Pipes**

Fictions don't become facts through repetition.

Keep that in mind next time you hear a politician breathlessly decry the horrors of the American healthcare system and then explain how he intends to fix it. Some of the most popular talking points in the healthcare debate pass as the gospel truth simply because, well, they're popular — not because they're true.

Below, I debunk the five most prominent healthcare myths.

1.) 47 million Americans do not have health insurance.

This figure comes from the U.S. Census Bureau. What most people don't know, however, is that the Bureau counts anyone who went without health insurance during any part of the previous year as "uninsured." So if you weren't covered for just one day in 2007, you're one of the 47 million.

That figure also includes 10.2 million illegal immigrants, and approximately 14 million people who are eligible for public healthcare programs like Medicaid or the State Children's Health Insurance Program but have yet to enroll. And nearly 10 million of the "uninsured" have household incomes of more than \$75,000 — so they can probably afford to buy health insurance but choose not to.

2.) Universal health care coverage can be achieved through an "individual mandate."

According to the federal census, nearly two-thirds of the uninsured are aged 18 to 34. This makes sense — healthy people aren't going to pay for expensive insurance they'll never use.

Those who support an "individ-

ual mandate" — like Sen. Hillary Clinton and several governors — believe that by legally requiring all Americans to buy health insurance, the young and the healthy will increase the size of the risk pool and therefore lower premiums for everyone. As a way to enforce an individual mandate, Sen. Clinton has suggested garnishing wages as a means of enforcement.

But many states require insurers to charge everyone the same rate. So young people would end up paying far more in premiums than they should — or could — pay. It's patently unfair to force people to purchase insurance they can't afford. Even in Massachusetts, which offers substantial premium subsidies for low-income residents, the government had to exempt a fifth of Bay Staters from the individual mandate because insurance was still so expensive. And, the plan is already \$147 million over budget.

The real way to attract young adults into the insurance market is to lower premiums — not to impose draconian sanctions. This can be done by having states reduce costly mandates like in-vitro fertilization and allowing people to buy insurance across state lines.

3.) Expensive prescription drugs are a big reason why healthcare costs are increasing.

The real price of prescription drugs is actually decreasing. In 2007, inflation rose by more than 4 percent, while drug prices increased by just 1 percent. So in real terms, drugs were 3 percent cheaper last year than they were in 2006, on average.

What's more, drug spending is but a small slice of total healthcare

spending — less than 11 cents out of every healthcare dollar goes to prescription meds.

And drugs actually reduce healthcare costs in the long-term. Medicare, for instance, saves \$2.06 for every additional dollar it spends on pharmaceutical drugs, according to a paper recently published by the National Bureau for Economic Research. This is because prescription drugs often obviate the need for expensive surgeries and hospital stays.

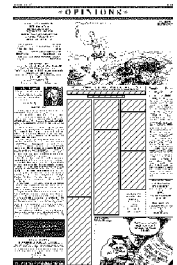
4.) Drug importation will save patients a fortune.

At most, according to the Congressional Budget Office, foreign drug importation would save Americans one percent over the next decade.

Brand-name drugs are cheaper in foreign countries because their governments impose price controls. Drug-makers can only afford to sell pills at cut-rate, controlled prices in Europe and Canada because Americans pay full price.

If American politicians allow foreign drugs to enter the U.S. market, they'll in effect be importing price controls too. Such action will not only create practical problems, like shortages, it will also deny firms the return on investment necessary to plunge into the next round of research and development into new cures.

It takes nearly \$1 billion to bring a new drug to market. Investors are willing to take on such a risky investment because the rewards of developing a cure for Non-Hodgkin's lymphoma, AIDS, or diabetes are considerable. If the profit motive vanishes, the miracle cures for which America's drug



industry is responsible would vanish.

5.) The state-run healthcare systems in Canada and Europe are better and cheaper than America's.

People who make this claim usually point to the fact that life expectancy is higher in Canada and Europe. But life expectancy is influenced by a number of variables aside from the quality of a country's healthcare system — like diet, genetics, exercise, smoking, pollution, and even marital status.

A study published last year in the British medical journal *The Lancet* suggests that America is much better at treating cancer than Europe or Canada. Researchers

found that Americans have a better survival rate for 13 of the 16 most prominent cancers. An American man has nearly a 20 percent better chance of living for five years after being diagnosed with cancer than his European counterpart.

This study's findings tell us a lot more about the quality of a healthcare system than life expectancy rates do, because the relationship between treatment and outcomes is tighter, clearer, and more direct.

(Sally C. Pipes is President & CEO of the Pacific Research Institute and author of "Miracle Cure: How to Solve America's Health-Care Crisis and Why Canada Isn't the Answer.")

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