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Guest View

Six Fixes For Lowering Healthcare Costs

By Sally C. Pipes

The financial crisis will most likely leave Congress unable to pursue the wholesale healthcare reforms that many desire. Fortunately, there are several ways to lower healthcare costs and improve care without massive government outlays. Here are six fixes that lawmakers should consider:

The success of laser eye surgery -- Over the past decade, overall healthcare costs have risen between 8 and 10 percent each year. But laser corrective eye surgery has become 40% more affordable, dropping from about $2,200 to $1,350 per eye.

The reason? Competition.

Because laser eye surgery is rarely covered by insurance, patients can shop around for the best deal. And because they're spending their own money, they tend to drive a hard bargain. Applying the discipline of the marketplace to other health services would force prices down.

Allow the purchase of health insurance across state lines --You can buy just about anything you want from any state in the union -- except health insurance. Consumers are captive to the policies laden with expensive regulations imposed by their state governments.

Differing levels of regulation lead to huge disparities in the cost of insurance. For instance, a 25-year-old male in New Jersey shells out $5,580 per year for a standard policy. But in Kentucky, which imposes fewer regulations, he would pay only $906 for the same coverage.

If lawmakers let Americans shop around for health insurance, millions more would be able to afford it. Competition would also drive down prices for those who already have insurance.

Give individuals the same tax break corporations get for buying health insurance --If you're self-employed or don't get health insurance through work, you're forced to pay for insurance with whatever you have left after you've paid taxes.

Not so for those corporations offering health insurance. Their employees' insurance premiums are paid with pre-tax dollars.

Why shouldn't individuals also be able to purchase insurance tax-free or get a refundable tax credit? Rather than initiating yet another expensive government program, Congress can put health insurance within the grasp of millions by tweaking the tax code to level the playing field for individuals.

Eliminate mandates for non-essential benefits --Requiring insurance to cover things like hair prostheses and in-vitro fertilization can add up to 50% to the cost of insurance. Eliminating non-essential benefit mandates would reduce premiums significantly.

Other regulations on insurance, like community rating, similarly drive up prices. If insurers are forced to charge everyone the same premium, regardless of pre-existing conditions, health status, or family history, prices for all will skyrocket.

Rein in the legal system --Multimillion-dollar damage awards don't protect patients -- they just enrich trial attorneys. Consider the notorious Vioxxcase. While the lawyers collected $1.5 billion, plaintiffs pocketed less than $100,000 each.

Ordinary consumers pay the price for this legal overreach, as healthcare providers must inflate prices to pay off expensive tort judgments.

The Supreme Court could score one for patients by affirming the constitutional principle of preemption. This legal principle holds that federal rules trump state ones when they conflict. For drugs, that means that the experts at the federal Food and Drug Administration hold the final word on drug safety -- not trial lawyers and local juries. Without preemption, drugmakers would be forced to spend millions in court defending their products, even though federal regulators had already deemed them safe.

Encourage the use of retail health clinics -- Clinics that offer basic care on a fee-for-service basis at retailers like Wal-Mart are enjoying increasing popularity. And in addition to simplifying the healthcare delivery process, they're introducing a measure of competition with the conventional doctor's office.

That expands choice and lowers costs for consumers.

Healthcare reform demands the immediate attention of our newest crop of leaders in Washington. If they enact simple policies like these, American patients can look forward to a much-improved healthcare system in 2009.

Sally C. Pipes is President & CEO of the Pacific Research Institute. Her latest book is The Top Ten Myths of American Health Care.

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