



testimony

Testimony of John R. Graham, Director of Health Care Studies, Pacific Research Institute to Arizona House Health & Human Services Committee

May 26, 2009

Thank you for inviting me here today to speak about the importance of the Arizona Health Care Freedom Act, HCR 2014. I believe that this bill is critical to Arizonans' individual choice in health care, and a bulwark against undue government control of their access to health services.

I am John R. Graham, Director of Health Care Studies at the Pacific Research Institute in San Francisco, California. PRI is an educational charity, registered under section 501(c) 3 of the Internal Revenue Code, which has conducted and promoted research on the benefits of limiting government power and maximizing individual choice for over three decades. I am the author of a number of publications relating to health care, including the monthly *Health Policy Prescriptions* analysis of national issues; the monthly *Capital Ideas* analysis of state issues; and the *Index of Health Ownership*, which ranks states according to 24 measurements of individual ownership versus state control of health care, in which Arizona ranks 39th. I have had articles published in periodicals including the *Wall Street Journal*, *Washington Post*, and the *Phoenix Business Journal*. I blog at two health-policy blogs: *State House Call* and *Free American Health Care*. Perhaps most importantly, I have been a patient in Canada, Germany, Great Britain, and the United States: all countries where I have resided.

HCR 2014 will give Arizonans another chance to protect their health-care rights. They almost succeeded in protecting these rights last November via Proposition 101, which contained substantively the same language as this resolution. Unfortunately, monied interests, including the government, were able to muddy the waters enough during the Prop 101 campaign to confuse enough Arizonans about the goals of health freedom, such that Prop 101 failed very narrowly. You are hearing the same opposing arguments during the current effort, so I greatly appreciate your invitation to allow me to spend a few minutes discussing what HCR 2014 will do and what it will not do.

When advocates talk about a "right" to health care, they're usually proposing a government-monopoly scheme that offers the false hope of "universal" health care. The last four decades have seen the massive expansion of bloated government health-care programs such as Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP).

Nothing in HCR 2014 stops these programs, despite the stated fears of Anthony Rogers, Director of the Arizona Health Care Cost Containment System, during last year's Prop 101 campaign. Ironically, despite the name, this agency does not seem to contain costs very well. Indeed, spending increased to \$7 billion in 2007, up one-third from 2004.

Mr. Rogers claimed that the initial health-care freedom act threatened to put his agency out of business as a managed-care organization, because its beneficiaries would have the "right" to reject the care he chooses for them in favor of care that they prefer, but on his agency's budget. That is not the case. The health-care freedom act does not interfere with government agencies' power over their dependents. It preserves the freedom of those who spend their own money on health care, not other taxpayers' money.

I recall that Mr. Phil Lopes, charged that Prop 101 "protects the private insurance industry," which was incorrect, and continues to be so today. HCR 2014's plain language makes clear that the state cannot forbid any Arizonan from buying private health insurance, but neither can it compel him to do so. Thus, it protects Arizonans from either a government-monopoly system (like Canada's), or mandatory private health insurance (like imposed in Massachusetts in 2006).

I understand that the honorable gentleman has previously proposed the "Arizona Health Security Act," which would drive every Arizonan into a government-monopoly system. Advocates of so-called "single-payer" health care often claim that their systems will not prevent citizens from "topping up" government-rationed health care with their own funds. History proves otherwise.

The British government imposed the National Health Service (NHS) in 1948. One of its most recent scandals involves breast-cancer patients taking the new drug, Avastin, for which the NHS would not pay. The NHS told some patients that the bureaucracy would give them no breast-cancer care at all if they insisted on paying for Avastin with their own money, despite the fact that their taxes funded the government's system. Supporters of government monopoly argued that it was unfair that some citizens were able to pay for Avastin and others not – even though the state would not provide it at all!

Canada instituted taxpayer-funded, "universal," health care in 1966. Initially, Canadians preserved the right to pay their doctors independently but over time that began to grate on the government, because it interfered with bureaucrats' central planning. So, they effectively outlawed it in 1984. Twenty-one years later, the Supreme Court of Canada finally restored this right after hearing the case of Dr. Jacques Chaoulli and Mr. George Zeliotis.

In the government system, Dr. Chaoulli would have had to wait two years to perform hip replacement surgery on Mr. Zeliotis. Although Mr. Zeliotis was prepared to pay Dr. Chaoulli to perform the surgery immediately, the law forbade it. The Supreme Court found that the prohibition violated Mr. Zeliotis' civil rights. Well, better late than never, I suppose, but waiting over two decades for an activist judiciary to restore rights that never should have been taken away, is an unsatisfactory solution to government over-reach, certainly for the many patients who languish on waiting lists, denied care by government rationing.

Another version of so-called “universal” health care is mandatory, compulsory participation in private health insurance. These proposals often come with harmless sounding agencies called “exchanges” or “connectors,” whose ostensible goal is to allow individuals and businesses greater scope of choice in health insurance. However, they take away the choice to decline to buy health insurance, which people do for any number of reasons. Furthermore, because many people do not buy health insurance because they cannot afford to, such reforms must increase costs to taxpayers and expand government health-care programs such as Medicaid in order to “cover” everyone, which is what has happened in Massachusetts since 2006.

This, of course, defeats the very purpose of such a scheme, which is to eliminate the so-called “hidden tax” or “cost-shift” that uninsured patients presenting at emergency rooms levy on insured patients. Because hospitals are not adequately compensated for this care, they increase charges to private insurers, which then raise premiums – or so the argument goes. I investigated this reasoning in California in 2007, when Governor Schwarzenegger was trying to impose a Massachusetts-style mandate on my state, and I found that it was misdirected.

Reviewing a report published by the Arizona Chamber Foundation this March, I see that, like in California, the real “hidden tax” in your state is from government programs not uncompensated care, which accounts for less than 5 percent of hospitals’ costs. The Arizona Health Care Cost Containment System (Medicaid) accounts for almost 20 percent of Arizona’s hospitals costs, but only pays 79 cents on the dollar. Medicare, the federal government program, accounts for almost 40 percent of costs, and only pays 89 cents on the dollar. The report concludes that the cost-shift from these two government programs is 2.3 times more than that from uncompensated care. This February, the Arizona Hospital and Healthcare Association concluded that 59 percent of Arizona’s hospitals reported that they were shifting even more costs to private insurers because of the AHCCCS payment-rate freeze. When I hear hospital associations lobbying for expanded government programs, I simply shake my head in disbelief, but they keep doing it. The Arizona Hospital and Healthcare Association, of course, advocated against Prop 101 last year.

HCR 2014 would not have been necessary a few years ago. Arizonans, and all Americans, would have assumed that our freedom to spend our own money on health care of our own choice was integral to our civil rights. The uncontrolled growth of government health-care programs and misdirected lobbying by various participants in the health-care “industry” make this assumption untenable. The right to health care of one’s choice is under threat. Citizens need to protect themselves from the harmful effects of government-monopoly health care, and the Arizona Health Care Freedom Act is an important part of that defense.