

# A Healthcare Utopia...

## The Impossible Dream.



by

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## A Healthcare Utopia...the impossible dream.

*"What has always made the state a hell on earth has been precisely that man has tried to make it his heaven." – F. Hoelderlin.*

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This observation by Freiderich Hoelderlin, an eighteenth century German poet, is the opening quote to chapter 2 of F.A. Hayek's great work *The Road to Serfdom*. The socialisation or nationalisation of healthcare, as proposed by the government's Blue Ribbon Commission on National Health Insurance, is another Utopian ideal that if implemented becomes one more step on the road to Socialism, ending in serfdom.

No one should doubt the sincerity of Dr. Perry Gomez, Chairman of this Commission, and his concern for the well being of Bahamians. He is to be commended for his work on AIDS that has helped so many in our country extend their lives when faced with the prospect of an early death as a result of that dreaded disease.

However, before we discuss the proposed socialised healthcare scheme, we should take a few minutes to think about the country's National Insurance programme, which was the first payroll tax imposed on the Bahamian people, with promises of income for retirement and other needs. According to press reports, the National Insurance scheme is expected to be bankrupt in a few short years, barring dramatic changes to benefits and the current contribution rates.

While the government Minister responsible for National Insurance has explained they are over staffed and do not expect a reasonable return on their investments, they somehow forget to mention how our funds are used to erect buildings for the government without specified repayment terms.

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- NIB was the first payroll tax imposed on the Bahamian people with promises on income for retirement and other needs.
- The Minister has explained they are overstaffed, do not expect reasonable returns yet they continue to borrow NIB contributions with no repayment plans.



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Let's digress for a moment here to explain what is meant by a Ponzi scheme.

Oxford defines a Ponzi scheme as:

*"A form of fraud in which belief in the success of a non-existent enterprise is fostered by the payment of quick returns to the first investors from money invested by later investors."*

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Under The National Insurance scheme, while it exists in the form of buildings and employees among other things, the money paid out to retirees today, comes from the money working people pay in today. So as our population ages...returns decline and government borrows more money for buildings it doesn't intend to repay...bankruptcy is inevitable

Bankruptcy, of course, is the inevitable end for a Socialised Health Insurance scheme as well. Here's why.

The Blue Ribbon Commission notes their "scheme" will remove our personal responsibility of having to pay directly for our health needs, because, they will do it for us. It also guarantees that everyone will be served...equally. Once the "scheme" is established, every worker will be taxed to pay for it, and there's no opting out because the government has the power to force each of us to pay under the threat of fines, jail or both.

We have been, and will continue to be fed a diet of heart wrenching stories about people arranging cookouts to pay medical expenses. Theoretically our consent to a Socialised healthcare scheme is sought through town meetings and other presentations. But, this "consent" is achieved by convincing the public that there are large numbers of individuals suffering without medical care.

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The Blue Ribbon Commission suggests:

- ✓ They will remove our personal responsibility of having to pay directly for our health needs.
- ✓ They will “guarantee” everyone will be served...equally.
- ✓ Of course we cannot opt out because we will be fined, jailed or both.

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As we know, no one is denied healthcare at the Princess Margaret Hospital if you are rich or poor. Of course the service might not be what we want, but you will be attended to.

Another intention is to convince us that the majority of people are denied health insurance by private providers or mean employers. Well, anecdotal evidence, from a few private employers, suggests that many people are offered the opportunity to purchase group insurance through their employer, but decide not to, having other uses for the money or simply trusting that God or the government will provide.

As one lady put it on Love 97's call in program Issues of the Day in early October: the same people that are holding the cookouts because they can not or will not pay for health insurance coverage are the ones that have cellular telephones and all the other conveniences of modern life, but do not wish to protect themselves by purchasing health insurance.

Rather than encouraging dependency, the leadership in this country ought to promote personal responsibility...not the irresponsible notion...that some one else will pay.

When it comes to paying for the cost of care, is there any reason...or evidence...to believe that Socialised healthcare will be managed any different than other government-run programs?

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One certainty on which we can count, and which is characteristic of all government-run operations, is there will be waste and no accountability. Private businesses that waste resources generally become unprofitable and do not survive. In contrast, government can, and will utilise its power to tax people in order to continue their programs, no matter what the cost.

The Blue Ribbon Commission refers to a "stable financing mechanism" to guarantee services, that will not be affected by changes in the Bahamian economy. In plain English this means coercive taxation, because it presupposes an economy that will always be stable. And we know that there will always be fluctuations in the economy. This financing mechanism, known as Socialised healthcare, will reportedly provide sustained income to expand the services offered, purchase new equipment and build more operating rooms.

Of course, there is no mention of means testing of those being treated at the public hospital so those that can pay will be made to do so, or to improve the present system to make it more efficient.

User fees, commensurate with costs, are also a technique to promote a more "economical" use of medical resources and public funds. In their minds however, there is a need for more funding for the government healthcare system. So the only alternative the Commission sees is to make every citizen pay for the abuse!

In addition, there has been no data released regarding the work of the 15-member Blue Ribbon Commission that has been going on for some 18 - 20 months now. While we have seen fist fulls of public relations documents, there has not been a shred of analytical material.

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Rather than encouraging dependency, the leadership of the country should promote personal responsibility...not the irresponsible notion...that some one else will pay.

This begs a few questions like:

1. What it costs to implement this Socialised Healthcare scheme, and
2. What citizens and businesses will be forced to pay for the government to "help us", and
3. How healthcare professionals will be affected?

Obviously, doctors and other healthcare professionals will become state employees, subject to the decisions of a government Health Minister as to what they would be paid and possibly down to hours of work. And of course they will have a guaranteed income. Our guess is that the majority of physicians will not willingly relinquish the freedom they now enjoy for a life under the thumb of a government bureaucrat. Nor would we expect the quality of care to be any better once they become state employees.

Our further guess is that even though the doctors would be reluctant to admit it, we should not expect the same dedication to their work once the incentives and freedoms they enjoy today are taken away?

Of course, there will be healthcare professionals who like the idea of a Socialised scheme, however, the long-term reality in many government healthcare systems around the world, is the shattered dreams of many of the healthcare professionals and patients confined to such a system



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- ❑ The Blue Ribbon Commission refers to a stable financing mechanism to guarantee services – In English, this means coercive taxation.
- ❑ Of course there is no mention of means testing so that those who can pay will.

In the era after World War 2, when nationalisation of so-called essential services was in vogue, nationalised industries were thought to be more efficient, more equitable, more available, and guaranteed. We must ask what happened to "economies of scale" and the additional benefits government promised to provide that the private market could not. Fifty years later we know that people were misled, just as Bahamians are being misled now with promises that will not be fulfilled.

As the country is apparently using the Canadian healthcare system as a benchmark, the research of other independent "think tanks" like the Fraser Institute, and the National Center for Policy Analysis, have shown through rigorous research that there are huge unresolved problems, that worsen each year.

The Fraser Institute study of August 2002 revealed:

1. Canada has the most expensive healthcare system among the 26 industrialized nations that have comprehensive, universal access.
2. Canada has one of the poorest endowments of physicians in the OECD. It ranks 17 out of 20 countries with only 1.8 doctors per 1,000 people.
3. Canada bans private healthcare...except for politicians and senior bureaucrats of course.
4. Canada ranks 18th in access to MRI's; 17th in access to CT scanners; 8th in access to radiation machines; and 13th in access to lithotripters. This equates to average waiting times of 17.5 weeks.

Unfortunately it is worsening each year.

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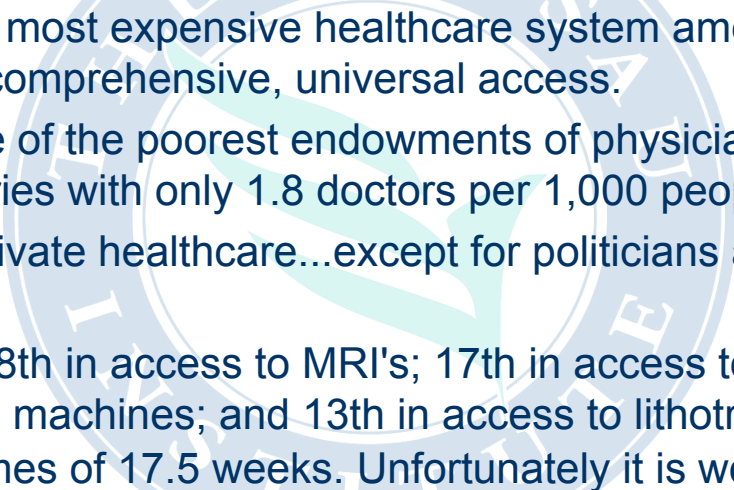
- ❖ Doctors and healthcare professionals will become state employees
- ❖ Will be subject to the decisions of a government health minister as to what they will be paid
- ❖ Will the doctors willingly relinquish their freedoms?
- ❖ Should we expect the same quality of care?
- ❖ Will we see the same dedication to their work?

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Thomas Sowell

*"Like so many welfare state programs, government health insurance is based ultimately on an implicit assumption of getting something for nothing..."*

*"If the government indeed has its own money, and is gracious enough to spend some of it on me, what is there for me to do but express my thanks and get on the gravy train? On the other hand, if the government has only the money that it takes from the rest of us, how are we better off to have to pay not only for what we want but also for all the hoops we have to jump through to get it? Just as there is no free lunch, there are no free hoops."*

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There is also some inconsistency in the verbiage being bandied about by the Commission. On the one hand there are complaints that the Bahamas should pay less for the drugs used to treat AIDS, despite the country's relatively good economic performance when compared to our neighbours like Haiti. But on the other hand, it is suggested that successful people should pay more to help their fellow man obtain healthcare. This rhetoric is most unfortunate as it encourages people to believe they have a right to other people's money to pay for their healthcare.

Studies have shown the consequences of a Socialised healthcare scheme are:

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- Costs escalate and the quality and available services decline.
- A percentage of the highly trained and competent doctors will eventually opt out, leaving the mediocre or the “old boys” and little incentive for young doctors to come here.
- In-hospital training standards would be expected to decline.
- Physicians will discover that up to 25% of emergency cases will not be enrolled. And, if treating patients eligible for treatment is a condition of their getting paid, then these doctors will be working part of the time for no pay.
- Care to the general public will be rationed.



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We have already said that no information regarding a cost benefit analysis has been released to date, so one wonders how pricing scenarios can be released to the public? Scenarios we might add that will increase the cost of doing business.

Following are a few assumptions based on the various pricing scenarios released by the Commission.

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Socialised Healthcare Assumptions													
Company of 50 employees					Company of 25 employees					Company of 10 employees			
Average pay 300 per week					Average pay 250 per week					Average pay 200 per week			
or \$780,000 annual wage roll.					or \$325,000 annual wage roll.					or \$104,000 annual wage roll.			
Belgium	Employer	Employee	Total		Belgium	Employer	Employee	Total		Belgium	Employer	Employee	Total
\$780,000	4.70%	6.15%			\$325,000	4.70%	6.15%			\$104,000	4.70%	6.15%	
	\$36,660	\$47,970	\$84,630			\$15,275	\$19,988	\$35,263			\$4,888	\$6,396	\$11,284
Israel	0	4.80%			Israel	0	4.80%			Israel	0	4.80%	
\$780,000	\$0	\$37,440	\$37,440		\$325,000	\$0	\$15,600	\$15,600		\$104,000	\$0	\$4,992	\$4,992
Costa Rica	9.25%	5.50%			Costa Rica	9.25%	5.50%			Costa Rica	9.25%	5.50%	
\$780,000	\$72,150	\$42,900	\$115,050		\$325,000	\$30,063	\$17,875	\$47,938		\$104,000	\$9,620	\$5,720	\$15,340
Thailand	1.50%	1.50%			Thailand	1.50%	1.50%			Thailand	1.50%	1.50%	
\$780,000	\$11,700	\$11,700	\$23,400		\$325,000	\$4,875	\$4,875	\$9,750		\$104,000	\$1,560	\$1,560	\$3,120
Aruba	6.50%	1.00%			Aruba	6.50%	1.00%			Aruba	6.50%	1.00%	
\$780,000	\$50,700	\$7,800	\$58,500		\$325,000	\$21,125	\$3,250	\$24,375		\$104,000	\$6,760	\$1,040	\$7,800
Trinidad	5.60%	2.80%			Trinidad	5.60%	2.80%			Trinidad	5.60%	2.80%	
\$780,000	\$43,680	\$21,840	\$65,520		\$325,000	\$18,200	\$9,100	\$27,300		\$104,000	\$5,824	\$2,912	\$8,736

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- As you can see from these assumptions, a company with 50 employees earning an average salary of \$300 per week, the least an employee might expect to pay is \$3 per week, to a high of \$18.45 per week. This company can also expect to pay from \$0 per week to a total of \$72,150 per annum for their 50 employees (\$27.75 each per week). The higher rates are obviously comparable to private health insurance rates, so what is the point of setting up another bureaucracy that will inevitably waste taxpayer dollars? Also, it is unlikely the services envisioned can be provided for the rates at the low end of the scale.
- We would like to suggest that our leaders do the responsible thing and encourage every citizen to purchase their own health insurance leaving the state to do the important things like maintain the country's infrastructure, protect our lives and property, and maintain independent courts and the rule of law.
- Before going further government should clean up the abuse and waste in the public system that many professionals will tell you exists, and back off for the sake of the sick and the healthy and everybody in between.

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For example, the Hospital Authority can improve operating efficiency by:

- Collecting from everyone with insurance.
- Changing the notion of healthcare as free for all.
- Outsourcing to others who can provide service at lower cost.
- Designing a sliding scale for use with means testing so that all who can afford it, pay something, and those who can't...don't.

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*"That is why the Clinton health plan must be fought against root and branch, why Satan is in the general principles, and why the Ludwig Von Mises Institute, instead of its own 500-page health plan, sticks to its principled "four-step" plan laid out by Hans-Hermann Hoppe (The Free Market April 1993) of dismantling existing government intervention into health."*



Murray Rothbard

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To do this means we need a real credit bureau and the ability to verify means. Government should expedite these issues rather than go into the business of health insurance.

In his March 2002 booklet, *Six Questions Everyone Should Ask About Health System Reform*, Dr. Jesse S. Hixson, Principal Economist at the American Medical Association, gives us a great stage from which to leap into this mammoth discussion:

His six questions are:

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*Dr. Jesse S. Hixson, Principal Economist at the American Medical Association gives us a great stage from which to leap into this mammoth discussion:*

### *I HOW DOES THE PROPOSED SYSTEM CONFRONT SCARCITY?*

No system can meet the demands for medical care in the quantities that are generated when patients view it as free.

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## *II. IS THE SYSTEM AN EQUILIBRIUM OR A DISEQUILIBRIUM SYSTEM?*

A healthcare system that tries to insulate medical care from scarcity will be unstable from both the economic and political standpoints. People will try to subvert the rationing devices that are used in place of market price adjustments. In contrast, equilibrium systems reach a balance that produces solutions that most people can live with.



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## *III. WHAT IS THE ROLE OF PRICES?*

Most health care problems related to rapid expenditure growth, are due to the absence of a proper price system. Because their medical expenses are covered by prepaid benefits, most consumers are barely aware of the costs.

Consequently providers have not faced strong pressure to compete on the basis of price and have faced only weak incentives to produce efficiently.

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## IV. ARE INCENTIVES CONSISTENT WITH REFORM GOALS?

Without cost conscious consumers on the demand side there will be no incentive for serious market price competition, efficient production, or consumer-oriented service on the supply side. Consequently providers of services do not face market pressure to compete on the basis of price, but to treat resources as if they were essentially free.

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## V. *WHO DETERMINES WHAT HEALTHCARE IS PRODUCED AND WHO GETS IT?*

If differences on the approach to determining what gets produced and who gets what, its health systems problems cannot be resolved.

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## VI. *HOW WILL THEY KNOW IF IT'S WORKING?*

The best information comes from the market, and correctly structured incentives and pricing mechanisms guide both public and private systems automatically toward their goals.

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If the country does not consider completing a study to answer these six important questions, there can be no doubt the Socialized Healthcare scheme is doomed for failure.

This study should not be headed up by a local physician. An individual with a varied background beyond Canada and Bermuda should play an integral role. This individual should not be biased toward a Socialized system or any other system. We need objectivity, health coverage experience and honesty.

Another member of the Nassau Institute recently expressed that, government should "also listen carefully to the professionals who are still practicing under a Socialized system, and who have reached their income cap and only work part time, even though there is a shortage of skilled medical practitioners-a shortage that results in patients dying unnecessarily. Of course, they refuse to work for free."

We must all bear in mind that as we allow the state to encroach on more and more of our lives, we are invoking serfdom, or to use more dramatic terminology...being enslaved to the government.

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A quote from Friedrich A. Hayak's, *The Road to Serfdom* seems very appropriate as we are...after all...discussing the way toward a better Bahamas:

## **From F.A. Hayak's *The Road to Serfdom*.**

*"To build a better world, we must have the courage to make a new start. We must clear away the obstacles with which human folly has recently encumbered our path and release the creative energy of individuals. We must create conditions favourable to progress rather than 'planning progress'.*

*It is not those who cry for more 'planning' who show the necessary courage, nor those who preach a 'New Order', which is no more than a continuation of the tendencies of the past 40 years,... It is indeed, those who cry loudest for a planned economy who are most completely under the sway of the ideas which have created this war and most of the evils from which we suffer.*

*The guiding principle in any attempt to create a world of free men must be this: A policy of freedom for the individual is the only true progressive policy."*

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Before the powers that be get off the tangent that we are naive conservative's, we reiterate that we would suggest our leaders do the responsible thing and encourage every citizen to purchase their own health insurance, leaving the state to do the important things like maintain the country's infrastructure, protect our lives and property, and maintain independent courts and the rule of law.

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So in summary, the government leadership should:

1. Improve the operating efficiency and reduce the waste in the public hospital system.
2. Conduct means testing and charge user fees commensurate with costs.
3. Promote individual responsibility and encourage people that are working to pay their own health insurance through private firms.
4. Prepare and present a proper study of the costs, benefits and pitfalls of the National Health Insurance Plan to all Bahamians.
5. Answer the six questions proposed by Dr. Hixson.



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We are all aware of the spiraling national debt of The Bahamas, and if healthcare is Socialised and run by the government... there will be a wake up call for the utopian dream. However, it may come too late to prevent damage to the economic stability of The Bahamas.

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So in closing, to paraphrase comedian Fred Allen: we are hopeful that the Blue Ribbon Commission is a gathering of important people who singly can do nothing, but together can decide that nothing can be done.