



Insight

The Illusion of Reform

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From [Carpe Diem](#)

Robert Samuelson nails it in his column today, here are some excerpts:

WASHINGTON — “One job of presidents is to educate Americans about crucial national problems. On health care, Barack Obama has failed. Almost everything you think you know about health care is probably wrong or, at least, half wrong. Great simplicities and distortions have been peddled in the name of achieving “universal health coverage.” The miseducation has worsened as the debate approaches its climax.

Though it seems compelling, covering the uninsured is not the health care system’s major problem. The big problem is uncontrolled spending, which prices people out of the market and burdens government budgets. Obama claims his proposal checks spending. Just the opposite. When people get insurance, they use more health services. Spending rises. By the government’s latest forecast, health spending goes from 17% of the economy in 2009 to 19% in 2019. Health “reform” would likely increase that.

Obama’s telling people what they want to hear, not what they need to know. Whatever their sins, insurers are mainly intermediaries; they pass along the costs of the delivery system. In 2009, the largest 14 insurers had profits of roughly \$9 billion; that approached 0.4 percent of total health spending of \$2.472 trillion. This hardly explains high health costs. What people need to know is that Obama’s plan evades health care’s major problems and would worsen the budget outlook. It’s a big new spending program when government hasn’t paid for the spending programs it already has.”

MP: If total health spending is \$2.472 trillion per year, that’s about \$6.8 billion per day and \$283 million per hour. So the profits from last year of \$9 billion of the 14 largest insurers account for about 32 hours of annual spending on health care or less than two days of the total spending. It’s then all of the other costs that account for the rest of the 99.6% of spending and the other 363 days.

As I pointed out in a previous CD post, insurance companies are the messengers of higher health care costs, not the source of higher costs. Focusing on health insurance profits as a source of higher health care costs is a diversion from the real factors that lead to higher costs.