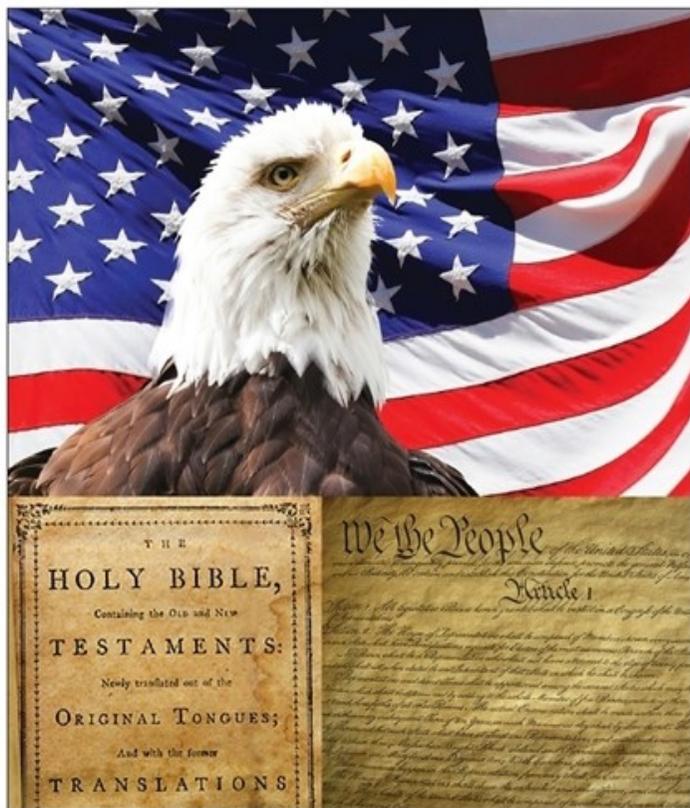


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**Health Care Cost Crisis
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by

Scot Wolf

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Chapter 21: Health Care Cost Crisis and Solution

WASHINGTON — The U.S. health care system squanders \$750 billion a year — **roughly 30 cents of every medical dollar** — through unneeded care, byzantine paperwork, fraud and other waste, the influential Institute of Medicine said...

- Associated Press. RICARDO ALONSO-ZALDIVAR. 9/6/2012

Healthcare vs Food

America has a Food Crisis! Citizens are beginning to question whether the food insurance bill the government signed into law was such a good idea. At first it worked great. Pay \$100 a month to the food insurance company. Shop at any grocery store, put whatever you want in your cart, and show your insurance card to the check-out clerk. Soon, the prices on the food items are no longer posted, because shoppers no longer pay cash. Shoppers just use their food insurance card and with a small co-pay, the food is yours! Everyone signed up. Of course, the prices soon begin to rise on food items, but the insurance card still covers it, so who cares? Except the food insurance premiums soon begin rising to \$300 a month, then \$400 a month, and there are rumors it may go to \$500 a month next year. It's a Food Crisis! Many cannot afford to pay that much! Some politicians are proposing a single-payer food plan run by the federal government to control food costs.

The above paragraph, of course, is not happening, unless one substitutes “Healthcare” for “Food”, then it fairly accurately describes America's current healthcare problem. When consumers “shop” for healthcare services, they usually do not know what the prices are because they do not pay for each service item. Therefore healthcare service prices are high because there is no consumer incentive to shop for the best price. Free markets, using human nature, have proven continually to provide the best possible goods and services for consumers at the lowest prices.

This chapter has four main sections.

- I. History of the Federal Government Intrusion into Healthcare
 - A) Tying Health Insurance to Companies

B) Medicare and Medicaid

C) ObamaCare

D) Federal Government as Sole Payer?

II. Federal Government Healthcare Waste and Fraud

III. Health-care Laws Violating the Constitution and Freedom of Citizens

IV. Healthcare Solutions

A) Transfer Responsibility to State or Local Governments

B) Healthcare Choices at the State Level

I. History of the Federal Government Intrusion into Healthcare

When people criticize the flaws in the American healthcare system, they usually attribute the failures to a “free-market system”. They ignore or do not understand the effects that continuous federal government intervention has had on the system, beginning in the 1940s.

A. Tying Health Insurance to Companies

America's healthcare cost problem is happening because the federal government has interfered with free market forces. The same ones that allow grocery store shelves to be filled with an abundance of food at low prices. The first intrusion of the federal government into healthcare came during World War II. It was an unintended consequence, as is often the result of government action. With many men serving as soldiers and out of the labor force, the federal government tried to control wages with regulation. Their rationale was rising wages would lead to inflation. Companies needing to pay workers more, causes the cost of the produced goods to rise, so companies will raise their prices on goods to compensate. The government was determined to prevent inflation, and also regulated good prices on many items in addition to wages.

Employer-Sponsored Health Insurance and Health Reform

...the link between employment and private health insurance was strengthened by three key government decisions in the 1940s and 1950s. First, during World War II the War Labor Board ruled that wage and price controls did not apply to fringe benefits such as health insurance, leading many employers to institute [employer-sponsored insurance]. Second, in the late 1940s the National Labor Relations Board ruled that health insurance and other employee benefit plans were subject to collective bargaining. Third, in 1954 the Internal Revenue Service decreed that health insurance premiums paid by employers were exempt from income taxation.

Price controls have never worked. The price controls led to rationing of key goods like metals and gasoline. Employers still needed to compete with other companies to attract workers. Unable to use higher wages, they substituted health insurance benefits in lieu of the wages the government restricted them from paying. The federal wage controls just changed employee compensation from paycheck to benefits. After the war ended, the government followed with the declaration that health benefits paid by employers were not taxable, making them attractive to both employer and employee. Employer healthcare became an entrenched benefit. This created several problems.

Insurance Non-portability: A downside is health insurance became tied to companies. When a worker loses his or her job, health insurance is now lost too. This is not an issue if people buy their insurance directly. Imagine if food was primarily purchased through company food stores. Lose the job and the food source is lost too. It's a poor model and it was initiated by short-sighted federal government policy.

Payment Model: Previous to the government (and employer) intervention, most healthcare was purchased directly by the user. Patients paid their doctors or hospitals directly for the care they received. (the free market model). Now healthcare evolved into a premium model with a third party insurance company. With patients now paying premiums and not paying their doctors directly, the free market excellence in controlling prices was lost. See the example in the beginning of the chapter where food insurance became the mechanism for buying food.

A key reason that healthcare is so expensive and food is not, even though food is more critical to human survival than healthcare, is the government intervention that removed free market principles from the healthcare system. American consumers have been trained to pay a single premium and expect the rest of their healthcare to be free (as in paid for by the insurance company, not them). Any good or service bought that way will see dramatic cost increases or shortages. It's Economics 101.

Government involvement did not end after the 1940s. In the 1960s, the federal government initiated a program that would become the largest healthcare insurance business in the nation: Medicare and Medicaid.

B. Medicare and Medicaid

July 30, 1965: President Lyndon B. Johnson signs the bill creating Medicare and Medicaid.

Thus entered the federal government directly into the healthcare /

health insurance business. As a result, the country now has a crisis in escalating and out-of-control healthcare costs. Take a large, bloated, inefficient organization like the federal government and put it in charge of an insurance-model business already geared to drive prices upward, and it is not surprising to see skyrocketing healthcare costs and 30% levels of waste. Federal government involvement makes everything more expensive. The bureaucrats who administer the program must be paid. The demographics of the program allowed politicians to make awesome promises that could not be delivered on in the long term. As with Social Security in the next chapter, the federal government used a large number of workers and a small number of retiree users, to give benefits to the retirees. The system begins to collapse when the number of retirees grows and the number of contributing workers shrinks. **But the program did allow politicians to use the benefits to persuade recipients to vote for them during elections.**

C. ObamaCare

The largest government intrusion into healthcare occurred in 2009 with the passage of the Affordable Care Act, better known as ObamaCare. ObamaCare isn't targeted to small groups like the retired or the poor. It targets everyone's healthcare and insurance with massive new rules, regulations and taxes.

ObamaCare has become emblematic of **big government's arrogant incompetence**. It's a 2,700-page monstrosity whose rules are still being written more than a year after its passage. Its supporters could not be bothered to read it before forcing it upon us, even as one of their own called it "a Ponzi scheme of the first order, the kind of thing Bernie Madoff would have been proud of." The landscape is littered with ObamaCare's broken promises: Keep your doctor. Keep your insurance. Cut the deficit. Reduce premiums. Create 4 million new jobs. All lies. Instead, connected friends got ObamaCare waivers while the rest of America has seen an increase in premiums and the roles of the uninsured actually have increased. This is ObamaCare.

- Dr. Milton R. Wolf. The Washington Times. September 21, 2011

ObamaCare will not fully reveal its ineptness until 2014 when it goes into effect. So disruptive and unpopular was the law that the politician leading the charge, Barack Obama, made sure key provisions of the law did not take effect until after the 2012 presidential election – an election he won without voters seeing the law in action. There are two main issues with ObamaCare:

1) ObamaCare, like most liberal inspired programs is income-based (purchaser's costs will depend on their income level). So the state exchanges where people now will need to buy their health insurance, will need quick access to income data on the purchaser. Where does the data come from? The IRS of course. Except the IRS, like most federal government agencies, is hopelessly behind and outdated with respect to modern computer technology. The IRS was not designed and does not work in real-time. It often takes them months to process tax data and issue audits. When the state agencies cannot get data from the IRS, how will they be able to set the price for the health policy?

2) Health insurance premiums will soar as ObamaCare takes effect. Why? Simple economics. ObamaCare mandates everyone buy insurance or pay a fine, except the fine is only \$95 per year to begin with. A young healthy person, when faced with either a health premium of \$120-\$300 per month or a fine of \$95 per year, will choose the fine. When healthy people pay the fine rather than buying insurance, the health insurance companies must raise premiums on their remaining sicker customers to cover their costs. Remember, a healthy person without insurance doesn't need to buy it until they get sick, since ObamaCare mandates people with pre-existing illnesses cannot be refused insurance.

ObamaCare was bad law as passed and signed. It will not work and is an unconstitutional abuse of power by the federal government. Just because a few Justices ignore two amendments in the Bill of Rights, and declare it "legal" does not make it so. But Democrats have acknowledged ObamaCare's design faults. The problem is Obama is changing the law on his own without Congress. That IS illegal. It sets a terrible precedent for future Presidents to change laws to suit themselves, which leads to lawlessness.

Democrats Constitutionally Ignorant In ObamaCare Feud

The president is illegally picking and choosing what parts to keep. Gone is the employer mandate, the cap on out-of-pocket expenses, income verification for subsidy recipients, and over half the deadlines in the law.

These changes are not just illegal. They also shift billions of dollars in costs on to taxpayers, cheat seriously ill patients, leave employees in the lurch, all in a devious attempt to patch up an unworkable law.

Madison anticipated this threat to freedom. In Federalist 62, he warned that it will be pointless for Americans to elect a Congress, if it in turn enacts laws "too voluminous to be read," or if these laws then "undergo such incessant changes that no

man who knows what the law is today can guess what it will be tomorrow.” That’s ObamaCare.

- Investor’s Business Daily. Betsy McCaughey. September 26, 2013

D. Federal Government as the Sole Payer?

Many on the conservative side have stated they believe the long term result or even goal of ObamaCare will be the bankruptcy of private health-insurance companies, leaving the government as the only option. If/when ObamaCare collapses, America will face a choice: Single payer government run healthcare or free market-driven healthcare. The author hopes America will choose wisely and return to a free market health insurance healthcare system. Conservatives must lead the way in convincing the public to follow the Constitution and send healthcare law to the states.

Single payer describes a system most American’s have never seen. Every doctor payment, surgeon payment, or prescription drug payment will be made by the federal government. Liberals believe that this will be a wonderful, caring system. The government will pay all of the bills and everyone will get all the healthcare they want for free! Conservatives point out that nothing is free. Government must first take money from someone before it can use it to pay healthcare costs of others. Also government has a track record of managing things very poorly and inefficiently (See Chapter 19). This means a government run healthcare system will be much more costly than a privately run one. Government will have to control costs. Government will then decide which patients get treatment and which do not. President Obama acknowledges this when he says that some will not get the surgeries they want but will just be given a pain pill (ABC video available on YouTube, search Obama, pill). Realize that with government in control, there is always the potential for abuse of power: a government bureaucrat denying healthcare payments for political opponents.

Sidebar: Veterans have seen government as the sole provider. The federal government operates healthcare for them under the Department of Veteran’s Affairs. The treatment for veterans is usually very good, *if* they can see doctors and specialists. The VA is notorious for long waiting lists to see doctors – sometimes months, even if the patient has a serious illness.

II. Federal Government Healthcare Waste and Fraud

Federal government involvement in healthcare drives up costs. This is true not just with healthcare, but almost every area the federal government is involved in. Most will remember reports of the Defense Department buying \$900 hammers or other media-reported examples

of government waste. Government is seldom efficient or frugal with tax dollars it spends. Healthcare is no different.

When the federal government pays a bill, it often mismanages it. A study shows 10% waste and fraud is present in the government programs. This is an unacceptably high level for such a large program. A business operating at this efficiency would soon be bankrupt, but of course the federal government cannot go bankrupt. It just raises taxes to cover its inefficiency.

GAO: Medicare losing \$48 billion

Nearly **10 percent of all Medicare payments are fraudulent or otherwise improper**, and the government isn't doing enough to stop them.

That's the conclusion of a Government Accountability Office report released Wednesday. The report, issued at the request of a House subcommittee investigating Medicare and Medicaid fraud, estimates that the federal government is losing \$48 billion on the improper payments – a significant amount for a program that “is fiscally unsustainable in the long term” unless action is taken.

- Politico, BRETT COUGHLIN. 3/2/11

Medicare is a program for the retired. Medicaid is for the poor. Neither program is well run by any standard. Evidence has been uncovered of rampant fraud with little effort by the programs front-line workers to prevent it.

Medicaid Fraud with Government Workers to Assist You

Investigative journalist James O'Keefe has uncovered several unbelievable stories where government workers actually assisted in Medicare fraud. The report is impossible to dispute because the workers are video taped in the act. The videos, taken in 2011, are available on YouTube or on O'Keefe's Project Veritas website.

“In this time of economic uncertainty, the American people deserve to know how their tax dollars are being wasted. This is hardly an isolated incident. Government workers willing to aid people with criminal backgrounds and great wealth, should be an outrage to every American.”

- James O'Keefe. TheProjectVeritas.com.

Project Veritas recorded five videos capturing federal workers abusing the system:

1) In one video, undercover reporters pose as wealthy drug dealers

while visiting four different Medicaid offices in Ohio. The case workers were eager to assist filling out the Medicaid paperwork, and made no attempt to contact authorities even though criminal behavior was asserted by the applicants.

2) In the another video, filmed in several Medicaid offices in South Carolina, an applicant driving an expensive sports car, poses as part of a terrorist organization. The Medicaid case worker does not probe into the nature of the applicant's work and helps him fill out a form.

3) In a third video, an undercover reporter attempts to apply for benefits at Medicaid offices in Maine. The reporter says his family has a pharmaceutical and fishing business and talks about his Corvette. He also says that his assets are in cash and precious metals which are less traceable. The Medicaid case worker coaches him by saying, "If you can't prove income, you don't have income." She also says "Don't say anything about your Corvette."

4) In the Gary, Indiana video, an undercover reporter applies for Medicaid benefits. The reporter indicates that he is a drug dealer who has "50 people who work for us." The Medicaid case worker says "We don't want to know that." In spite of hearing about Rolex watches and McLaren sports cars, a Medicaid worker counsels the applicant on how to transfer the title of a mansion from father to son, so that the father is eligible for Medicaid.

5) A video in Richmond, VA shows a worker telling a drug dealer with an \$800,000 car, "just leave that off your application."

All five videos are available on YouTube or on Project Veritas (www.projectveritas.com).

Is it any wonder medical costs are soaring for this government program, with the program's workers actively participating in fraudulent applications?

These are multiple examples of the federal government being simply incapable of managing these programs. The federal government cannot manage healthcare programs any more efficiently that it manages its other bloated agencies discussed in the previous chapter.

III. Health-care Laws Violating the Constitution and Freedom of Citizens

Politicians usually imply citizens are not receiving the healthcare they require or are being turned away by providers. In actuality, there has been a federal law since 1986 that requires hospitals to treat patients regardless of whether they can pay or even whether they are citizens. Unfortunately, this law must be considered a violation of the

constitutional rights and freedoms of healthcare providers.

EMTALA: The Emergency Medical Treatment and Active Labor Act (TITLE 42 > CHAPTER 7 > SUBCHAPTER XVIII > Part E) requires hospitals and ambulance services to provide care to anyone seeking emergency healthcare treatment regardless of citizenship, legal status or ability to pay. The government does not reimburse the provider. Patients can be discharged only under their own informed consent or when their condition requires transfer to a hospital better equipped to administer the treatment.

EMTALA: what it is and what it means for physicians

The Emergency Medical Treatment and Active Labor Act (EMTALA) was passed by the US Congress in 1986 as part of the Consolidated Omnibus Reconciliation Act (COBRA), much of which dealt with Medicare issues..... Although only 4 pages in length and barely noticed at the time, EMTALA has created a storm of controversy... it is now considered one of the most comprehensive laws guaranteeing nondiscriminatory access to... the health care system. Even though its initial language covered the care of emergency medical conditions, through interpretations by [federal government agencies], as well as various court decisions, the statute now potentially applies to virtually all aspects of patient care in the hospital setting.

- Baylor University Medical Center Proceedings. October. 2001.

The EMTALA law is also another example of government action increasing healthcare costs. If a clinic cannot collect payment from someone they are forced to treat, they will either pass the cost along to paying customers or simply go out of business. In the first case, the cost of care increases for paying patients or their insurance companies (resulting in higher premiums for the patients). In the second case, there becomes less (or no) choice for the healthcare patients as facilities go out of business.

The law was passed to prevent private hospitals from transferring uninsured patients to public hospitals. Public hospitals receive funding from government, so the government can direct them to treat patients unable to pay, if the government wishes to. However, with private hospitals, the government should have made arrangements to pay the bills if it wanted uninsured patients treated. Instead the government just used brute force of law to push its obligations onto private hospitals and doctors. (Note: The federal government should not be funding local hospitals according to the Constitution. States, counties or cities may choose to do so.)

EMTALA must be considered unconstitutional. Under what authority can the federal government demand a doctor or nurse treat a patient? This is their skill, their job. The mandate requires them to perform it without compensation. This approaches slavery, where blacks were told they must work for their master, without compensation, against their will. The US Constitution bans slavery.

EMTALA types laws for everyone?

Where else should this government force be applied? College education is important. Let's mandate that professors must teach any student who shows up. If the students cannot pay, well too bad. That's the professors' problem. Food is of critical importance. So anyone walking into a grocery store should be able to take what they please and if they cannot pay, well that's the store owner's problem. Only a tyrannical government would dictate that a worker provide a product or service and get no compensation for it.

Many journalists advocate for laws that force the treatment of sick people who cannot pay. Well, information is very important to our society. Would these journalists also be OK with laws mandating their work must be provided for free to anyone who can't pay? The information is too important to corrupt with advertising. Journalists should work for free with no pay. It's their civic duty. Isn't that an absurd argument? Well, it's equally absurd to mandate healthcare workers provide their work for free.

To those favoring mandate laws such as EMTALA: Would you be OK if your city or county of residence passed a law stating that you had to provide shelter to anyone needing it? Requiring you to open up your house to any homeless person needing a place to stay? After all, you have plenty of rooms – and only sleep in one at a time. Anyone in favor of mandates on another's resources should be fine with a mandate on their own personal resources.

Now if a journalist, doctor, nurse, grocer, or professor chooses to give their services to a poor person of their own free will, they should be commended by society for doing a good deed. They have practiced Christian charity and good works described as pleasing to God in the Bible. Refer to the Good Samaritan parable taught by Jesus (Luke 10, Ch.8). The Samaritan uses his *own* resources to care for the beaten man. Christians should do likewise, not expect the government to force someone else to do the good deed.

Legal Healthcare Assistance

But what if the The Emergency Medical Treatment and Active Labor Act was removed? Wouldn't greedy hospitals let people die of illness?

Wouldn't that cause a crisis where people would be denied healthcare? The author does not think doctors would let patients die. They would treat those patients who truly needed care with their charitable spirit. Or a charitable rich person may pick up the bill. Or the state/county government could pay the bill. **But, the government cannot force doctors or hospitals to treat patients in a free society.**

Hypocrisy Alert: Liberals, like those living in Berkeley, CA, who preach healthcare is a “right” should begin by focusing on unionized healthcare workers. Because if healthcare is a “right” then healthcare workers are obligated to provide it. This means healthcare worker strikes are not allowed, as strikes prevent patients from receiving their “rights”.

Nurses at Alta Bates, other Bay Area hospitals, on strike

Nurses at Alta Bates Summit Hospital on Ashby Avenue in Berkeley went out on strike today and will do so again tomorrow, the seventh walk-out since September 2011.

- berkeleyside.com. Tracey Taylor. November 20, 2012.

If a state or local government wants to assist with healthcare, there are three options that do not violate a doctor's right to own his or her labor:

- 1) Pay the doctor's fee for treatment of the poor.
- 2) Form a government-run clinic where the government hires the doctors and runs the care for the poor. This is the Veteran's Affairs (VA) model.
- 3) Group the poor and negotiate an advance fee with doctors for treatment. This is the Medicaid model.

IV. Healthcare Solutions

As stated in Chapter 20, the primary solution to fixing America's healthcare system begins with returning to the Constitution and transferring the responsibility of these programs to the states.

A terrific side benefit is the nation can end the debate as to the type of healthcare system that works best. There are four main system types:

- 1) Free Market Healthcare using private companies.
- 2) Quasi-free market with heavy government regulation.
- 3) Single Payer where the government pays all citizens health bills.
- 4) Full Socialization, where the government owns the doctors, hospitals and other providers.

States will be free to design their systems using the principles of any of these four types and will show in the real world the strengths and weaknesses of each system type.

A. Transfer Responsibility to State or Local Governments

A potential approach to transferring responsibility for healthcare is the HealthCare Compact. It proposes transferring management of the Medicare and Medicaid programs to the states, but leaves the taxation at the federal level.

Health Care Compact (www.healthcarecompact.org)

The Health Care Compact moves the responsibility and authority for regulating healthcare from the federal government to the states. Is this a good idea?

Yes, for two primary reasons:

1. Healthcare is simply too large and complex to manage at the federal level.
2. States have generally been shown to be more effective regulators than the federal government.

To demonstrate the challenge of regulating healthcare at the federal level, consider the following facts:

- A federal system impacts 300+ million people
- Healthcare spending exceeds \$2.3 trillion annually
- More than 14 million people work in the healthcare industry
- There are 2,688 pages of regulations for Medicare and Medicaid

Centralized planning of an industry that is this large and complex is not possible, and has never been successful in the history of mankind.

Proposed Compact Elements:

Pledge: Member states agree to work together to pass this Compact, and to improve the health care in their respective states.

State Control: In member states, states can suspend federal health care regulations. Federal and state health care laws remain in force in a state until states enact superseding regulations.

Funding: *Member states get an amount of money from the federal government each year to pay for health care.* The funding is mandatory spending, and not subject to annual appropriations. Each state's funding is based on the federal

funds spent in their state on health care in 2010. Each state will confirm their funding before joining this Compact. This funding level will be adjusted annually for changes in population and inflation.

The HealthCare Compact is on the right track. States will be more efficient managers than the federal government. States have the constitutional authority and responsibility to regulate healthcare to the extent that it is regulated. But the funding mechanism is flawed. With the federal government collecting the taxes, it is only a matter of time before federal agencies begin attaching strings to the money it distributes. It is the nature of bureaucrats to regulate, and they will soon be telling the states how to run the program.

Why let the federal government collect taxes with the sole purpose of passing out money to the states? **Let the states collect their own money from their own citizens to pay for their own healthcare programs.** States should provide their own funding for any program they implement. The Medicare/Medicaid taxes now collected by the federal government, should be transferred to the states. The states can then adjust the tax levels and benefit levels as they deem best.

Transfer Medicaid, Medicare and ObamaCare to the States

Medicare and Medicaid should be transferred to the states under the process described in Chapter 20. The states can adopt all, or part of, or none of the federal regulations for their own use. The paycheck taxes that fund these programs will become state taxes.

An issue will be inter-state insurance portability. For example, a resident of New York pays state taxes while working, but retires in Florida. Florida just added a retiree that didn't pay taxes while working. This is a major flaw in the current federal Medicare program – it just transfers money from current workers to current retirees. States will have to take this into account as they design their systems.

ObamaCare should be repealed as soon as possible. Part of the repeal bill could send the entire law to the states, giving them the option to codify all or parts of ObamaCare into their law. Unfortunately, ObamaCare is so poorly written, it is doubtful any state would want any section of it. The key is to remove the federal government from the healthcare system. The federal government has shown it cannot manage these programs or develop effective solutions. Let states take over - with their own solutions.

B. Healthcare Choices at the State Level

There will be 50 state laboratories to study which healthcare systems work best, and which fail. America's Constitution offers states a great deal of independence with respect to their domestic matters. States will demonstrate how well different systems work.

If one state's citizens feel government run healthcare is a great system, show the nation. It is perfectly constitutional to implement it at the state level. California, New Jersey, or New York are all fine candidates for this demonstration. Just get the state government to go to single payer. Let the state become the only payer and decider for healthcare needs of the citizens of the state. Or take it a step further and fully socialize the system. Let California, for example, buy the doctors, hospitals, and pharmacies in the state. All the doctors, surgeons and pharmacists will then be state government employees. If government healthcare care is a smashing success, other states will surely copy it.

Sidebar on human nature: There is a misconception by many that government workers are driven by altruism and an angelic desire to help others, while private insurance company workers are driven by a desire to hurt their customers and abuse them as much as possible. In reality, both of these types of workers are going to be found in government or private systems. The difference is that customers can leave a poorly run private insurance company. Not so with a poorly run government system. The Bible teaches, and America's founders realized, that humans are capable of great good as well as great evil. That is why checks and limitations were placed on federal government power.

Massachusetts has already implemented a program that mandates all citizens buy health insurance or pay a fine to the government. This is similar to the system President Obama pushed through Congress at a national level. Massachusetts Care will likely fail over time if an earlier attempt in Tennessee is any indication.

HillaryCare in Tennessee

In 1994, Tennessee passed what was then a very hot new Democrat idea -- call it government managed care -- a version of the reform [Hillary Clinton] was also pitching nationwide. TennCare promised the impossible dream of politicians everywhere: Lower health-care costs while covering more of the "uninsured." They got the impossible, all right. After 10 years of mismanagement and lawsuits, TennCare now eats up one-third of the state's entire budget and is growing fast. Governor Phil Bredesen, a Democrat, is preparing to pull the plug...

- Wall Street Journal. wsj.com. Dec. 6, 2004

Before Tennessee pulled the plug on TennCare, they **rationed** healthcare by limiting participants and limiting benefits.

The total annual budget for TennCare increased from \$2.64 billion in 1994 to more than \$8.5 billion in fiscal year 2005, with essentially no change in the number of participants enrolled. The McKinsey report, issued in late 2003, concluded that TennCare was not financially viable.... In response to these reports and to stem the growth in costs, in 2005 the state implemented several program changes, including removing about 190,000 participants, imposing limits on the number of prescription medications each participant could receive, and reducing other benefits.

- Wikipedia. TennCare. 2012.

It is the author's belief that the laws of economics will doom the Massachusetts approach to contain healthcare costs, just as they doomed Tennessee's. The best way to lower costs is to let the free markets work. These principles have made America an economic superpower, and they will lower healthcare costs if given the chance to work. But, nobody has to take the word of a conservative. Any state is free to lead the way in proving these free-market principles wrong. The beauty of 50 different state programs, is citizens will not have to take the liberal or conservative view on faith alone. There will be ample data provided by the states.

Sidebar: The Massachusetts program and any other similar state programs must be ruled legal by the state courts for the state to mandate citizens purchase health insurance; and federal courts must determine whether the mandated insurance purchase violates the gray area of the 14th Amendment (Do states violate a citizen's US Constitutional rights by forcing them to buy a product?). It is definitely against the free will of citizens to force them to purchase health insurance, or any other product.

Conservative states can implement market-driven options in states to lower costs. For example:

- 1) Post all healthcare prices in on-line marketplaces. If a patient needs a medical test or procedure done, they can price-shop just like they shop for groceries or automobiles. This will lower prices. Free market forces always drive down prices.
- 2) Same for prescription drugs. If Canada or European countries subsidize drugs to lower prices, let American citizens, insurance companies, or pharmacies buy and import those drugs.

- 3) Move insurance to individual policies rather than corporate group policies. Citizens buy auto insurance this way. This prevents loss of insurance when switching jobs or being unemployed. Since most Americans no longer work their entire careers for the same company, the model of company-provided health insurance no longer works well. (Remember, company provided health insurance is an anomaly going back to WWII, when the government imposed wage controls. Companies responded by offering health insurance in lieu of the wages they were not allowed to raise.)
- 4) Remove state mandates on insurance coverage. Politicians love to mandate policies cover items like drug abuse, mental health, and birth control; but these drive up the cost of premiums for those who do not need those coverages. Give the consumer the choice of a catastrophic care policy (covering only major events like heart attacks, cancer...) with much lower premiums. Imagine how expensive auto insurance would be if oil changes and gasoline purchases were mandated to be covered.

Note: Every item added to insurance costs something, much like when buying a car, power windows cost extra. Say the cost of power windows is \$600. The government could mandate all cars have these, but that just results in the \$600 being built into the car cost. Customers lose the option of saving \$600 by not selecting the power window option. So a government mandating drug abuse coverage makes for a great soundbite for politicians, but results in loss of choice and higher insurance premiums for everyone.

- 5) Medical Savings Accounts. Rather than the government taxing workers and giving benefits to retirees, let workers put money into accounts that are used only for their medical needs. These accounts will grow tax-free over time. People are always more frugal with their own money than when spending someone else's money.

Economic principles and free markets will lower costs, but they must be allowed to work. If a person chooses not to buy health insurance and gets a serious disease with expensive treatment costs, the person must either pay the costs of treatment or rely on charity. If a state government intervenes and pays for these health treatments, there is no reason for others to buy health insurance – and they will not. The market will breakdown. This is exactly what is happening with our current healthcare system. The mandate to purchase health insurance in Massachusetts is a government solution to the problem government itself is creating by interfering with the markets.

Going back to the auto example, if the government told citizens that auto travel was essential, therefore the government would pay for repairs from auto accidents, why would anyone buy collision insurance? Nobody would as the government will repair your car.

In Conclusion:

As the federal healthcare programs (ObamaCare, Medicare, and Medicaid) fail due to their size, complexity, and fraud, the constitutional answer is to send the entire government responsibility in healthcare to the states. If the Constitution had been followed, the federal government would not have become involved in healthcare to begin with. The 10th Amendment leaves this to the states or the people. This unfortunately did not stop federal politicians from grabbing unauthorized power. Government involvement or solutions should be at the local level, not the federal level.

America's Founders assumed that the citizens were a moral people who would follow the biblical principles of charity for those truly in need (Ch. 8). When the founders spoke of a moral citizenry being required for America to succeed, they meant the need for a nation of Good Samaritans (parable, Luke 10) rather than a nation of Rich men (Rich Man and Lazarus parable, Luke 16). Charity, along with free markets, is the best way for a society to provide itself with healthcare.

**Thank You for reading the free chapter:
Health Care Cost Crisis and Solution.**

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