

Break Up Big Coverage, Not Big Medicine

The insistence on comprehensive coverage undermines affordability, competition, and patient choice

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Big healthcare corporations are accused of denying patients care while steering them to more costly, unnecessary care for profit. But it is not the size of these corporations that enables them to do this; it is the fact that most of us pay for our healthcare through a single product: health insurance. What we call 'comprehensive health insurance' should really be called 'big health insurance' because, as a product, it plays an outsized role in healthcare and is actually responsible for the lack of choice faced by individual patients and their providers.

To be clear, health insurance can be an amazing product if it is limited in scope. High cost and unpredictable medical events are best financed through insurance, which utilizes the wonders of actuarial science to make otherwise bankrupting events affordable.

But using health insurance to cover most of our healthcare is a terrible idea. Indeed, in the 1930s, [neither the American Medical Association \(AMA\) nor the insurance industry](#) wanted insurance to cover comprehensive healthcare. The AMA hated the idea because they didn't want third-party insurers inserting themselves into doctors' clinical decisions. The insurance industry rejected the idea because comprehensive care undermines the logic of traditional insurance and would be wildly unprofitable and expensive.

So why did we still end up with big health insurance? Because there was something that [the AMA and the insurance industry](#) disliked even more, the prospect of socialized medicine. And out of that dislike, they aggressively promoted comprehensive insurance. But the only way they could sell such an unprofitable product as big health insurance was by hiding its unprofitability and resultant unaffordability through tax subsidization. Tax subsidies prevent every form of big health insurance from collapsing due to giant premiums that no one would or should pay.

But there was only so much tax subsidies could do to hide the unaffordability of paying for most of our healthcare with insurance. Indeed, both [employers and the government](#) begged health insurers in the 1960s to impose some measures to stem the rising cost of healthcare. What followed were various measures to slow the consumption and/or delivery of healthcare: high deductibles, co-payments, co-insurance, and prior authorizations.

When such measures proved insufficient at controlling costs, the begging turned to blaming. Providers were blamed for steering patients to costly and/or unnecessary care for profit. Insurers were blamed for delaying and denying patients' care for profit. And big healthcare corporations are now blamed for both denying care and promoting bad care for profit. Finally,

the profit motive itself is blamed for the loss of patient choice and the unaffordability of healthcare.

But the profit motive in healthcare, like the pricing signal, is deeply distorted. In a free market, businesses are motivated to expand choice and to offer competitive prices because that is what consumers demand and reward. But in the healthcare market, the outsized role of big health insurance prevents patients from rewarding expanded choice and competitive prices.

Getting rid of the profit motive wouldn't change that. Non-profit health insurers must also constrain patient choice because they have finite budgets. Government health insurance faces similar constraints, with spending ultimately limited by taxpayers and political accountability. So whether it is government, non-profit, or for-profit health insurance, big health insurance of any kind leaves the patient unable to demand and reward their choice of care or affordable price.

To truly give patients and their providers more choice and to make healthcare more affordable, we need to change the policies that have created a situation where the only choice we seem to have is to buy big, comprehensive health insurance. Here are some initial steps:

1. Legalize catastrophic health insurance so patients can shop for coverage that truly protects them against the financial risk of large, unexpected medical bills.
2. Explicitly legalize other payment models and insurance types so patients can choose alternatives to big health insurers for comprehensive healthcare services.
3. Repeal Certificate of Need laws so that alternative payment models are free to compete against and offer alternatives to the big health insurance-based healthcare systems.
4. Give all individuals and their families access to health savings accounts.
5. Give individuals the same tax benefits as employers to shop for their own healthcare.

Comprehensive and affordable healthcare is possible, for example, by combining catastrophic health insurance with direct primary care. Crucially, physicians and patients experience their choices as respected under direct primary care arrangements. Healthcare that meets the trifecta of being comprehensive, affordable, and respectful of patient choice is impossible when using big health insurance. It is time to break up big health insurance as a product, expand patient choice, and make healthcare affordable.

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