

Health Insurance

What is Insurance?

Forget about health insurance for now.

What is insurance, as an idea?

What's Insurance? Where did it come from?

Long before there was indoor plumbing, human beings grouped together to share their risks. The bigger the group, the better the risk-spread. When the groups grew too large, separate companies would form to manage the details.

14th century (Genoa): 1st insurance contracts written.

1928 (Texas): Origins of the Blue Cross/Blue Shield non-profits begin at Baylor University Hospital. These Blues quickly spread across the US as non-profit charitable organizations with an emphasis on offering **equal (community) rates** for all, regardless of age, sex, occupation, or medical condition.

1965: Medicare and Medicaid legislation passed by US Congress.

1994: the BCBS Association allowed its member groups to become “for-profit”; many did and became richer than snot.

Insurance Coverage (2016)

49%	Employer-based insurance
19%	Medicaid
14%	Medicare
7%	Direct purchase (non-group)
2%	Other public (military, ...)
9%	Uninsured

Medicare is a federal social insurance program for individuals over 65, the totally and permanently disabled, anyone with end stage renal disease, or with ALS.

Medicaid is a state/federal social insurance for the poor.

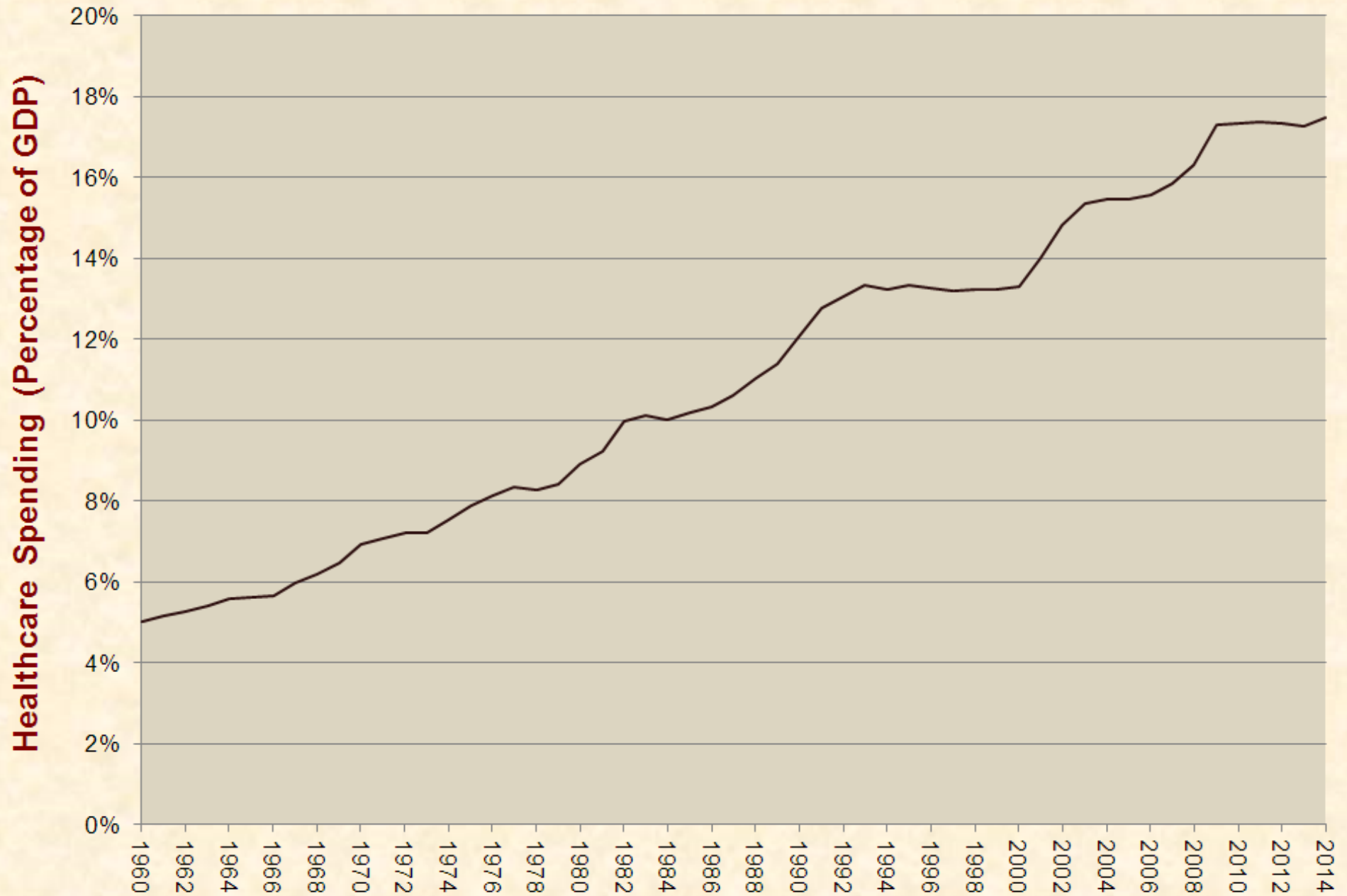
The Rescue Principle

- (1) Life and health are “chief among all goods”.
- (2) Healthcare must be distributed equitably.

Problem with this principle:

- It suggests that we keep spending on healthcare until the next dollar fails to improve health
- We have other goods besides “life and health”.
- It offers no guidance on rationing (if there is a limit on how much we should spend).

Portion of U.S. Economy Spent on Healthcare



Healthcare as a Market Failure

Economic markets fail when the price of a good or service does not reflect all the costs and benefits.

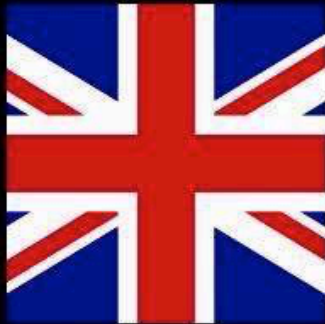
Main causes of Market failure in healthcare:

- (1) the buyer rarely knows the cost before purchase (esp. with emergencies)
- (2) the buyer is often not the payer (insurance companies; cost shifting)
- (3) little or no competition (high barriers to entering the market as a seller)

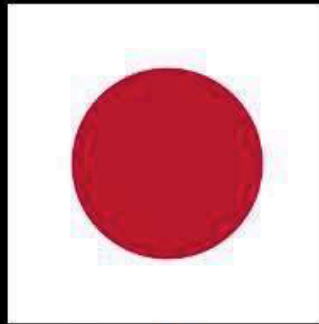
Medical Bankruptcy?

NUMBER OF PEOPLE WHO FILED BANKRUPTCY BECAUSE OF MEDICAL BILLS:

(2011 - 2017)



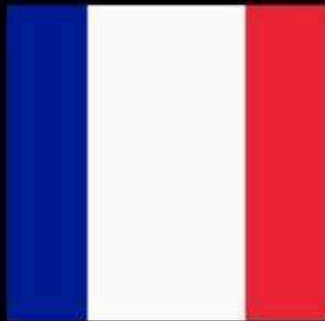
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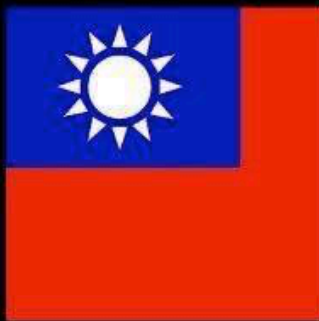
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NORWAY: 0



FRANCE: 0



TAIWAN: 0



USA:
4,872,487