Public Health Insurance Under a Non-Benevolent State

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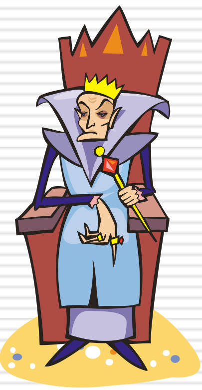
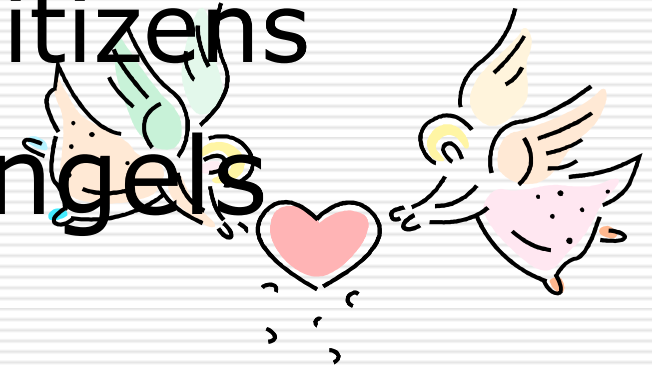


The missing link

- "In single-payer systems," one organization – typically the government – collects and pools revenues and purchases health services for the entire population."
  - P. Hussey and G.F. Anderson, "A Comparison of Single- and Multi-payer Health Insurance Systems and Options for Reform," *Health Policy* 66 (2003), p. 215
- State central to public health insurance

Benevolent model of the State

- What is the state? How does it work?
- Generally assumed by public health analysts: the State wants to selflessly satisfy the demands of all the citizens
- State like loving angels

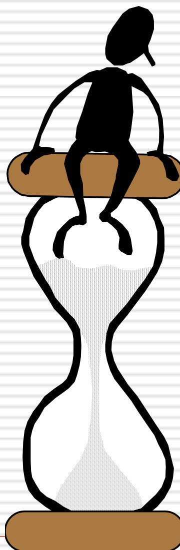


The growth/monopoly puzzle

- From Bismark in late 19th century, to 38% of OECD countries with virtually complete coverage in 1968, to 88% now
  - US: 27% covered (15% uninsured)
  - Medicare quasi-monopoly
- *De facto* monopolies
  - *De jure* in Canada
- Why?
  - Popular demand?
  - Unanimous?
  - With the inefficiencies?

Why do people accept waiting lines?

- Average time between referral from a general practitioner and treatment in Canada = 18.3 weeks
  - Nadeen Esmail and Michael A. Walker, *Waiting Your Turn: Hospital Waiting List in Canada* (Vancouver: Fraser Institute, 2007)
- Waiting lines reported in 60% of the OECD countries that have been analyzed (including in Italy)
  - Luigi Siciliani and Jeremy Hurst, *Explaining Waiting Times Variations for Elective Surgery across OECD Countries* (Paris: OECD, 2003)



One Bismark objective

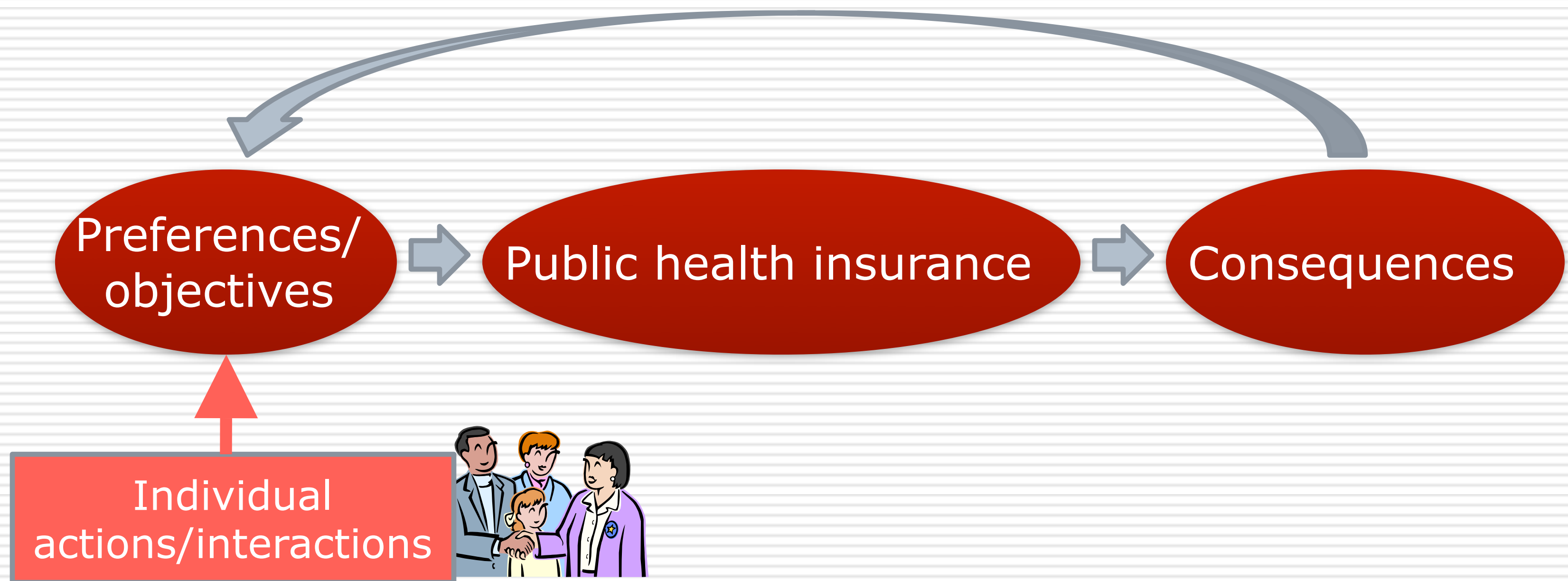
- "That the state should assist its needy citizens to a greater degree than before is not only a Christian and humanitarian duty, of which the state apparatus should be fully conscious: it is also a task to be undertaken for the preservation of the state itself. The goal of this task is to nurture among the unpropertied classes of the population, which are the most numerous as well as least informed, the view that the state is not only a necessary but also a beneficent institution."
  - Quoted in R. Hamowy, "The Genesis and Development of Medicare," in Roger D. Feldman (Ed.), *American Health Care: Government, Market Processes, and the Public Interest* (Oakland: The Independent Institute, 2001), p. 54

Others have noticed

- "A single-payer insurance system can also foster citizens' trust in the ability of the government to protect their welfare, enhancing the population's view of the legitimacy of the government."
  - P. Hussey and G.F. Anderson, "A Comparison of Single- and Multi-payer Health Insurance Systems and Options for Reform," *Health Policy* 66 (2003), p. 222

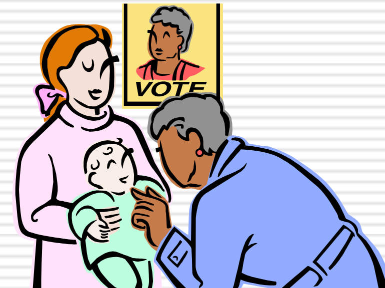
Revealed preferences of the state

- Theory of revealed preference
- Public choices reveal preferences of the state
- Consequences are wanted
- But model of he state necessary to understand how individual interaction translate into policies



The benevolent model of the State

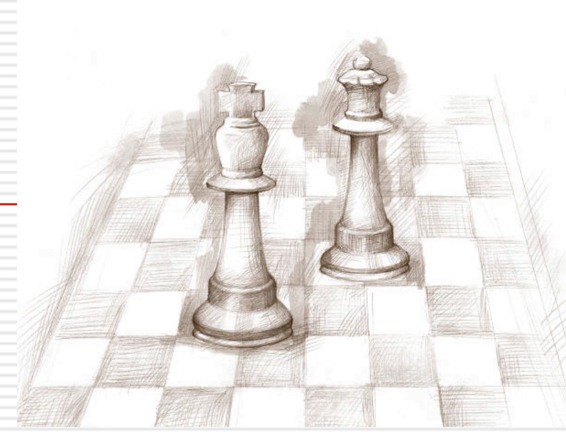
- Satisfy demand of potentially uninsurables and/or provide efficient coverage for everybody
- Does not fit with reality
  - Why not subsidize private insurance for the non-insurables?
  - Why a monopoly for efficient health insurance for all?
  - The State: a benevolent institution in history?
    - 20th century: 262 million persons killed by their own state (R.J. Rummel at http://www.hawaii.edu/powerkills)



The standard Public Choice Model

- The Public Choice school of economics
  - Pierre Lemieux, "The Public Choice Revolution", *Regulation* 27 (Fall 2004), pp. 22-29
- Growth/monopoly of public health insurance: look at incentive of State actors
  - Bureaucrats and health workers' unions: job and perks
  - Politicians: buying off electoral clientèles
  - Voters: rationally ignorant

The Leviathan Model



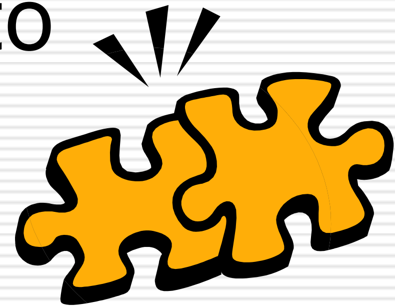
- The State as
  - Ruling class/group
  - Redistributes income/benefits in its favour
  - Maximizes its power
- Favours some clientèles whose supports it needs, at the expense of others
- Ref.: Geffrey Brennan and James M. Buchanan, The Power to Tax. Analytical Foundations of a Fiscal Constitution (Cambridge: Cambridge University Press, 1980); and Lemieux, *op. cit.*

The Leviathan model in action

- The issue of universal or selective?
- Colleen Flood et al. argument for universal and monopolistic. Otherwise...
  - "... the well-to-do and the well-insured will not continue to lobby governments for improvements in health care. With the political incentive diminished, the public system will wither and waiting lists will grow."
    - Colleen M. Flood, "Two-tier Medicine Isn't the Answer", *National Post*, June 21, 2004, p. A10. Carolyn Hughes Tuohy, Colleen M. Flood, and Mark Stabile, "How Does Private Finance Affect Public Health Care Systems? Marshaling the Evidence from OECD Nations," *Journal of Health Politics*, Policy and Law, Vol. 29, No. 3 (June 2004), pp. 359-396

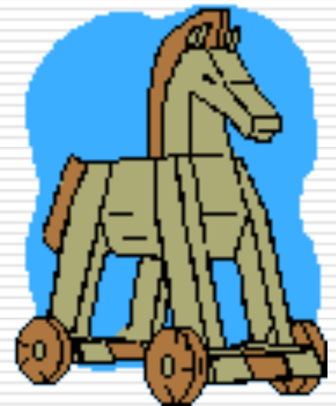
Leviathan explains public health insurance

- The State likes it as a means to other ends
  - Builds trust towards the State
  - Make dependent populace, captive clientèle
    - According to James Buchanan, dependency and socialism will continue to grow. The State *in loco parentis*.
      - James M. Buchanan, "Afraid To Be Free: Dependency ad Desideratum," P*ublic Choice* 124 (2005), p. 19-31
  - Helps surveillance
  - Makes control easier



Leviathan and lifestyle control

- Controlling lifestyles in the future
  - Putting the information to good use
  - Which unpopular minority will be attacked
- Controlling lifestyles now
  - Smoking in the U.K.



What’s Happening in the U.K.

- To commemorate the 60th anniversary of the founding of the NHS, Gordon Brown plans to introduce a "constitution" setting out the rights and responsibilities of our healthcare system. What this seems to amount to in practice are the Government's rights to refuse treatment ... There is apparently to be a clear warning that those who adhere to unhealthy habits such as smoking or failing to take regular exercise may be refused NHS care.
  - Telegraph, “An Outrageous Threat to NHS Patients,” January 2, 2008

Two-tier medicine

- Waiting lines only cost to obtain other benefits (for Leviathan)
- What the market will bear
- Nomenklatura escapes
  - George Jonas in *National Post*: "There is two-tiered medicine in this country, or rather three-tiered, only the second tier is called the "inside track" and the third, the United States. Anyone who thinks that wealthy or well-connected Canadians stand meekly in line and wait 18.3 weeks to see a specialist doesn't live on this planet. The well-connected jump the queue, while the rich hop on a plane – make it a private plane for the really rich – and get themselves looked after in Cleveland, Austin, Phoenix or Rochester."

Empowerment?

- Yes, if the State behaves like in the benevolent model
- No, if the State uses public health insurance to better control its subjects
  - The State harms some to help others to gain their support
  - “*Primo non nocere*” is not a maxim of politics