

Who should pay for health care? Opinions vary widely on this issue. Some would say the insurance companies. Some would say employers. Some would say the government. Some would say the consumer. 50 years ago, overwhelmingly the answer would have been the consumer, because back then, almost everyone paid for their health care out of their own pockets.

Private health insurance was first introduced during the Civil War, but it only covered accidents by travel on steam boats and railroad.

More comprehensive health insurance policies were offered over the years following that, but very few individuals purchased these policies. The first employer sponsored health plans were offered in the mid 20th century, when the federal government imposed a wartime wage freeze. Employers couldn't attract employees with higher wages, so they offered health insurance plans. This is when health insurance began to become more widespread, but it took years before most people had coverage. Medicare was signed into law in 1965.

It was shortly after this time when the cost of health care began to steadily increase. Some would blame this rise in cost on advancing technology. I think it has more to do with the generous health insurance policies that were available during the last 25 years of the previous century. When cost is removed from the decision making process, prices inevitably go up.

If everyone had an insurance plan paid for by their employer that would cover 80 to 90% of the costs of a car purchase, not only would most people be driving more expensive cars, but the car manufacturers and car dealers would charge more for the cars, because they know that people would still buy them. In a capitalistic society, competition helps keep cost down and quality up. This only works, however, when the consumer bears the full or nearly full cost of the product or service that they are purchasing.

Next week I will continue this discussion.