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The Economist: Simple solutions to complex problems

By Tucker Hart Adams



My father was an engineer, and he always insisted on buying the simplest piece of machinery available, arguing, "The more complicated it is, the more opportunities there are for something to go wrong."

In listening to the various proposals to deal with the problems facing the U.S., I think that piece of advice from 60 years ago still applies. Take the health insurance issue, for example. There are various proposals wending their way through Congress, each hundreds of pages long. Everyone can find something with which to disagree.

The solution isn't complicated. First, it needs to be mandatory that everyone purchase health insurance. There is plenty of precedent. We already have to purchase auto insurance if we are going to get a car licensed, to pay into Social Security and Medicare.

This eliminates the voluntarily uninsured. Of course there will be people who can't afford the premium, just like there are people who can't pay for food or shelter. We'll have to provide subsidized insurance, just as we provide food stamps and subsidized housing. But this help will be available only to the truly poor.

And having to make payments on two cars and two televisions sets doesn't qualify a family for a subsidy. Maybe they have to manage with one car and one TV. My husband and I decided a couple of years ago, when the lease on our second car was up, to do our bit for the environment by getting by with one car. Sure, there are times when it is inconvenient, but with a little advance planning and cooperation it works, just as it did with my parents for their entire life and for my family for the first 15 years of our marriage.

I was in Georgia a few weeks ago at an engagement party for my grandson and his fiancée and had a chance to talk with lots of the currently uninsured – young couples in their 20s with good jobs who could

afford insurance but choose not to purchase it because, as they told me, “We don’t get sick, and we can afford to pay for our children’s health care.”

That may be true, but it leads to the problem of adverse selection, which occurs when only the riskiest purchase insurance, making it extremely expensive. When everyone pays a share, the price comes down for all – the young who seldom need it and the elderly who are the primary users.

Second, the required insurance needs to have a large deductible, which keeps the price down. We need to take personal responsibility for a portion of our health care, purchasing true insurance that protects us against huge, unexpected expenses.

I don’t know what the deductible needs to be – \$2,500? \$3,500? We will have to budget something monthly for minor health care expenses, just like we budget for car payments, food and entertainment. The poor will be helped, but again only because they are poor.

Third, any company that wants to be in the health insurance business will be required to offer this basic policy at a set price to anyone who applies for it. No, the market doesn’t work perfectly in the health insurance industry.

It needs to be treated like a regulated utility, with prices, which include a reasonable profit, set by a government agency. Beyond that basic policy, insurance companies will be allowed to offer additional insurance at any price the market will pay. The rich will eat steak and lobster, and the rest of us will usually have chicken and hamburger, but everyone will be well fed.

This takes care of the 15 million people who can’t purchase health insurance today because of pre-existing conditions. It takes care of the 20 million or so who can afford health insurance but choose to spend their money on other things. There will be a social safety net to protect the poor.

And I’ll bet you we’ll have better health care for a lot less than we spend today. With the side benefit of fewer cars clogging our highways and polluting our air.

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