

Gladwell v. Gopnik con't

I realize I forgot to provide a link to the long-ago debate between me and Adam Gopnik on the Canadian health care system. Here it is.

www.washingtonmonthly.com

Why have I changed my mind? Some of my reasons are in the piece on [moral hazard](#) I wrote for the New Yorker last summer.

The bigger reason is simply that I woke up one day and realized what much smarter people than me (Adam Gopnik) realized a long time ago, which is that the idea of employer-based health care is just plain stupid—and only our familiarity with it and sheer inertia prevent us from rising up in rebellion. I always try to think of a suitable analogy and fail. The closest I can come is to imagine if we had employer-based subways in New York. You could ride the subway if you had a job. But if you lost your job, you would either have to walk or pay a prohibitively expensive subway surcharge. Of course, if you lost your job you would need the subway more than ever, because you couldn't afford taxis and you would need to travel around looking for work. Right? In any case, what logical connection is there between employment and transportation? If you can answer that question, you can solve the riddle of the U.S. health care system. And maybe I'll change my mind back.

February 26, 2006 | [Permalink](#)

Comments

Not that I want to change your mind, but I think there's still an interesting question to answer here.

The logical connection between employment and transportation is that your employer has a vested interest in you being where your work needs to be done. If you travel often for business, your employer will pay for it. Often, employers will provide parking spaces for employees, subsidizing transportation (and in Boston's Back Bay, for example, that can be significant.) Employers are willing to pay transportation costs because employees are more productive if they show up. But, of course, more people have an interest in you being able to get around. You're more likely to buy something from a store if you can get there, etc. And ultimately we realize that the cities and towns we live in are better off with better transportation systems that will help tourists who come, bring more people to commercial areas, etc., increasing the city's tax revenues.

Likewise, employers certainly have a vested interest in their employees being healthy. Which is presumably why so many offer insurance. Employees will be more productive if they are not sick. So, I think what needs to be shown is that it's not just our employers who have an interest in a generally healthy populace. This shouldn't be hard to do. We could argue that we all rely on the services provided by others who need to be healthy in order to provide those services. In any case, I think that the heart of the matter lies here.

Posted by: [Josh](#) | [February 26, 2006 at 07:19 PM](#)



I'm 100% with Malcolm Gladwell on this.

Current tax law favors employer-paid health care. I think I read somewhere it amounts to \$150 billion/year or so.

Posted by: [Chris M.](#) | [February 26, 2006 at 08:14 PM](#)



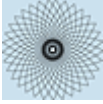
I loved the article on Moral Hazard. And I love that you can change your mind. Bravo!

Posted by: [Kim](#) | [February 26, 2006 at 09:15 PM](#)



Re: the connection between employers and employee health, I've thought before that I spied a parallel in the laws of "agency"--that is, the laws regarding when your deep pocket employer is responsible for the damage you caused driving her delivery truck drunk. The U.S. laws descend from ye olde English laws about master's being responsible for their servants, who were sort of part of the family, living at the master's home and eating scraps from the table. You'd think that going and coming from work in these enlightened times your employer would be off the legal hook, but he or she remains vestigially connected through the law in lots of ways--including after hours, on vacation and despite a total ignorance of the employer. Actually, I think it's sustained on the grounds of an insurance-type rationale of distributing the cost of accidents. The "deep pocket" is not for emptying but is just a buffer that buys time for the employer to recover the cost by raising prices to his or her multitudinous customers. The buck stops at the employer in the law, I guess, only because it hasn't discovered how to reach the government, which I guess would be an even more efficient cost distributor.

Posted by: [MT](#) | [February 26, 2006 at 09:28 PM](#)



I heard some related commentary earlier this month on NPR/Marketplace; here's a link to the piece:
<http://marketplace.publicradio.org/shows/2006/02/01/PM200602017.html>

Posted by: [Peter Kim](#) | [February 26, 2006 at 10:02 PM](#)



Josh, the key is that the employers are required to screen out potential employees if they add unreasonable (meaning unpredictable) healthcare costs to the employer. This is before considering the value which such employees will add to the company. This is because many healthcare risks can be predicted in advance, while the value which each individual employee will add is much less easy to predict. Not only is the cost of healthcare for each individual (on an uninsured basis because the employer is the overall insurance group) laid on the employer, so is the screening cost for keeping out the more likely risks. The employer has to accept the risk of high health costs to hire each employee.

A Universal healthcare system spreads the costs of healthcare over the entire population, but it also makes the healthcare costs of each employee predictable. It removes the costs of screening for healthcare also. The only issue for the employer is what the potential value any new employee can add to the company. That is all the employer needs to consider to be most efficient.

Yes, the employer has a vested issue in the health of the employee, but if you remove the risk of providing the unanticipated costs of healthcare, then the only thing the employer needs to consider is how productive the employee actually is. Their healthcare is not an unpredictable risk accepted by the company. The cost of the universal insurance is predictable and the company needs only to focus on the experienced effectiveness of each employee.

Posted by: [Rick B](#) | [February 26, 2006 at 11:14 PM](#)



Yes, Mr. Gladwell, employer-based health insurance is a silly custom, perhaps because it has silly origins - price controls on wage rates during WWII.

But, disliking employer-based insurance is dissimilar from liking universal health insurance. Many proponents of market-based solutions to healthcare problems (i.e., those supporting policy solutions such as HSAs, HDHPs, CDHPs, and the strengthening of the individual insurance market) dislike employer-based insurance AS WELL AS most permutations of so-called universal health insurance. And many universal care supporters attack HSAs and HDHPs precisely because they pose a serious threat to employer-sponsored insurance.

Wariness of the current system is a good step in the right direction, but you've still got a lot of tough healthcare questions to wade through...

Trapier K. Michael
www.marketplace.md
www.blog.marketplace.md

Posted by: [Trapier K. Michael](#) | [February 26, 2006 at 11:22 PM](#)



Honest people can change their mind, and it takes some moxie to announce it as you have.

My best wishes go to you.

Posted by: [Ba'al](#) | [February 26, 2006 at 11:53 PM](#)



It's interesting this comes along just as others are announcing the implosion of the Canadian system. (I'd link this if you allowed links. You should correct that; hyperlinking is one of the benchmark characteristics of the web.)

In any case, though, I think you're making a false dichotomy: there are many more options than Canadian single-payer (especially with legal constraints on private medicine, as Canada has had) and employer-paid insurance.

The question I wonder about now, however, is how we get from the market distortions caused by the current system back to any sustainable system?

Posted by: [Charlie \(Colorado\)](#) | [February 27, 2006 at 01:43 AM](#)



I like your point of view - I never considered it the way you explain it with transportation, and I've done a complete 180. I really enjoy the ride you provide for my mind.

Posted by: [R Cartier](#) | [February 27, 2006 at 03:54 AM](#)



Malcolm,

I think your moral hazard piece ignores one important point -- choice of doctors. If I am paying the same regardless of whether I go to someone very intelligent and experienced or someone with merely passable medical credentials, with all other things being equal why would I ever choose the latter? Yet with a single-payer system (and most insurances) I am directly presented with that choice. Demand for a particular doctor or medical group has to be at least somewhat related to their efficacy -- presumably this is why magazines regularly print issues telling us what American's best hospitals are. In a market system those differences affect price. With a single payer system you must either limit consumer choices (like the Kaiser model) or expect that everyone will choose the most expensive care they can get even when they don't need it (which is certainly what I do -- after all, why not?). Thus moral hazard must be considered in health care even if people don't jump at the chance of seeing a doctor.

-alan

Posted by: [Alan](#) | [February 27, 2006 at 08:01 AM](#)



Malcolm..... friends of mine in Elmira ON say hello! As a Canadian now living in the US, and about to retire here---I have two grandkids who are my heart and I want to be by them....I am scared to death of the thought of how I am going to deal with health care when I retire....will I be able to afford the \$1,000+ per month I know it will take to get health insurance? Will I be relegated to crowded emergency rooms if I become sick? The fear is so great that my wife and I are giving serious thought to moving back to Canada.....and talk to almost any retiree, or person close to retirement in the US today, and you will find the same fear.

Rog

Posted by: [Roger L](#) | [February 27, 2006 at 09:51 AM](#)



Loved the piece on moral hazard. Rang very true -- ask my uneducated stepmother what's the main problem with universal health care and she would definitely give an answer that amounted to "too much consumption of health care," although she has too little education to put it in such succinct terms.

I agree that the issue of everyone trying to get the best doctors presents a moral hazard issue, but I'm sure solutions can be found. The real reason the U.S. likes employer-sponsored health care is that it means only already-healthy, "productive" or rich (and therefore deserving) people get health care. As my stepmother would put it, "people like us" who are "good people", unlike those good-for-nothing welfare louts in the evil big cities.

Posted by: [Diana](#) | [February 27, 2006 at 11:00 AM](#)



Employers and retailers fled our downtowns, so that they could find locations where they could provide free parking to their employees and customers. This is what killed our downtowns.

Now, forced with escalating health insurance costs, they are fleeing the U.S. entirely. Just like downtowns that invested in the public provision of transit and parking were able to save themselves, perhaps our nation should save itself with a public sector solution to the health crisis.

Posted by: tg | [February 27, 2006 at 11:16 AM](#)



Welcome to the world of real grown-ups. Nice to have you aboard. There are probably quite a few things left to learn...

Posted by: [Jim Pharo](#) | [February 27, 2006 at 11:21 AM](#)



I agree with you. Slipping away momentarily from your most-effective subway analogy to make an additional point...

The additional consequence of our most-expensive-on-the-face-of-the-globe, middling/low quality indicators health delivery complex, is that we apply a Least-Favoured Nation status on U.S. employers. We apply moral hazard ONLY to companies that choose to hire U.S. residents or some U.S. citizens overseas. The health method we're using puts a punitive "tax" on employers who don't offshore, and this distorts the market for labour and makes employer choices inefficient.

ALL insurance is socialism, pooling risk to share outcomes, whether that socialism is state-run (as it is in all currently successful health care systems) or that socialism is privately-run.

What the moral hazard enthusiasts choose to overlook is that unless they create some unitary Wendell Wilkie One World Health Insurance Scheme, they are putting onerous burdens exclusively on U.S. employers and creating a subsidy to offshore labor. Until they can figure out a way and implement a "fix" to that punishment, they need to put their odd little cult theory back on the shelf. Like many of its ancestor theories such as those of Stalin's fave Lysenko, it's classic MBWT (Management By Wishful Thinking) -- tantalizingly attractive in the cigar bar, dysfunctional in the real world.

health care cost link:

http://www.nationmaster.com/graph-T/hea_hea_car_fun_tot_per_cap

U.S. costs are highest in the world, 43% higher than the second highest.

Lysenko, Dutch Uncle of Moral Hazard link:

<http://skepdic.com/lysenko.html>

Posted by: [jeff angus](#) | [February 27, 2006 at 11:30 AM](#)



Malcolm,

Welcome to the blogosphere.

Your analysis about a lack of connection between transportation and employment seems to be along the right track, but is that all? Is that all that you can come up with? There are plenty of people for the past five years who wished they could have had universal health care, and couldn't thanks to the arguments of the right wingers. Right wing rhetoric is often correct in the micro-analysis of individual problems, but in the macro-analysis, absolutely wrong. Iraq, Katrina, stem cell research - the examples are too numerous to even merit further explication.

At the risk of sounding churlish, I would like to say that it is not enough for you to say that "Oh well, I changed my mind". You should indicate why. What are some of the reasons that caused you to change your mind? What are some of the arguments that convinced you against your initial position? How would you argue against your counter-points? Otherwise, you do end up sounding like someone who can get simple analyses about cardiac surgeons in Toronto and Washington D.C. right (one versus six, and um, six is more than one), but precious else besides. Why did you change your mind, Mr. Gladwell? Why did you change your mind?

Posted by: [John Montgomery](#) | [February 27, 2006 at 12:12 PM](#)



The US has the most expensive health care system on the planet but not the best health care by any measures used for comparison. Preserving the current system dooms us to paying more and more for mediocre care.

There is very little competition in the health care market... where two mega insurers dominate the marketplace. So a universal single payer system would not be all that different from a provider perspective and bring efficiencies of administration that don't exist now.

The US already has a partial universal single-payer system called Medicare that pays almost half of all medical charges. Enlarging Medicare to cover everyone would not be terribly difficult... the money employers and employees pay now for private health care

coverage would simply be paid to the government as they already do for Medicare. Health insurers could then provide Medigap coverage to employers or individuals that want it.

The cost of care would be regulated as it is now for Medicare... the government negotiates rates with providers and providers choose to accept them... and most do.

Some providers would opt-out (as they do now) and patients would have to pay full price.

You can argue that there's no incentive for providers to be more efficient or productive in a single payer system, but there's little reward for being more efficient now.

Plus, consumers don't care all that if the ER in the next town is more efficient if his/her doctor isn't affiliated with it. You go to doctor you like and the hospital s/he likes.

Posted by: Chuck Miller | [February 27, 2006 at 12:17 PM](#)



And remember you are not the only one being hauled over the coals for randomly shooting the wind :

http://delong.typepad.com/sdj/2005/08/michael_kinsley.html

Posted by: John Montgomery | [February 27, 2006 at 12:19 PM](#)



I'm reminded of a great quote "it's not about thinking in terms of either/or, it's about thinking in terms of both/and". This discussion is a classic example.

Why is the topic of health care being thought of as one where EITHER the company OR the government needs to be responsible? Isn't it really much more complicated than whether one side or the other is responsible when its really how BOTH sides are in this together? Of note - the US gov. picks up the bill when a company fails and companies historically offered to pick this kind of perk up in the first place.

Realistically, I side more on the idea of government safety nets and broad company coverage as a perk. Sure, one insurance provider could give the best coverage for all, but monopolies create issues in LT inefficiencies as well. Competition is at least better than no competition.

Posted by: CJS | [February 27, 2006 at 01:27 PM](#)



I'm surprised that you've changed your mind completely...

While some of your arguments in that debate may deserve revision, I thought the essence of your point was that the US system drives innovation and innovation is what we need going forward.

Have you changed your mind about that part?

brad

Posted by: Brad Langhorst | [February 27, 2006 at 02:25 PM](#)



Why employer care?

It would suck if you lost your healthcare when you lose your job.

But that's not the case - you can keep paying for it on your own at a pretty reasonable rate until you find a new job. If you never find a new job you go on medicaid.

I think we association employment with healthcare because it's convenient.

Would it be better to sell healthcare to individuals? The cost of sales would certainly be higher. What about to homeowner's associations? or rotary clubs? We sell it to employers because almost everybody has a job (or a parent/spouse with one).

To maintain the non-government aspects of a health system it has to be sold to either employers or individuals - there's no other organization besides government that everybody is a part of.

brad

Posted by: Brad Langhorst | [February 27, 2006 at 02:36 PM](#)



Congratulations on admitting a mistake completely and with some real class. Unfortunately, this ability probably makes you ill suited for public office, journalism, academia, and political commentary. Fortunately, there are plenty of real jobs where it will be appreciated.

Posted by: MDtoMN | [February 27, 2006 at 02:50 PM](#)



The New York subway analogy makes no sense. Countless employers subsidize employee transportation. Employers have an obvious interest in healthy workers showing up to work.

Chuck, you are going to need to back up this statement "The US has...not the best health care by any measures used for comparison."

I did a lot of research for two serious ailments (cancer and knee surgery) and it was very clear that the best care is provided in the US. Which is why the first part of your statement *does* make sense: "The US has the most expensive health care system on the planet".

Posted by: pwb | [February 27, 2006 at 06:34 PM](#)



All health care systems ration health care. In Canada you cannot (until very recently) get private health care at all. I hope Roger L doesn't move back to Canada and then break his hip (unless he lives very close to the US) or he may well wait up to 3 years for a replacement. My 80-year-old mother waited 2 days. Canada rations drugs (some you can't get at all in Canada) and access. The waits to see GPs and specialists are in the 12-16 week area for each.

In the US we ration health care by whether or not someone is willing to pay. The payee can be the consumer, the consumer's insurance (either in part or in whole), the government (Medicare and Medicaid), charity by others either individually or as groups, in return for experimentation or whatever else is acceptable. You can have anything that is legal, whether you need it or not. Unlike Canada, we even insist in some states that insurance cannot be sold without covering a great many circumstances that are highly unlikely to occur to the purchaser. (In Michigan I am essentially required to have insurance that covers very expensive fertility treatments that, as a grandfather, I really, really no longer want.)

Essentially, we have a very expensive health care system because: 1) we want *every* possible treatment whenever we, as individuals think it might be useful [the hell with doctors and experts and bureaucrats, etc]; 2) we don't allow health care users adequate information about costs and benefits for them to make good decisions, so they go for everything [see above]; and 3) it's a political football.

I.e. everyone pays for what they get, one way or another. The real questions are: 1) who pays? (the individual, the state [taxes]? who?); 2) what is ration in and out?; 3) how effective is it?

Posted by: JorgXMckie | [February 27, 2006 at 07:11 PM](#)

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