

Healthcare – A Viper’s Nest of Moral Hazards



It is difficult to get a handle on the sheer number of moral hazards affecting healthcare. Many are eliminated by the [Earth Dividend](#) and its various allocations.

Easily forgotten by those of us with food and shelter is that free healthcare for all creates a moral hazard by encouraging the homeless and starving to injure themselves or feign injury for the sake of a warm bed and three nutritious meals.

What should cost no more than \$20 to feed and house a homeless person for the night, through the backdoor of free healthcare, would instead cost, at today's absurd prices, over \$4,000. An Earth Dividend of food and housing not only limits the abuse of healthcare, but also partially pays for itself in reduced healthcare costs.

Abuse of free services is discouraged with a copay. Yet the copay remedy for this moral hazard often comes down to a choice between food and healthcare. Again, the Earth Dividend solves this problem by providing food and housing. For those without any income at all, the copay is still an impossible burden.

A [universal copay](#) is part of the Earth dividend and paid a month in arrears. If used, it is paid to the provider(s). If not, it is paid to the dividend recipient as cash. There is still a choice between medical care and a new pair of pants, but that is a sufficient level of sacrifice. Children are exempt from the copay to prevent abusive withholding of medical care by parents.

Health insurance is the definitive example of adverse selection. Those with health problems are more likely to apply for insurance, increasing insurer risk and driving up rates. At higher rates, healthy individuals decide insurance is no longer worth it, further increasing insurer risk and pushing up rates. Higher rates cause more healthy people to drop out, increasing risk and pushing up rates further in a vicious cycle until the cost of healthcare is astronomical and the market collapses.

An insurance mandate, as seen with Obamacare, solves the problem of adverse selection. However, it violates the [objective right](#) of persons to spend the product

of their own labor as they see fit, and could be opposed by enough of the population to kill mandated insurance as a [subjective right](#). Adverse selection alone requires that a standard insurance policy be paid universally and from the Earth Dividend, not the individual's pocketbook.

Another moral hazard of universal healthcare is that choice, competition, and therefore innovation are discouraged. [Self-insured HMOs](#) create a market equilibrium, forcing exactly the right charge for services. See how they are used to eliminate the twin moral hazards of "no choice" and "no competition".

However, it turns out that self-insured HMOs carry their own new and lethal moral hazard. It is in the interest of self-insured HMOs to underdiagnose. Waiting for the problem to become acute shortens the patient's life on average and therefore the time needed to treat the illness. To obliterate this problem, AFFEERCE creates a diagnosis marketplace. Details can be found in the module [A Market in Diagnosis](#).

Choice in treatment options has its own moral hazard when the primary payer is the self-insured HMO – but treatment occurs elsewhere. When the treatment center receives guaranteed funding from the insurance arm of the HMO (with the patient themselves making up the difference), there is no incentive to make a patient well.

If a patient's illness brings them profit, the treatment center receives no benefit from the patient's wellness. Even within the self-insured HMO, while management has an incentive to make you well, lower-level staff might view a patient's illness as an employment opportunity. The tendency toward [voluntary collectivism](#) in [land-based capitalism](#) helps with the problem, but the complete solution to this moral hazard can be found in the module [Wellness Annuity and Trebling a Hospital Dorm](#).

Nor should one forget the moral hazard of [intellectual property](#) law in our current system – patients are de facto denied access to the latest machinery and medications, because they lack funds to pay for innovation.

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<i>Substitute for Needs</i>	The poor choose free healthcare for food and shelter.
<i>Abuse of Services</i>	The lonely choose free healthcare for fulfillment.
<i>Adverse Selection</i>	Only the sick will pay high prices for insurance.
<i>Lack of Choice</i>	Affordable plans give no choice in treatment options.
<i>No Competition</i>	Insurance gives patients little reason to shop around.

<i>Under Diagnosis</i>	Delayed treatments save money for the insurer.
<i>No Wellness Incentive</i>	Profits from illness – no incentive to make patient well.
<i>Intellectual Property</i>	Patients are denied life-saving medications and treatments.

Only AFFEERCE is able to slay the vipers!