

# **Moral Hazard**

**Transcript**

I still remember the news stories about people who died trying to get into a hospital that refused treatment because they had no insurance and no money. This caused enough public outrage that in 1986, Congress passed the Emergency Treatment and Labor Act. This requires hospitals that accept Medicare to provide a minimum level of treatment for all patients, regardless of ability to pay.

In addition, nonprofit hospitals are required to provide a certain amount of charity care to maintain their tax-exempt status. Many states have additional requirements for charity care.

I'm afraid some Americans have interpreted this to mean they don't need to buy insurance, because they can get care for free if they need it. This is called moral hazard.

The Affordable Care Act tried to fix this problem. It offered subsidies to low income families so they could afford health insurance, plus a penalty for anyone who refused to buy it. The idea was that if everybody is guaranteed emergency care, then everybody should pay SOMETHING if they have sufficient income. However, the penalty was revoked in 2017.

Many people still feel they can't afford to pay anything for health insurance, because they can barely pay their other bills.

In addition, there is a perception that health insurance is unreasonably expensive. This is true if we compare what we pay for treatment to what other people pay for the same treatment in developed countries all over the world. One reason for this is the astronomical salaries and bonuses paid to health insurance executives.

However, compared to other American companies, health insurance companies are normal. It would not be practical to limit health insurance executive pay without taking on the much larger issue of all executive pay.

Only a tiny part of hospital budgets goes to charity care. So uninsured people all too often get no health care until they become very sick. Then they qualify for free emergency care, but their illness is very expensive to treat.

All the rest of us have to pay for that free emergency care, one way or another. So what do you think we should do? I welcome your comments.