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Why not US healthcare? Because we want something much more free market than that [1]

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It's a standard part of the debate about reform of the NHS: as soon as it's mentioned everyone hares off down the road of insisting that we don't want to have anything like American health care. And the strange thing is that they're right, we don't: we want something much more free market than that. As John Cochrane puts in the WSJ [3]:

> The U.S. health-care market is dysfunctional. Obscure prices and $500 Band-Aids are legendary. The reason is simple: Health care and health insurance are strongly protected from competition. There are explicit barriers to entry, for example the laws in many states that require a "certificate of need" before one can build a new hospital. Regulatory compliance costs, approvals, nonprofit status, restrictions on foreign doctors and nurses, limits on medical residencies, and many more barriers keep prices up and competitors out. Hospitals whose main clients are uncompetitive insurers and the government cannot innovate and provide efficient cash service.

We can go further too: it's not even legal to purchase health care insurance from a company in another state. The end result is a system where no one is really exposed to true market prices or true market forces. And that's just not the way to run anything at all.

What would be a better system, both for us and for the Americans, would be something like the Singapore system: where absolutely everyone is indeed exposed to market prices and market forces. However, the government steps in to make sure that those who genuinely cannot afford treatment get it. They also happen to run many of the hospitals: but those hospitals are indeed exposed both to competition and pricing. In essence Singapore has medical savings accounts for routine expenses. If you don't spend the money then it gets added to your pension. For catastrophic care there is a proper insurance scheme. There is no haggling over the price at which someone will be scraped up off the road and treated: none of us would particularly like there to be so either. But there is such competition and haggling about the price of drugs, of routine treatments. Everyone is exposed to market pricing and market forces.

That could be, although obviously mere correlation is not causation, why the Singapore medical system is as good or better than either the UK or US one but costs only 4% or so of GDP. That is, something like a third of the UK system and one quarter of the US one.

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