How Government Destroys Medical Care

BY STEVEN GREENHUT

News in August that Northridge Hospital Medical Center's Sherman Way Campus, the San Fernando Valley's oldest hospital, would be shutting its doors, was greeted by Los Angeles County residents with the same sense of resignation that has greeted other recently announced hospital closures.

Another hospital or emergency room closing? What else is new?

Earlier in August, Elastar Community Hospital in East Los Angeles closed its emergency room and edged closer to closing the entire hospital after filing for Chapter 11 bankruptcy protection in 2003. As the *Los Angeles Times* also reported in late August, "Six emergency rooms have closed in the last 14 months. Hospital and healthcare officials predict a further 10 percent to 15 percent reduction in the county's emergency room capacity, with three large ERs at private hospitals thought to be at risk of closure.

"All this is taking place as the number of Californians without health insurance continues to surge," according to the newspaper. "Since 1988, the number of emergency rooms in the county has dwindled from 97 to 79. Trauma centers have fallen from 16 to 13. Though some remaining hospitals have expanded their services to make up for those closures, the Los Angeles County population has grown by more than 1 million and the portion of uninsured residents has climbed from 20 percent to 27 percent during that period."

The *Times* reporter used terms such as "doomsday," "meltdown," and "healthcare Chernobyl" to describe the situation, as emergency-room patients increasingly must wait 16 hours or more for treatment, or four days or more to get a bed in a hospital.

As is often the case, California is on the cutting edge of most every troubling trend, and Los Angeles County, the nation's most populous county, often leads the state over the brink. Those of us who live here can only shake our heads and wonder why local officials and residents don't understand the obvious root causes of the crisis du jour, and why residents of other states don't catch on before the crisis comes to them.

All of the recent crises have the same cause: government meddling in the market.

I learned the reasons for the health-care crisis after visiting an emergency room following a gall-bladder attack. I was prepared to show my insurance card and provide personal information so the hospital would know that I was going to be able to pay for the medical services I would receive. But the nurse recoiled in horror as I presented the card. "Put that away," she said. "We're not allowed to look at payment information before treating you."

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The law is simple: No one may be turned away from a hospital, unless the hospital does not offer the specific services needed. Everyone must be served for free. As a result, California's poor and uninsured often rely on emergency rooms as their mainstay for health care. They go for immunizations, check-ups, sniffles, anything. No payment required. This is a function of federal law, but the high uninsured, immigrant population in Los Angeles, combined with other state laws has made this Ground Zero for the health-care crisis.

As the *Los Angeles Times*' Jason Felch reports, the crisis "has been blamed on old people and more people; nursing shortages and earthquake retrofits; the uninsured, the indigents and the illegal immigrants."

All of the above-mentioned factors deserve some blame, of course. The aging Anglo population needs an increasing amount of health care. There are severe nursing shortages. A law pushed forward by nurses' organizations and signed into law by former Governor Gray Davis mandates that the ratio of patients to nurses can be no higher than eight to one. It's one of those remarkable socialist-style laws that pretends to fix a problem by mandate, but only exacerbates the problem. There aren't enough nurses to meet those mandates, so now belligerent nurses unions are staging walkouts when hospitals, which cannot afford to meet the new mandate, fall short of the law. That's contributing to the ER closures, which means an even higher patient-to-nurse ratio.

Costly Retrofitting

Earthquake retrofitting is another government-mandated problem. The spokeswoman for Elastar Community Hospital told the *New York Times* that following a recent law mandating additional earthquake retrofitting, the hospital faced a $16 million expense, which pushed the company over the brink. Many of the hospitals that have closed blame that law.

Los Angeles County has one of the nation's largest populations of indigents and illegal immigrants, who rely almost exclusively on emergency rooms when they need any sort of health care. A *Los Angeles Times* editorial in early September of last year argued that the federal government should "cover the costs of providing emergency medical care to illegal immigrants."

That's one line of attack: Solve the problem by calling on the federal government to send billions of dollars California's way. Californians were hoping to handle it in their own way, also, by pushing forward propositions last November to address the issue. One statewide initiative, Proposition 67, called for a 3 percent tax on telephone bills to create $150 million that would have been diverted to emergency-room and health-care–related expenses. It was supported by the medical associations, but soundly defeated by voters.

Another initiative, Proposition 72, called for mandating all California employers with 50 or more employees to provide health insurance to employees and to pay 80 percent of the premiums. Medical associations supported it because they saw it as a means to reduce the number of uninsured Californians, who have become a costly burden on hospitals. But the Chamber of Commerce called it a $5.7 billion tax on employers. Voters narrowly rejected the proposition. Placing a costly new mandate on employers would have most likely increased the number of uninsureds, as companies left the state or stayed under the 50-employee threshold. It could also have depressed wages in some markets. Employers would have faced higher costs—and costs keep going up in mandate-happy California—and that would have given them an incentive to covertly pass on costs to employees. Sure, they couldn't have directly passed the higher premiums on to their workers, but they could have tightened up on wage increases and cut back on other benefits.

There is no fix short of dealing with the market reality. The August *Los Angeles Times* article traces the emergency-room problem and its proposed solutions for the past 15 years. The crisis in 1988, it reported, was solved following a state tobacco tax. In 1995, crisis was averted when President Clinton provided $1 billion in federal emergency aid to Los Angeles County, then two years later another crisis was averted with $1.2 billion more in federal aid. In 2002, crisis was averted when county voters passed Measure B, which provided dramatic increases in property taxes.

In September, Los Angeles County officials blamed the Bush administration for refusing to come through with another massive federal bailout—one of its few instances of fiscal responsibility. And, according to published reports, county hospitals have been refusing transfers of the uninsured from private hospitals, further straining private hospitals and forcing some of them to close their doors amidst enormous losses.

Clearly, throwing more federal money at the problem won't solve it. The federal government already is enormously in debt, and the problems faced by Los Angeles County increasingly are being faced elsewhere. Why make taxpayers pay yet again for the failures of government? Increasing taxes always is a bad idea, and it can't possibly provide enough money to keep pace with the massive losses, if the numbers outlined above are any indication.

The Market and Self-Responsibility

The obvious answer is the marketplace. Individuals, regardless of their immigration status or their income level, must be responsible for their own medical care. If they can't pay for emergency services, they can be held liable for the costs after the fact, financing them if necessary. Charities and churches, of course, would be able to help those without medical insurance or the means to pay for their own health care. Hospitals and medical organizations have always offered help to the indigent also. But the suffocating number of rules, mandates, and edicts must be peeled back, layer by layer, so that private hospitals can compete the way any other business competes.

To some analysts this sounds cruel. As columnist Michael Kinsley argued in September, "The more that market forces are built into healthcare, the more people will not have access to the healthcare they need. The more you protect people from that, the harder it is to create market incentives."

But the opposite is true. The more the market is allowed to work, the more prices are allowed to reflect the actual cost of the service, the more available those services will be to those who need them. In Los Angeles County, the government increasingly has control of the emergency-room and hospital business. The results are clear: ERs and entire hospitals are closing. Lines for care are enormously long, as hospitals need not require payment for services. Because prices are, in essence, zero, there is far more demand than supply, and those with life-threatening illnesses are most vulnerable to the ensuing shortages.

There are unseen costs as well. How many of these hospitals are investing sufficiently in the latest equipment, given that the return on such investment is nil? Offer a new life-saving service and that service will be swamped by people who want it, but who have no intention of paying for it. Actually, the incentive is to offer nothing more than the basic medical services. This is how things operated in socialist countries, renowned for their horrible health-care practices. I remember one news report about health care in the Soviet Union. At a time when open-heart surgery was common in the United States, Russians with easily fixed heart problems such as clogged arteries were being sent home from Russian hospitals to die. But wasn't health care "free" and a "right" in the Soviet Union? Isn't it time to look at the reality rather than clinging to the fantasy that government can mandate every good and wonderful thing?

While the media have been reporting on the ER-closure problem, a second story has been brewing in the background. It's the continuing crisis at the King/Drew Medical Center in South Central Los Angeles. This county-owned hospital has been under state and federal scrutiny for its poor medical care, and the latest federal inspection from the summer shows ongoing problems.

"Just two months after being reprimanded for rampant medication errors, Martin Luther King Jr./Drew Medical Center failed to give vital antibiotics and breathing treatments as directed to nine patients, a federal inspection has found," reported the *Los Angeles Times*. The federal investigation depicted a poorly run hospital that "failed even to get basic facts right, such as patients' weight and height." Beds were covered in filth; guards used Taser guns on psychiatric patients; food served to patients wasn't refrigerated properly; and so on. Another *Times* report from August explained that "Los Angeles County health officials closed the doors of Martin Luther King Jr./Drew Medical Center to ambulances for more than 60 hours . . . after large numbers of emergency room nurses called in sick or simply didn't show up for their weekend shifts."

Now, how can this Third-World-style medical system get much worse? Yet pundits such as Kinsley are afraid that market forces will make health care services unavailable to those who need them.

Many of the ERs and hospitals that are closing in Los Angeles County are private, and they are the ones that provide the best care. That's true, even though private hospitals operate in a market controlled by government rules and subsidies. King/Drew, like the government-run veterans' hospitals, is an example of the horrors that take place in full-fledged government-run hospitals.

Unfortunately, Kinsley's view is typical. As Los Angeles County's health-care system spirals toward an unending state of filth, shortages, lines, and other hallmarks of government-run systems, county supervisors, state officials, and even the medical profession push for more of the same things that made the system a disaster in the first place. The answer, we're repeatedly told, is to create a complete socialized health-care system, in which insurance is unnecessary because everyone could be treated for "free" at any hospital and any medical facility.

Yet that very element—the "free" nature of health care—is what has destroyed what was once a premier medical system.

County officials told the *Los Angeles Times* that even the passage of the new tax in November wouldn't have fixed the problem. The problem, experts said, is the uninsured. That is correct, but it is the only thing correct in most analyses. As one Los Angeles County supervisor foolishly explained: "It's going to take a consensus in America that healthcare is a right, not a privilege."

So here we go down the socialized-medical-care trail. It already is a "right" at emergency rooms, which is why no one can get the care they need any more. This is something America's founders understood. The government is supposed to secure our "negative" rights only, protecting life, liberty, and property. Now, the government wants to offer "positive" rights—the "right" to something such as health care. But my right to health care means that someone else must be forced to provide it for me. It's a freedom issue and a practical one. Because of the availability of profits, health-care providers are eager to provide quality care to me at a competitive price. Make health care a right and remove the profit incentive, and health-care providers will be leaving the market in record numbers, which is what is happening in Los Angeles County. The result is that these "free" services decline in quality—then availability.

The destruction of the medical market will mean that we will increasingly have to rely on government services of the sort provided at King/Drew, which thus endangers the lives of each of us and our loved ones. Or we must rely on the black market, and seek out the few facilities that completely opt out of the government-controlled and -subsidized medical market. That's becoming a more reasonable option, which is why governments increasingly penalize those doctors who refuse to submit to their control.

This downward spiral is taking place for a simple reason: Officials, activists, and voters care so much about health care that they insist that it be available to everyone for free, in defiance of the market logic that had previously built the best health-care system in the world.

The lack of understanding of market principles endangers us all. Los Angeles County should offer an example to the rest of the nation of what not to do.