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## FOREWORD

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Good health ranks very high among the things that most people value. And yet in America, a wealthy country recognized for its capacity to innovate and to fulfill consumer demands with creativity and efficiency, health care has seriously lagged in achieving these important goals. The cardinal symptoms of this failure are rarely contested. Despite spending more on health care than any other country, problems of access, cost, and quality abound. These failings have dominated public attention for extended periods yet have defied recurrent efforts at reform. Understanding these failures should be a major goal of social scientists, economists, health care providers, and funders, as well as an increasingly concerned populace.

Remarkably, reformers seem to inhabit two independent analytical universes. The great majority, including analysts and activists from across the political spectrum, start their quests with current symptomatology. Symptoms in hand, they compete to design and promote political solutions that ignore or pay insufficient attention to root causes. They propose legislative remedies they claim will address one or more symptoms, with insufficient access to insurance being the most urgent. These efforts, backed by a supporting cast of pundits, academics, and especially special interests, manage to maintain key elements of the status quo and their root causes while ignoring or resisting paths to more fundamental reform. The Affordable Care Act, potential versions of “single payer” health care, and

most Republican proposals are examples of this approach, each failing in different ways.

The book in your hands emerges from an alternative but far more rational universe. Inhabitants of this universe insist on identifying root causes, the two most central of which are the intrusion of the political process into health care spending decisions and the resulting overreliance on insurance and other forms of third-party payment. Ironically, these root causes are what mainstream health analysts propose as solutions. In Charlie Silver and David Hyman's view, the incentives that result from these fundamental errors render health care transactions financially opaque, often absurdly so. These incentives enable and encourage health care providers—for whom opacity is a boon—to mistreat patients and to overcharge consumers and taxpayers. Together, incumbent providers and their political allies promote an increasingly tenuous fantasy that the dysfunctional status quo is both sustainable and capable of meaningful repair with only minor tweaks. Silver and Hyman lay bare the serious flaws in such thinking.

Astute diagnoses in hand, Silver and Hyman sketch potential remedies with an approach distinct from those that emerge from the other health care universe. For one, they are far too honest to offer a comprehensive legislative proposal that claims to be both politically achievable and capable of producing the necessary disruptive innovations.

But that honesty doesn't imply that their analysis and proposals are for naught. Quite the contrary: their insights are critical for those seeking a path to true reform, whether one fully agrees with their approach or simply learns from it. For those interested in new paths government might take, as opposed to the current approaches of Medicare and Medicaid, Silver and Hyman identify Singapore as a model worthy of attention. That approach uses mandatory and tax-advantaged personal health savings accounts, to which the government could add funds when necessary. Patients have control over how these dollars are spent, and funds become part of a person's estate if unspent. Moving in this direction would transform the incentives that send health care prices and quality in the wrong directions, and limit the self-serving dance between health care providers and politicians.

Silver and Hyman also identify many promising innovations that markets have developed in spite of those perverse incentives. Rather than

emerging from the minds of centralized economic planners, these innovations arise from the bottom up as entrepreneurs rush to meet the needs of patients. Among such developments are the growth of “retail clinics”; entry into health care by companies such as CVS and Walgreens and perhaps eventually Amazon, Costco, and other entrants; and increased use of medical tourism, both domestic and international. These innovations are under threat from incumbent providers, insurers, and regulators, who deceptively package their regulatory assaults as a defense of quality and safety.

Stimuli for such efforts include the fact that many people remain uninsured today—a far more perilous state in a world lacking price transparency or effective competition—and even the insured are increasingly paying for more of their health care out of pocket. The number of patients facing this reality and the dollar amounts at stake will likely increase, providing opportunities for innovation that, if successful, could promote much broader change, including new approaches to competitive pricing, package deals, and other features widespread in many markets apart from health care.

Silver and Hyman address several other critical areas pertinent to health care. One is fraud in health care billing, a problem of enormous magnitude often linked to inappropriate care. Third-party payment facilitates fraud by removing patients and their unique knowledge and interests from the payment loop. So does poor oversight by Medicare and Medicaid—which apologists for those programs laud as indicating administrative efficiency. Other areas include complex legislative and regulatory schemes that drive pharmaceutical prices and spending to their current high levels. The authors’ creative solutions to rework flaws of the patent system deserve broader discussion.

In a book whose primary focus is on excessive health care prices and expenditures, it is laudable that the final chapter addresses the morality of health care. It is all too easy for proponents of universal insurance, single-payer, and direct government provision of health care to claim the moral high ground—and to portray ideas that would actually make health care more universal as heartless simply because they don’t promise impossible outcomes. Silver and Hyman show it is those who defend the status

quo whose position is morally untenable, no matter how well the complex nature of medicine may obscure responsibility for the resulting harms. They explain that Medicare and Medicaid are paternalistic and dishonest, the former serving as an intergenerational Ponzi scheme. They illustrate how incentives for over-insurance produce numerous avoidable welfare losses. They endorse a role for government to assist those in need but suggest mechanisms more respectful of the autonomy of the recipients and less likely to suppress innovation and efficiency.

Health care is complicated, and its current dysfunction needs urgent understanding and attention. *Overcharged* is just what the doctor ordered. We will be better off if it is widely read and discussed.

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