Why the Insurance Model Doesn’t Work for Healthcare

Healthcare is costing Americans trillions of dollars every year, yet they keep demanding more and more of it—all at little or no cost to themselves, of course.

The underlying problem with healthcare costs becomes quite evident when you look at the likelihood of being diagnosed with cancer at some point in your life (50%), the average cost of treating cancer ($60K or more, though estimates vary widely and some treatments can exceed $1 million), and the fact that more than two-thirds of Americans have less than $1,000 in savings.

And that’s just cancer. Add in heart disease, diabetes, and all the other expensive maladies which individuals can develop, and it’s no longer about “risk” at all. Unless you die young, you *will* almost certainly end up consuming hundreds of thousands of dollars’ worth of the goods and services that make up healthcare before you die. A 2004 study put the average cost at 316,600 per person, and the number has only been increasing over the last decade.

This reality is why the insurance model doesn’t work for healthcare costs. Insurance is a way to pool risk as a hedge against **unlikely calamities**, not a way to pay for nearly certain expenses. No one realistically expects that having car insurance will somehow keep a car working for 75 years and a million miles, yet that’s essentially what they expect from health insurance.

Unless Americans suddenly become willing to spend their youth stockpiling wealth to pay for healthcare costs as they age, it may be necessary to acknowledge that some healthcare costs are a luxury not everyone can afford. I’m not exaggerating. It is projected that, by 2040, 1 of every 3 dollars spent in the United States will be spent on healthcare. That is simply not sustainable by any stretch of the imagination.

When it comes to healthcare, it seems that the socialists, communists, Democrats, and Republicans are all in agreement—*to each according to his need!* Cool. Now who is going to pay for it?