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Hon. John McCain
241 Russell Senate Office Building
Washington, DC 20510

Dear Senator McCain,

Congratulations on winning the Republican nomination. But you have missed some important news.

The Republican Party, the party of American business, should be advocating healthcare reform and universal healthcare. American businesses are strangling in the grasp of the health insurance industry. Why does one industry have such power over every other industry and business in this country? Something has got to change.

Please find enclosed copies of the book *Chronic Crisis* and the Position Statement on Healthcare Reform of The Policy Center.

The Position Paper proposes that U.S. healthcare costs can be lowered through market incentives. The premise behind this position is that the United States has a failed *health insurance* market.

The notion of market failure implies that the industry involved competes on some condition other than price. In the case of health insurance price may remain a concern, but it occupies a position of secondary importance; insurers primarily compete based on the ability to identify and avoid risk.

A “failed” market is identified when prices increase and profits increase yet the availability of the product in question actually decreases. The health insurance market meets all three of these conditions. It is no secret that prices are increasing (health insurance premiums rise faster than inflation), and everyone knows that health insurance profits are among the most handsome in the world.

Yet the increasing number of un-insured confirms that the real availability of health insurance is in fact decreasing. Notably, in normal price-competitive markets a large

market share is critical to success. But for the health insurance industry, a carefully selected market share has proven more profitable than a large market share – confirming evidence of market failure.

Fortunately for you, neither Senator Obama nor Senator Clinton has rendered a sustainable healthcare reform proposal. Senator Obama's plan misses the economic importance of universal enrollment; his plan promises a re-growth of a large un-insured population in a few years.

Senator Clinton's plan fails to recognize the importance of a uniform benefits package. That failure assures the continuation of high premium costs.

These two failures are structural weaknesses! Without universal enrollment and some form of uniform minimum benefits package healthcare costs cannot be contained.

Unfortunately for you, the Republican Party has missed the boat. Like an ostrich, the Party ignores the evidence before them in favor of the singular agenda of the organization called America's Health Insurance Plans (AHIP). The AHIP agenda will choke the productivity out of every other American industry – and will ignore the deaths of thousands of Americans while doing so. And you have become their accomplice. Way to go, Hero.

This country has some excellent ideas and some excellent people who understand the fundamental concepts of sustainable healthcare reform. Listen to them. More than one group of researchers has independently studied the successful features of foreign healthcare systems and reached similar conclusions. The most *sustainable* healthcare systems of the world rely on principles that reinforce price-based and not risk-based competition. (Identifying methods of reinforcing price-based competition among insurers is the theme of the book *Chronic Crisis*.)

Good luck in your campaign. You're going to need it.

Kindest personal regards,

Selvoy Fillerup, MD