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If Insurance Companies PAID for LASIK Eye Surgery ... It Would Cost a Whole Lot More!

Twenty-two years ago, my sister-in-law called me and asked if I was interested in a special LASIK eye surgery deal. She worked in an office with several ophthalmologists, and those doctors were being pitched a new hi-tech laser by a manufacturer who wanted access to their practice. As an inducement to patients to try the new machine, they were offering laser eye surgery for \$1,500 per eye, a discount of \$1,000 from their normal rate of \$2,500 per eye. Always looking (pun intended) to save a buck, I debated for quite some time whether I was willing to jeopardize my already poor eyesight for the potential of 20-20 vision, but the thought of living a glasses-free life (at least until my later years when I would need to don an occasional pair of cheaters) was quite appealing.

If you've ever had elective laser eye surgery, I'm sure you're aware that most insurance companies do not cover it, as it is considered to be a cosmetic procedure rather than a medically necessary surgery. As a new husband, father and homeowner, I knew the \$3,000 price tag would strain my budget a bit, but I decided I'd take advantage of the special deal my sister-in-law was offering me and I went ahead with the surgery. I'm not exaggerating when I say it was life changing! I've never regretted the money I spent or the results of the procedure, and I would highly recommend it to anyone who is a candidate.

Fast forward to last week when I was chatting with a friend about his recent cataract removal surgery and trifocal intraocular lens implantation that allows him to see close, mid-range and far distances with perfect vision (pretty amazing stuff, right!). He told me his surgery had cost him \$6,000 out-of-pocket because his Medicare Advantage plan didn't

pay the entire amount, but he was quick to add that the improvement to his vision was so incredible that he didn't regret his decision one bit.

All that talk got me to wondering how much the price of LASIK eye surgery in the U.S. had increased since my surgery in 2002, and whether the price increase for that elective procedure was similar to the cost increase of other non-elective major medical services over the same time period. More specifically, I was curious to find out whether the cost of a procedure like LASIK, that is usually paid for entirely by the consumer (and is thus subject to more conventional economic principles of supply and demand) had increased in cost at roughly the same rate as other medical procedures that are generally paid by third-party insurance coverage (which insulates the insured/consumer from the true cost of the medical care).¹

According to Cataract & Refractive Surgery Today (CRST), the average price of LASIK eye surgery in early 2000 was just above \$2,000 per eye. Soon thereafter, the price began to drop fairly significantly, and in 2002 the cost had settled at around \$1,600 per eye. Inasmuch as my eye surgery was performed at the renowned Moran Eye Center at the University of Utah (which is generally a bit pricier than other eye surgery practices), the \$1,600 figure sounds reasonable and correct to me.

¹ I fully acknowledge that my crude research project was far from scientific and was more akin to a SWAG project than a peer-reviewed journal piece. I didn't account for technological improvements or efficiencies, I didn't explore in great detail or parse out the reported medical inflation percentages I used for comparison purposes, and I didn't extrapolate out the present value of money from 2002 to 2024 (which, if anything, would result in higher 2002 costs than the raw dollar amount I used). Since I was only doing it for my own curiosity, it is what it is.

Over the past two decades, the price of laser eye surgery has remained fairly flat. According to the Refractive Surgery Counsel (RSC), the cost of LASIK eye surgery in 2008 was about \$2,000 per eye, and by 2018, that figure had risen slightly to \$2,200 per eye. Today, according to NVISION Eye Centers, the average cost of LASIK is \$2,632 per eye. In other words, since 2000, the cost of laser eye surgery has risen by about 31.6% (ignoring inflation). This is significantly lower than the basic core inflation rate which was 82.4% from 2000 to 2024 according to the inflation calculator at officialdata.org (using data provided by the Bureau of Labor Statistics consumer price index).

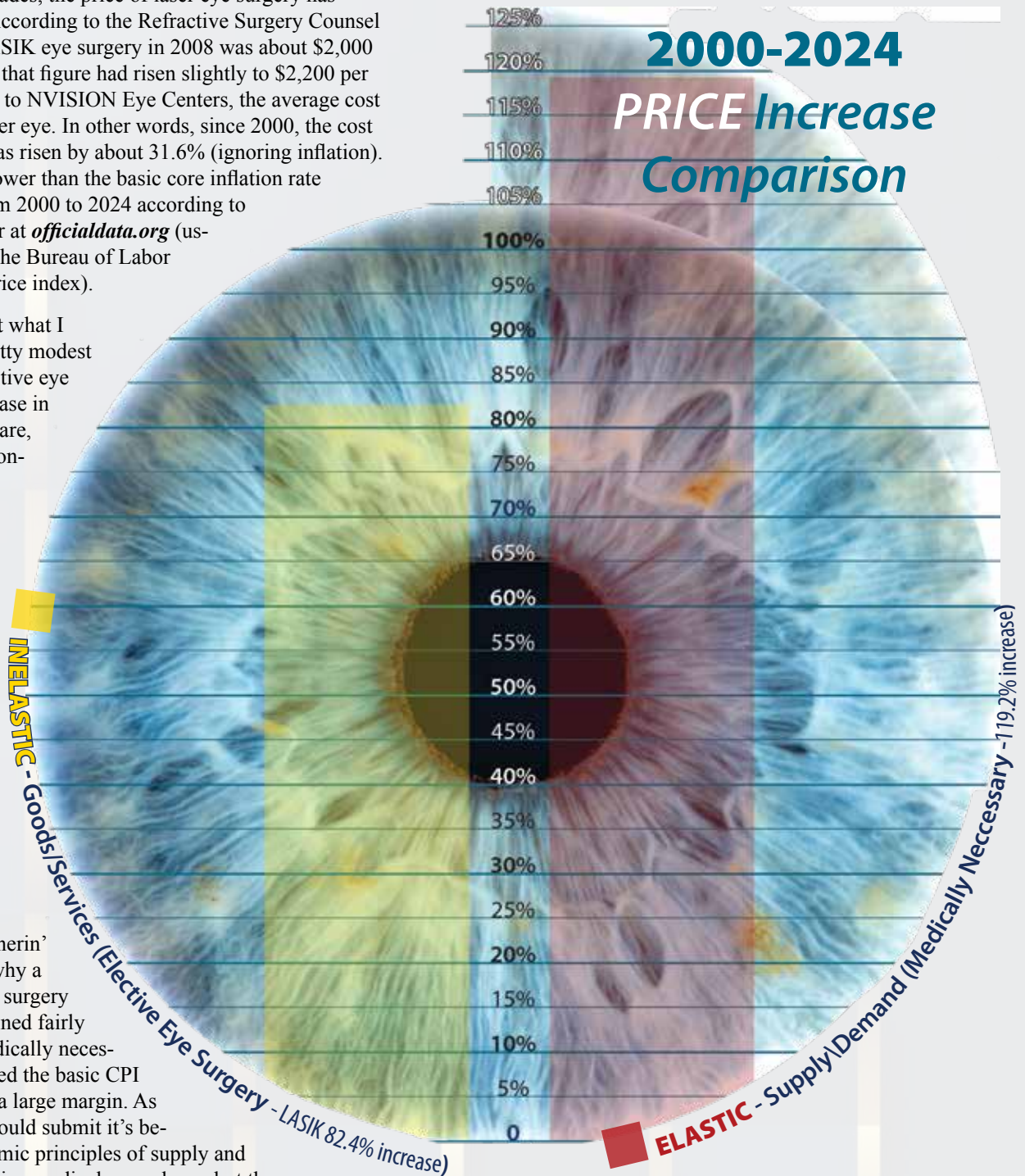
In an effort to contrast what I considered to be a pretty modest price increase for elective eye surgery with the increase in other major medical care, I consulted the Peterson-KFF Health System Tracker which examines general medical inflation. According to that measurement, the price of medical care (including services provided as well as insurance, drugs and medical equipment) has increased 119.2% from 2000 to 2024. This is almost four times more than the increase for elective eye surgery!

Of course, all this cipherin’ begs the question of why a life-changing elective surgery like LASIK has remained fairly affordable while “medically necessary” care has exceeded the basic CPI inflation rate by such a large margin. As mentioned above, I would submit it’s because the basic economic principles of supply and demand apply to elective medical procedures, but they generally do not apply to non-elective medically necessary care that is most often paid for by third-party insurance companies (or by other third-party benefit plans like self-funded employer plans or government programs).

In other words, when insurance covers a medical procedure, the consumer is insulated from the actual cost of the care because he or she isn’t paying a significant portion of the cost. Most of the time, the insured member only pays a flat copayment or a small

percentage of the care and isn’t really affected by the true cost of an increase in price. This is one of the main reasons why the American healthcare system is so inefficient and expensive.

It is also why we have the most expensive healthcare system in the world ... by a huge margin! This problem is even more blatant when a state or the federal government passes a law that mandates that insurance companies must pay 100% of the cost of certain care while insureds pay nothing. Those laws totally insu-



late the consumer from any financial consequences of his or her health care decisions and they allow (indeed encourage) providers to bill with impunity!

As an example of the perverse effect of government mandates that shield the insured from any financial responsibility, I'll share something I witnessed in the State of Washington immediately after Obamacare became effective and insurance companies were forced to pay the entire cost of routine colonoscopies. Within one month, a certain provider practice in the Tri-Cities area began charging more than \$6,000 for routine colonoscopies (which, at the time, only cost about \$1,200). It doesn't take a mathematician to see how these types of abusive and unethical billing practices raise insurance premiums for everyone; and it is why, for the sake of controlling medical costs and insurance premiums, it is critical that insureds as the ultimate consumers of medical care have "skin in the game" to incentivize them to push back against unscrupulous provider billing practices. It is also why, I would argue, that providers and drug manufacturers should be limited in what they can charge for inelastic medically necessary health care and prescription drugs.

Medical care (including prescription drugs) is an inelastic good/service because it is essentially immune from basic economic pricing principles. In a normal supply/demand relationship (i.e., an elastic relationship), demand goes down as the price of a good or service goes up. In contrast, with inelastic goods and services like medically necessary health care, a consumer's buying habits remain basically unchanged even when price goes up because if a person truly needs the medical care, that person is going to pay any amount possible rather than suffer medical complications or death. When a third-party (e.g., an insurance company) is paying the majority of the cost of the care, the elasticity of increases in price is even further muted because the consumer only feels a small portion of the overall financial pinch through their deductible and coinsurance share. This phenomenon is worsened when an employer shoulders the bulk of the premium costs and the insured consumer (i.e., the patient) also becomes insulated from the financing mechanism of rising health care costs!

So ... what does this all mean? I guess I would say it means the American healthcare system has evolved into the worst of all healthcare models, and for a whole slew of reasons, we pay the most of any country for health care but our outcomes are in the middle of the pack of all developed countries. Despite the inelasticity of health care, we have implemented virtually no price controls on medical procedures or prescription drugs (which in some instances have skyrocketed to \$3+ million for one round of treatment); we have derailed the most basic economic principle of supply and demand which would otherwise help keep costs in check (like with LASIK eye surgery); we have divorced the consumer from the cost of the care so there is very little disincentive for healthcare providers and drug manufacturers to refrain from raising prices; and we have insulated the insured (i.e., the ultimate consumer of the medical care) from the majority of the insurance premium expense by inducing employers to offer insurance coverage in exchange for preferential tax treatment. In short, we've made one hell of a mess!

I believe health care is a most basic and essential human need and one that should be ensured by a government for its citizenry. Sadly, our impotent Congress and our inept government have failed us and there is no meaningful improvement in sight. If I were a bettin' man (and I am), I would bet that we Americans are going to continue paying far more for our health care than those in other countries for many years to come, yet despite these much higher costs, we're going to continue getting a significantly lower quality of health care than we deserve or than what we pay for. Perhaps (and hopefully) our healthcare system will one day undergo a far more drastic, effective and meaningful change than the misnomered Affordable Care Act (Obamacare). Alas, until that time, I expect we're going to endure higher costs than we should and more mediocre health outcomes than we deserve.

If you have questions about Medicare and Medigap policies or would like a free copy of the federal government's Medicare handbook, please visit our website at www.mimedigap.com or contact our office at (801) 263-8000.