

# Health Care Reform in the USA

At this moment in time, most Americans agree that there are serious problems in the U.S. Health Care system, but it is difficult to get agreement on how we should resolve those problems.

## Problems in U.S. Health Care System

Not too long ago, most Americans believed that we had the best health care system in the world. Today very few Americans would make that assertion. Here are some of the reasons.

1. At any given time in 2010, 51.5 million Americans on average were without health insurance. This is 17% of the population. During 2010 over 59 million Americans lacked health insurance at some time during that year. This is 19% of the population or nearly one out of five Americans.
2. There are many premature deaths due to lack of health insurance—estimates vary from 18,000 to 45,000 per year.
3. There are many medical bankruptcies. Of the 1.41 million individual bankruptcies in 2010, 62% are estimated to have major medical expense. Of the estimated 874,200 who had major medical expenses, 75% had medical insurance before bankruptcy. Their average medical expenses were \$18,000. Of the 25% that did not have medical insurance, their average medical expenses were \$27,000.
4. The US ranks last among 23 industrialized nations in infant mortality, with rates more than double those of Japan and Sweden.
5. Preventable deaths in the USA are the highest of 19 industrialized countries.

These are deaths that could have been prevented with timely and effective care. By this measure the US has 100,000 estimated excessive deaths per year.

6. Lower income people in the USA receive worse care than their higher income counterparts on 21 of 30 primary care quality measures, four to five times higher rates of disparity compared to Australia and Canada.
7. The World Health Organization ranked USA health system #37 in world, just behind Slovenia and just ahead of Cuba.

### **The History of U.S. Health Reform**

Since Theodore Roosevelt ran as a Progressive Party candidate for President in 1912, several unsuccessful attempts have been made to reform the U.S. health care system. These attempts failed because stake holders such as organized medicine, the health insurance industry, the pharmaceutical industry, and hospital organizations opposed reform as they believed it would erode their profits and livelihood. Most recently the plan promoted by President Clinton in 1993 failed largely because the health insurance industry was able to sway public opinion with the Harry and Louise ads, which showed an elderly couple discussing how they believed that health care reform would jeopardize their medical care.

In May 2009, President Obama held a series of meetings with major stakeholders such as organized labor, the health insurance industry, the pharmaceutical industry, the hospital industry and organized medicine. He was able to get enough buy in from the health insurance industry and the medical providers so that they did not vigorously oppose the reform legislation. In return for an agreement to not oppose the legislation, the health insurance industry and the medical providers would have an opportunity to gain more customers and increase profits. The Patient Protection and Affordable Care Act barely passed Congress. It was signed into law on March 23, 2010.

The Affordable Care Act has not been very popular with the public, and its unpopularity was largely responsible for the Republican landslide and take over of the House of Representatives in November 2010.

When I was staffing information tables on health care reform in Skagit and Whatcom County from 2007 through 2010, I frequently encountered comments (sometimes angry comments) such as:

“If they don’t have health insurance, they should just get good jobs”

“I don’t want health care reform because I am satisfied with my insurance and with my doctor.”

“I’ve worked hard all my life and I resent paying for someone else’s health care.”

“I want to keep my freedom and I don’t want a socialist take over.”

Perhaps a reason for those comments is that health care access is not a crisis for most Americans. Today at least four out of five Americans have health insurance and less than three Americans in 1000 go bankrupt in any given year due to medical expenses. So to many Americans, health care reform is disturbing, annoying, and makes them feel that they might lose the health care benefits that they have.

It’s interesting to view public opinion poll results from December 2010. The poll results are inconsistent and reveal a certain amount of ambiguity in the American public. On the one hand, there is opposition to the federal health care law, but on the other hand a majority of Americans support most of its provisions.

**The Dec 2010 CNN poll showed that:** .43% favored the federal law, 54% opposed it, and 3% were unsure.

Of the 54% who opposed the law , 37% believed the law is too liberal, and 13% believed the law is not liberal enough In other words 56% wanted health care reform, 41% didn't want health care reform, and 3% weren't sure.

**The Gallup Poll of Dec 2010 showed that:** 42% favored the law, 41% were against it , and 18% were unsure.

**The Kaiser Poll of Dec 2010 broke down opinion as follows**

| Leave as is | Expand | Repeal parts | Repeal entirely | Unsure |
|-------------|--------|--------------|-----------------|--------|
| %           | %      | %            | %               | %      |
| 21          | 20     | 25           | 26              | 8      |

When you look at provisions of the law, you find, per the Kaiser poll that the **Individual mandate, wherein most Americans would need to purchase insurance or pay a fine, was highly unpopular.** 60% opposed it.

Contrary to popular belief, the federal health care law would not require everyone to purchase insurance. There are many who would be excused from the individual mandate; for example. religious objectors, Indian tribe members, those who cannot afford coverage, those with income less than the federal poverty limit, those who receive a hardship waiver, individuals not lawfully present in the U.S., incarcerated individuals, and those not covered for less than three months.

**The Kaiser poll also showed that the public favored other provisions:** 61% favored not allowing insurance companies to cancel health insurance due to illness or accident, 64 per cent favored not allowing denials of coverage due to pre-existing conditions .

The AP-CNBC Poll of Nov 2010 showed that 57% favored closing the donut hole in prescription coverage for Seniors (currently under Medicare Part D there is no coverage for prescriptions over \$2700 until after \$6,154 is reached, and 68% favored allowing children to remain on their parents' policies until age 26,

The Kaiser Nov 2010 poll showed that 71% approved of subsidies to make health insurance and medical expenses more affordable for low and moderate income Americans.

**In reviewing the polls, one could conclude that a majority of Americans want health care reform and favor most consumer provisions of the federal health care law, but that they so strongly oppose the requirement to purchase insurance that they would like the law partially or totally repealed for that reason.**

### The Good News about the Patient Protection and Affordable Care Act

The federal health care law, the Patient Protection and Affordable Care Act has many provisions that will benefit health care consumers.

1. It extends health insurance to 32 million more people by 2019. This includes an expansion of Medicaid to cover 16 million more lower-income Americans. Approximately 94% of the population will have health insurance. 6% will lack it as opposed to 19% during 2010.
2. It provides subsidies to help lower and moderate income people afford health insurance.
3. There is an allowance for parents to keep their children on their policies until age 26.
4. It provides \$11 billion in new funding for community health centers that could enable them to nearly double their current patient volume. This will help many obtain health care who would not otherwise have it such as undocumented immigrants and those who cannot afford health insurance.
5. It provides coverage without cost sharing for many preventative services.

6. It phases out the prescription coverage gap for seniors so that by 2020 they will pay only about 25% of prescription costs under Medicare Part D.
7. It creates a national insurance program to cover in home care.
8. It creates a research institute to research relative outcomes, clinical effectiveness and appropriateness of different medical treatments
9. It prohibits coverage denial on the basis of pre-existing conditions.
10. In 2010 it banned life time coverage limits and in 2014 it will ban annual coverage limits.
11. In 2011 it banned cancellation of insurance for minor paperwork errors, previously used when persons had a major accident or became seriously ill.

### Bad News

Unfortunately, there is some bad news about the Patient Protection and Affordable Care Act. The major bad news is that an estimated 23 million will still be uninsured and tens of millions more will be paying more than they can afford. The Institute of Medicine states that health care costs above 10% of income are a hardship, and for persons with income under 200% of the federal poverty level, costs above 5% are a hardship. Dr. John Geyman in his book Hijacked shows why the Affordable Care Act won't control costs and that even with subsidies, health care costs will still be unaffordable for many consumers.

Please refer to the chart: Health Care in Selected Countries. It is a little out-of-date in that the data is from 2004, but the essential information is still correct. On the one hand we spend as much as double what other industrialized countries spend per capita, but our results are poorer in terms of life expectancy and infant mortality. How can that be? Why do we get so little value for our money?

The simple answer is that the USA is unique among industrialized countries in having a system of for profit medicine. Most other industrialized countries view health care as a public utility because health care demand and supply is inelastic—which means that price has a minimal effect on demand. You can either pay the asking price for health care or suffer and die. In most other countries health care is heavily regulated, by the national government with minimal profit taking allowed (as are public utilities in the USA such as electric and gas companies) Americans call this type of non-profit health care “socialized medicine” and fear that such a system would diminish their personal liberty and their quality of healthcare. At the same time, it is evident that those other systems are a better value for the money.

In the USA health insurance companies and medical providers have few limits on what they charge, and from 2001 through 2008, health care insurance premiums rose four times faster than general inflation. Without regulation, US health care costs are on a runaway course, and by 2025 average insurance premiums are expected to equal 100% of the wages of the average workers. (Geyman; Do Not Resuscitate). Total health care costs consumed 17% of US Gross Domestic Product in 2010 and are expected to consume 21% in 2019. Dr. John Geyman does not believe that the federal health care law will be able to control price increases for insurance premiums, drugs, medical supplies, physician fees, medical technologies or specialty hospitals.

In his book *The Healing of America*, TR Reid discusses three national health care systems that provide universal coverage and cost savings. These three systems are: the Bismarck Model, the Beveridge Model and the Single Payer or what he calls The National Health Insurance Model.

### **The Bismarck Model**

This system, named for 19th century Prussian Chancellor Otto Bismarck, is found in Germany, Japan, France, Belgium, Switzerland and Japan. This is actually the same model used in the USA for employer provided insurance. Both the health care providers and payers are private. Unlike the USA, both the insurance companies and

the medical providers such as doctors and hospitals are highly regulated and have low profit margins.

### **The Beveridge Model**

William Beveridge helped found the British National Health Service after World War II. In this system the government provides and finances health care through tax payments. Usually hospitals and clinics are owned by the government and many physicians are government employees, though there are some private physicians. The government controls what doctors can do and what they can charge. This system is found in Great Britain, Spain, Italy, Hong Kong, most of Scandinavia, Cuba and the US Veterans Administration.

### **The Single Payer Model**

Under a single payer health care system such as that provided in U.S. House Bill HR 676, The Medicare for All Act, the providers of health care are private, but the payer is a government-run insurance program that citizens pays into. The national or regional government collects monthly premiums and pays medical bills. Under HR 676 premiums would be paid by a payroll tax levied on employers (5.75%) and employees (4.75%) Both these figures include the 1.45% currently paid for Medicare Hence employers would pay only 4.35% more in payroll taxes and employees would pay only 3.3% more.

In the United States a single payer health care system could bend the cost curve because there would be no need for marketing, claims evaluation, providers negotiating with insurance companies, or profit. It is estimated that in the USA we would save at least 30 cents out of every health dollar or \$400 billion per year. A national plan would allow negotiation for drugs and medical supplies. For example, in the USA the Veterans administration pays only 40% of the going price for pharmaceuticals. Providers of medical services would have to conform to regulations involving costs, technology, and evidence based medicine



Currently Canada, South Korea and Taiwan have single payer health care systems. In the USA, Vermont is currently considering adopting state single payer health care. And in the USA the elderly are covered by Medicare, which is a single payer system.

### **Summary**

The United States has a costly for profit health care system that leaves many of its residents without access to health care. In 2010 the federal health care reform law, The Patient Protection and Affordable Care Act, barely passed Congress. This law has not been very popular, though an analysis of polls reveals that the only truly unpopular provision is the individual mandate to purchase insurance.

The federal health care law would provide benefits to many currently without insurance, but national non-profit single payer health care or other systems of non-profit health care would be much less costly.

The United States is unique among advanced countries in having a for profit health care system. On average we pay double per capita for health care while leaving many without access. While the new federal health care law will provide benefits, it will not solve the problem of providing cost control and health care access to all U.S. residents.