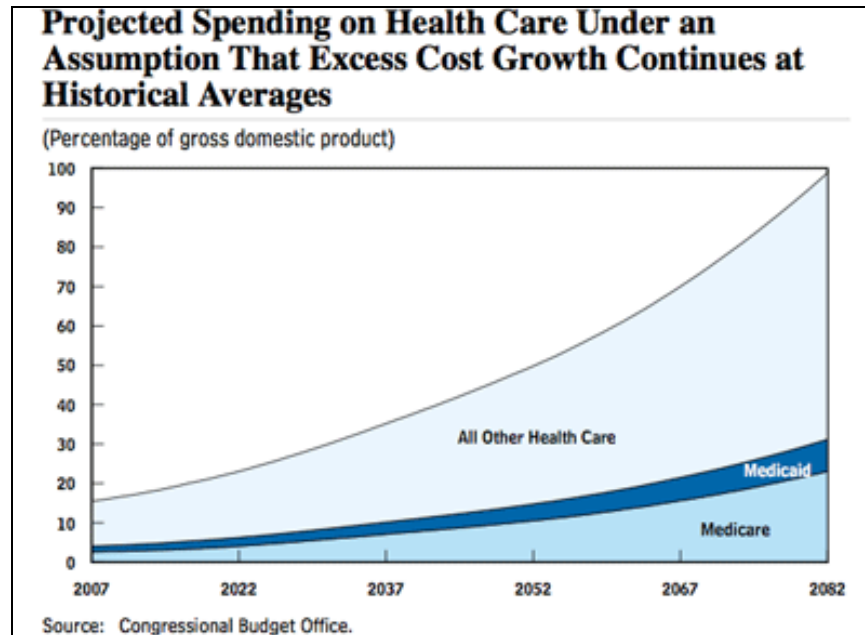


## Healthcare Reform: A Primer

### The Case for Healthcare Reform

#### The Unsustainable Growth in the Cost of Healthcare

At the current rate of growth, healthcare spending will consumer 100% of US gross domestic product (GDP) by 2082, while the Medicare program alone is projected to grow from 3.6% of GDP in 2009 to 4.2% in 2018 and 6.4% in 2030.<sup>1</sup> Clearly this situation is unsustainable.<sup>2</sup>



#### The Uninsured and the Cost of Uncompensated Care

In 2008, more than 46 million Americans, equivalent to 15 percent of the population, did not have health insurance. These patients received about \$86 billion in care in 2008. Of that amount, \$30 billion came out of their pockets, leaving more than \$56 billion in uncompensated care: \$35 billion for hospitals, nearly \$14 billion for community-based providers and close to \$8 billion for private physicians.<sup>3</sup> The Obama Administration

<sup>1</sup> Kaiser Family Foundation Fact Sheet – Medicare Spending and Financing:  
<http://www.kff.org/medicare/upload/7305-04-2.pdf>

<sup>2</sup> CBO Testimony – Growth in Healthcare Costs  
<http://budget.senate.gov/democratic/testimony/2008/Orszag013108HealthTestimony.pdf>

<sup>3</sup> NPR Article: How Health Overhaul Would Affect The Uninsured:  
<http://www.npr.org/templates/story/story.php?storyId=112931658>

estimates that American families with insurance pay a hidden tax of roughly \$1000 for the cost of caring for people without insurance.<sup>4</sup>

### **Other Problems in Current Insurance Market**

Few would argue that our current system is perfect. According to the American Medical Association, insurance markets lack vigorous competition in more than 9 out of 10 metropolitan areas and in at least 16 states.<sup>5</sup> Tax incentives favor those with employer based coverage and penalize those who purchase individual plans. “Pre-existing condition” clauses deny coverage to the sickest and most vulnerable Americans.

### **The Strengths of Our System**

The fact that Americans spend more on healthcare than any other country in the world, yet lag behind other industrialized nations on a number of important indicators, such as life expectancy or infant mortality, is well documented.<sup>6</sup> Yet there are important strengths in our system that must be protected:

- The US leads the world in cancer survival rates.<sup>7</sup>
- Americans are responsible for the vast majority of all health care innovations. The top five U.S. hospitals conduct more clinical trials than all the hospitals in any other single developed country.
- Americans have much better access to important new technologies like medical imaging than patients in Canada or the U.K.
- Americans are more satisfied with the care they receive than Canadians.<sup>8</sup>

### **Major Issues to Be Resolved**

All of the legislation sets out similar goals:

- to control rising health care costs
- guarantee patient choice
- assure high-quality, affordable health care for all Americans.

However, opinion remains divided over how to reach these goals and number of controversial issues must be resolved before the process is completed.

**“Public Option”** – is perhaps the most controversial issue in the debate. While all committees would establish a health insurance exchange or gateway through which individuals can purchase coverage, the Senate HELP Committee and House Committees all go as far as including a “public option” that would compete with private plans operating in the exchange. The Senate Finance Committee voted against this public option.

---

<sup>4</sup> White House Health Insurance Reform: <http://www.whitehouse.gov/realitycheck/fag#u1>

<sup>5</sup> Washington Post Article - Health-Care Cooperatives Can Work: <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/12/AR2009101202272.html>

<sup>6</sup> <http://dll.umaine.edu/ble/U.S.%20HCweb.pdf>

<sup>7</sup> Daily Telegraph Article - UK cancer survival rate lowest in Europe: <http://www.telegraph.co.uk/news/uknews/1560849/UK-cancer-survival-rate-lowest-in-Europe.html>

<sup>8</sup> National Center for Policy Analysis - 10 Surprising Facts about American Health Care <http://www.ncpa.org/pub/ba649>

**Financing** – Early and incomplete Congressional Budget Office estimates score each proposal as follows:

- Senate Finance - \$829 billion over 10 years
- Senate HELP - \$645 billion over 10 years
- House “Tri- Committee” - \$1.042 trillion over ten years

Obama Administration has called for a bill that costs no more than \$630 billion over ten years.

Most of this spending will come from savings to Medicare and Medicaid and new taxes. Specifically, the Finance Committee calls for cuts in payments to Medicare Advantage Plans and for an excise tax on high cost insurance plans that exceed \$8,000 for single coverage and \$21,000 for family coverage. The House proposes a surcharge of 1% rising to 5.4% on families with incomes above \$350,000 and individuals with incomes above \$280,000.

### **Republican Proposals**

House and Senate Republicans have been perceived as standing in opposition to many of the Democratic proposals, without offering substantive alternatives. This criticism is perhaps unfair – Republicans and Democrats are surprisingly in agreement on many of the goals of healthcare reform.

Republicans released health care reforms principles designed to:

- Make quality health care coverage affordable and accessible for every American, regardless of pre-existing health conditions.
- Protect Americans from being forced into a new government-run health care plan that would: a) eliminate the health care coverage that more than 100 million Americans currently receive through their job; b) limit choice of doctors and medical treatment options; and c) result in the federal government taking control of health care.
- Let Americans who like their health care coverage keep it, and give all Americans the freedom to choose the health plan that best meets their needs.
- Insure that medical decisions are made by patients and their doctors, not government bureaucrats.
- Improve Americans’ lives through effective prevention, wellness, and disease-management programs, while developing new treatments and cures for life-threatening diseases.

When former Senate Majority Leader Bill Frist is quoted as saying, “*clearly, the death panels and public plan arguments have been overblown,*”<sup>9</sup> it suggests a consensus belied by partisan rhetoric.

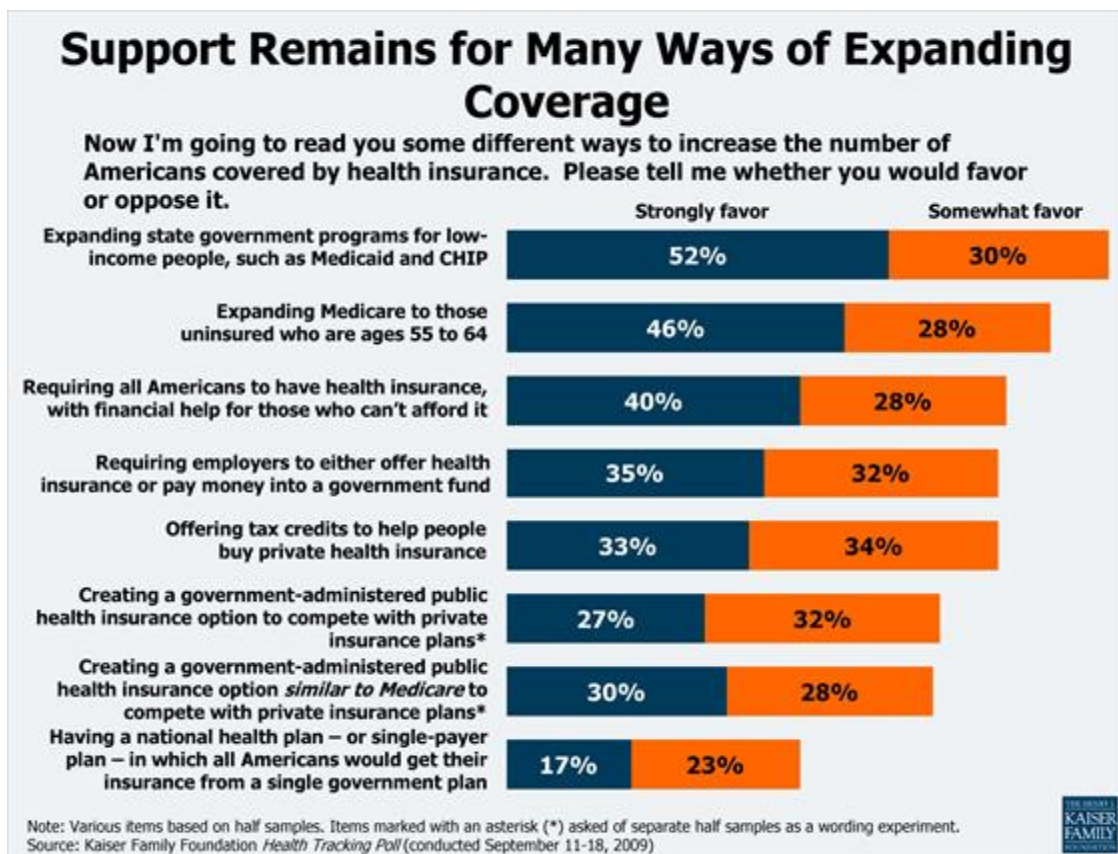
---

<sup>9</sup> Time Magazine. Available at: <http://swampland.blogs.time.com/2009/10/02/bill-frist-on-health-bill-id-vote-for-it/>. Accessed 10/5/2009.

## Conclusion

The comparison of the mysteries of passing legislation to the messiness of sausage manufacturing may be clichéd, but is completely accurate when applied to the healthcare reform process. Opponents of reform have warned of everything from socialism to death panels, while President Obama, perhaps the biggest cheerleader of all for reform, could only describe the Senate Finance bill as, “not perfect.”<sup>10</sup>

Few would bet on when the legislation will pass and what the final bill will look like. Yet fewer still would argue that the status quo is sustainable. Whether the package should include a government-run insurance plan, should force employers to offer their workers health insurance and questions regarding how to finance a plan to expand coverage to millions of Americans who otherwise would be unable to afford it, must now be resolved.



11

<sup>10</sup> Washington Post Article - Senate Leaders Begin Work on Compromise Health-Care Bill [http://www.washingtonpost.com/wp-dyn/content/article/2009/10/14/AR2009101402077\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2009/10/14/AR2009101402077_pf.html)

<sup>11</sup> Kaiser Family Foundation Report: <http://facts.kff.org/chart.aspx?ch=847>