

Congressional Brief: Health Care

To confront America's health care crisis, we do not need more spending, more regulations or more bureaucracy. We do need people, however, including every doctor and every patient. All 300 million Americans must be free to use their intelligence, their creativity and their innovative ability to make the changes needed to create access to low-cost, high-quality health care.

Key Facts about U.S. Health Care System

- U.S. health care spending has been growing at twice the rate of growth of national income for the past four decades and that trend shows no signs of abating.
- But compared to the British National Health Service, U.S. medical care provides *more* services for roughly the same cost.
- According to a 2007 *Lancet Oncology* survey, cancer survival rates are *higher* in the United States than in Europe. American women have a 63 percent chance of living at least five years after a cancer diagnosis, compared to 56 percent for European women. American men have a five-year survival rate of 66 percent — compared to only 47 percent for European men.
- Almost three decades ago, a RAND study found that when people pay a substantial amount of their health care bills out-of-pocket, they reduce their health care spending significantly, with no apparent harmful effects on their health.
- The portion of overall health care costs American consumers paid out of pocket fell from 47 percent in 1960 to 12 percent in 2006.
- More than 12.5 million Americans manage some of the dollars spent on their health care in Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs).

Problems with U.S. Health Care

Health care providers do not compete on price. The reason: Patients rarely pay their own health care bills. Most health care costs are now paid by third-party payers — employers, insurance companies or government. The lack of competition under the third-party system has created a highly artificial market plagued by high costs, inconsistent quality and poor access.

Out of Control Health Care Costs

- Since 1975, total spending on health care in the United States has doubled, and it now comprises one-sixth of the economy, or about \$2.2 trillion.
- Some projections show total health spending almost doubling to \$4.1 trillion by 2016, consuming one-fifth of the nation's gross domestic product.
- Government health programs (Medicare and Medicaid) and tax subsidies (\$250 billion) accounted for more than half (\$1.3 trillion) of total health spending in 2006.
- Each additional dollar spent on Medicaid or State Children's Health Insurance Programs (S-CHIP) crowds out 50¢ to 75¢ in private insurance coverage.

The Problem of Quality

- An Institute of Medicine study found that as many as 98,000 people die every year because of medical errors.
- An appallingly low percentage of doctors and hospitals keep patient records in electronic form, thereby missing opportunities to use error-reducing software.
- RAND Corporation researchers find that patients get recommended care only about half the time.
- RAND found that once they saw a doctor, there was very little difference in the quality of health care received by Medicaid enrollees and uninsured individuals.

The Problem of Limited Access

- Nearly 85 percent (253.5 million) of U.S. residents are privately insured or enrolled in a government health program, such as Medicare, Medicaid and S-CHIP.
- Over the past 10 years the number of people with health coverage rose nearly 26 million, while the number without health coverage only increased about 1.4 million. Both increases are largely due to population growth.
- Nearly 18 million of the uninsured lived in households with annual incomes above \$50,000 and could likely afford health insurance.

- Up to 14 million uninsured adults and children qualified for government programs in 2004 but had not enrolled, according to the BlueCross BlueShield Association.

Command and Control Solutions

- *Government-mandated Electronic Medical Records:* Despite the assertion that centralized electronic medical records will cut costs, supporting evidence is lacking. Such data systems have yet to prove themselves in practice.
- *Pay for Performance:* One proposal for increasing quality is having insurance companies and government tell doctors what to do, called pay for performance. However, preliminary evidence suggests that pay for performance (sometimes called P4P), or refusing to pay for nonperformance, doesn't improve quality.
- *State Mandates:* Studies show that as many as one in four people who are uninsured have been priced out of the market by the cost-increasing consequences of mandated benefits, which force insurers to cover certain procedures.
- *Reimbursement Rates:* Nearly one-third of doctors do not accept Medicaid patients due to low reimbursement rates and, among those who do, many limit the number they treat.

Consumer Choice Solutions

- *Tax Credits:* Use the current health care tax deduction to fund a uniform tax credit, so that low- and moderate-income families get as much tax relief as the wealthy when they purchase health insurance.
- *Insurance across State Lines:* Premium costs could be lowered if Congress allowed residents of any state to purchase health insurance sold in other states, injecting competition into the local market in the form of policies without expensive mandates.
- *Patient Power:* Empower patients, especially the chronically ill, to manage more of their own care and more of their own health care dollars.
- *Continuity of Care:* In contrast to spending money on programs for which people's eligibility constantly changes, as with Medicaid and S-CHIP, a better strategy is to offer a subsidy to be applied to private insurance.
- *Personal and Portable Insurance:* Move to a system in which employees own private health insurance they can take with them when they travel from job to job.
- *Flexible Benefits:* An employee covered by a spouse's health plan should be able to choose higher wages rather than an unnecessary second health plan.
- *An Earned Income Health Insurance Credit:* Convert the Earned Income Tax Credit into a refundable, advanceable health insurance credit by requiring uninsured families to use the public subsidy to purchase health insurance.

NCPA Policy Recommendations

Give everyone a health savings account.

- Every individual should be able to deposit up to \$200 into a tax-free universal health savings account (HSA) every month.
- Employers should be encouraged to automatically enroll their employees in a HSA.

Give all private health insurance the same tax break.

- Currently, the federal government "spends" about \$250 billion a year on tax subsidies for private insurance. The greatest subsidy is given to the highest income earners.
- Ideally this \$250 billion should be redirected to provide a uniform, refundable tax credit of \$1,500 per individual and \$5,000 per family to purchase private insurance.
- Because the existing health care tax deduction would finance the tax credit, there would be no increase in federal spending.
- If the individual chose to be uninsured, the subsidy would be sent to a safety net agency in the community where the person lives.

Give people alternatives to Medicaid and S-CHIP.

- When people enroll in Medicaid and S-CHIP plans that pay low reimbursement rates, they have far fewer options than private plans.
- The solution is to reverse the process, making it as easy as possible for people to use their Medicaid dollars to enroll in employer plans and other private insurance.
- Use the federal funds that subsidize S-CHIP to make the \$1,000 child tax credit refundable.
- Make the tax credit conditional on proof of any creditable insurance - employer plan, individual plan, S-CHIP, Medicaid and so forth.