



A Citizens'  
Solutions Guide

# Health Care

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# Where Things Stand

At some point in their lives, everyone will need access to health care or medical treatment. Yet the cost of this essential service threatens to destabilize our country's economy.

The unprecedented rise in the cost of health care is challenging businesses, households and government alike. Meanwhile, nearly 50 million people did not have coverage in 2010. Furthermore, while health care costs are steadily increasing, higher cost does not necessarily translate as better quality, and some care providers are actually able to offer high-quality care while reducing cost.

Something has to give, but reforming our health care system is a complex task. Any reform measures should address several important problems in our current system: ensuring that all Americans have access to care, and not just emergency care but prevention services and care for chronic conditions; bringing costs under control; and maintaining or improving quality of care.

While some reform proposals are more dramatic than others, any significant effort to fix the problems will involve substantial change and affect everyone— one reason why the topic is such a magnet for controversy. But with spiraling prices, millions uninsured and worsening health care performance compared to other countries, we've reached a point where kicking the issue down the road for others to address, as we've done for many decades, would be economically disastrous and morally irresponsible.

Concern over the health care system's sustainability began long before the passage of the Patient Protection and Affordable Care Act (the ACA or, informally, "Obamacare") in 2010, though the legislation has put

the issue back at the forefront of political and household discussions. Whether one agrees with it or not, the ACA aimed to tackle part of our health care problem, providing access for many populations of uninsured Americans. Still, many will remain uninsured, and how to cover them remains an open question.

Lots of other questions remain—including whether the tax penalty imposed by the law's individual mandate is high enough to achieve its intent of encouraging individuals to purchase health insurance, and whether states will be able to implement the changes effectively.

And, of course, the politics surrounding the act are far from over. While the U.S. Supreme Court largely upheld the ACA in June of 2012, with the condition that individual states have no obligation to expand existing coverage of the uninsured poor, Congressional critics of the ACA have vowed to defeat it. It remains to be seen whether the legislation will survive the newly ignited political debate.

Perhaps most importantly, the law only begins to address the spiraling cost of healthcare, which, in a time of tight budgets and rising debt, is going to be a critical part of any solution. The challenge of how to handle the health care needs of growing numbers of Americans at an affordable cost and high level of quality will continue.

## Facts to Consider

- The cost of health care has taken an increasing share of the United States economy, and has been rising faster than inflation and GDP growth for years. In 2010, the U.S. spent 17.9 percent of the nation's economy on healthcare, compared to only 7.2 percent in 1970 and to 9.5 percent on average across 34 member countries of the international Organization for Economic Co-operation and Development.
- There were nearly 50 million people uninsured in the U.S. in 2010. Three-quarters were members of families with one or more workers, most of whom work full-time. Even after current legislation from the Affordable Care Act kicks in, we will still have about 20 million uninsured Americans, if not more.
- In 1999, about 64 percent of Americans received health insurance from their employers. By 2010, that had dropped to 55 percent.
- People above the age of 65 account for the most health care spending and the amount of health care dollars devoted to older Americans is going to continue to increase steadily. This is important because the 79 million Baby Boomers are turning 65 at the rate of 10,000 a day and will continue to do so until 2030. This fact, paired with gains in life expectancy, means that Medicare will balloon from an enrollment of 47 million in 2010 to 85 million in 2035.
- Evidence indicates that increased spending does not necessarily equate with higher quality. Many

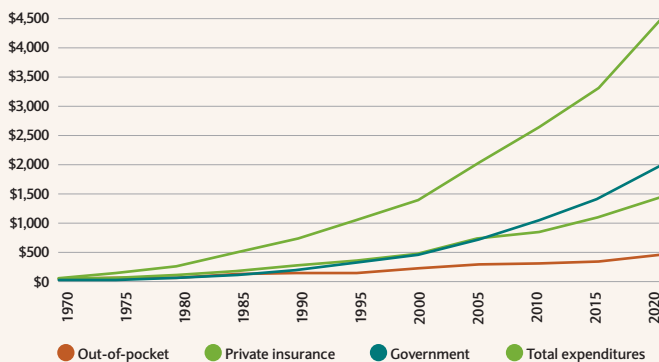
health care systems actually provide high-quality care at relatively low cost, suggesting that we don't always need to spend more to get better care and outcomes.

## A Looming Fiscal Challenge

The rising cost of health care is the biggest financial challenge facing the United States, according to the Congressional Budget Office. Experts say that, without significant reform, the cost of health care could make it impossible for the federal government to balance its budget. Yet the government is not the only one spending money on health care. The \$2.6 trillion we spent in 2010 was split across individuals, employers and the government.

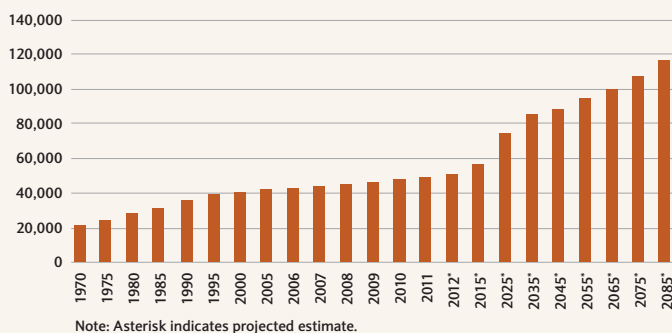
## Health Care Spending is Growing

National health care expenditures, by selected sources, 1970–2020. Note: National health care expenditures totaled \$2,593.6 billion in 2012. Source: National Health Expenditure Data, June 2012, Centers for Medicare and Medicaid Services.



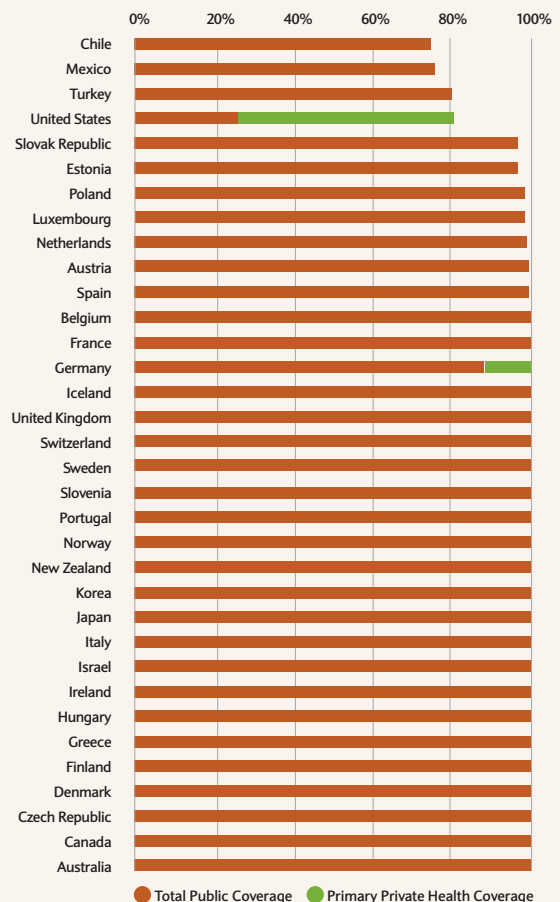
## Growing Number of Medicare Beneficiaries

Past and projected enrollment in Hospital Insurance (HI) and Supplementary Medical Insurance (SMI), in thousands, 1970–2085. Source: "2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds," April 2012, Centers for Medicare and Medicaid Services.



## Health Insurance Coverage Worldwide

Health insurance coverage of select countries for a core set of services. Source: "Health at a Glance 2011," OECD, November 2011.



Just two programs – Medicare, the federal health insurance for the elderly and disabled, and Medicaid, which is shared between states and the federal government and provides health care to the poor – take up just over 20 percent of the federal budget and are growing between two and three times faster than the economy as a whole. States aren't sheltered from the cost, either; Medicaid is generally the second-largest item in state budgets.

Meanwhile, increases in health care premiums have outpaced both inflation and growth in workers' earnings over the past decade. This puts a strain on the ability of individuals, families and businesses to purchase coverage. For this reason, some employers may decide to increase the amount that covered workers pay to visit the doctor or go to a hospital (called "cost sharing"). For workers, the impact is both direct and indirect—their own contributions to their health care coverage may increase, and/or employers may limit wage increases or decrease wages to offset their costs.

In 2011, a full 50 percent of Americans reported having cut back on medical care in the past year because of cost, and 17 percent said they'd encountered serious financial hardship due to medical bills, having to spend most or all of their savings, or being unable to pay for basic necessities like food or heat. Moreover, while some of this reduction in medical care may have involved eliminating unnecessary care, some is likely to have been a cut back on necessary care.

## How We Spend

Americans are proud of the advanced medical technology that marks U.S. health care. But it is expensive, and is one reason why our per capita spending on health care is higher here than the 33 other countries in the OECD. Yet for all the money we spend, it is highly questionable that we are

getting the best care we could. One sign? Americans have a shorter life expectancy than the citizens of 49 other countries.

There are other contributors to the high cost of health care. For example, the brand name prescription drugs we buy here are more expensive than the same drugs in many other countries, where national governments negotiate lower prices for everyone. There are also incentives in our system for doctors and patients to use more treatment than many experts think is necessary—or even healthy!

Much of American health care goes to treat diseases and conditions that could be prevented. For example, poor lifestyles such as a lack of exercise and unhealthy eating habits have contributed to a soaring rate of obesity among adult Americans that make chronic illnesses more likely. Excessive drinking and smoking contribute toward many other diseases. Medical costs of people with largely preventable chronic diseases such as heart disease and diabetes account for 75 percent of the \$2 trillion spent annually on health care in the U.S.

The delivery of medical care in the U.S. is also inefficient, with multiple layers. Experts say this makes administrative costs as much as 30 percent of health care spending—nearly double what Canada spends. Our "system" of health care is really many hundreds of different approaches; employer-provided private health insurance plans with different rules for every situation covers a little less than half the American population, with government health care plans covering millions more. Moreover, the cost of the same operation or treatment can vary widely among hospitals in the same large city, with little explanation and few ways of finding out.

Experts and the federal government have pushed for changes that would increase efficiency and reduce waste—

waste that by some estimate takes up one-third to as much as one-half of the cost of health care. For example, some advocate for reducing unnecessary hospitalizations, moving to "evidence-based" procedures (those that rigorous research has shown to be effective), avoiding expensive treatment when a less-expensive course of care is just as effective, and avoiding overuse of antibiotics and medical testing. Many experts also support electronic record keeping to make complete medical histories readily available to doctors, and accountability measures that reduce medical errors. Some experts argue, however, that these measures won't make much of a dent in reduction of long-term health care costs.

## Where Do We Go from Here?

The country can't afford the status quo when it comes to health care. However, as we seek to bring health care spending to a more sustainable path, we need to be careful not to make unacceptable sacrifices when it comes to access or quality of care. For example, increasing the amount that patients pay for a doctor or hospital visit may reduce costs for employers and discourage people from getting unnecessary treatment. However, it could also make the cost of care prohibitive for some and prevent people from pursuing treatment that they do need.

The fundamental issue goes beyond dollars and cents. Who gets health care, who pays for it, and how? How can the rising costs of healthcare be controlled? How do we balance the need to control those costs against the need to maintain or improve quality and increase access? These policy choices may wind up being very personal indeed; the decisions made in this debate could affect the care given to those we love the most, and have much to do with the quality of life in America—all the more reason we must wrestle with and determine the costs and tradeoffs we're willing to accept when it comes to health care.

# Approach One

## Move to government-provided, universal health care to make sure everyone gets covered.

All Americans deserve to have access to affordable and high-quality health care, regardless of their income level, employment situation or pre-existing medical conditions. To achieve that, the U.S. should move to a single system of government-provided health insurance to make health care accessible to all.

The system would work much like an expanded Medicare system, giving everyone medical coverage no matter what their age or whether or not they have a job. As with Medicare, the government would provide insurance, but not delivery of care. Doctors, hospitals, and other health care providers would continue to be private or non-profit just like they are now. Each American would have access to a standard list of health care services, including important preventative care that too many go without.

### This should be done by:

- Creating a "single payer system," where the government provides health insurance for everyone by connecting the new health care system with government programs working already, such as Medicare.
- Replacing current insurance premiums, deductibles and co-pays with a tax that would help fund the system.
- The government negotiating lower prices for drugs, the way other countries do, so Americans wouldn't pay such high prices for pharmaceuticals.
- Centralizing administrative procedures (as Medicare does now) to provide a uniform set of regulations and one universal set of insurance forms to cover everyone, saving hundreds of millions of dollars by ending the current inefficient system with its thousands of different forms and different rules for every insurance company.

### Arguments for:

- This is the best approach for making sure that every single American citizen has health insurance. No one who has a preexisting medical condition, is a child in a homeless family, or loses a job through no fault of his or her own, would be denied access to healthcare.
- Universal health care would simplify the system and vastly reduce paperwork since there would be one set of rules and forms for the entire system.
- Workers, freed from having to stay at dead-end jobs solely for the health-care benefits, would have greater freedom to start new businesses or take other jobs, stimulating the economy.

### Arguments against:

- Unless something is done to control spiraling healthcare costs, universal coverage would be a financial disaster as millions of people are added to the system.
- This would create a more bureaucratic system, lead to less flexibility, and cause people to wait for surgeries and other important procedures, as is the case in other countries with a single-payer system.
- Just because it's government-provided, doesn't mean it's free. Government-run health care would burden citizens with higher taxes while leaving them unable to control many aspects of that care. Also, health care costs will still be a burden for businesses—only now, employers would have to pay taxes for a health care plan they can't control.



# Approach Two

## Give consumers more choice in their health care and use competition and accountability to bring costs down.

To decrease the cost of health care, we need to minimize government bureaucracy and maximize Americans' choices for insurance and care. Purchasing health care coverage should be like the purchase of auto insurance—people should be able to buy from a wide variety of companies, all of which will compete for business.

Meanwhile, we need to make the system more accountable and efficient. Government can help by making insurance options and the care process more transparent and easier to navigate. It can also give tax credits to individuals and businesses to make the purchase of insurance more affordable.

### Arguments for:

- People should have as many choices as possible. That way, they can take responsibility for their own health care.
- The current employer-based system of health insurance is a burden to business. Relieving businesses of these costs would make them more competitive with their overseas counterparts.
- Employer-based health insurance hides the true cost of health care and encourages over-use. Establishing a radical policy of transparency would introduce competition and drive down the price of health insurance and medical treatments.

### This should be done by:

- Putting purchasing power in the hands of consumers. Move away from employer-provided health care and instead help individuals to pay for their own health insurance through extensive tax credits or expanded Health Savings Accounts (HSAs).
- Making the system easier to navigate with openness about prices. Have prices for doctors' fees, hospital costs, etc. listed on a web site and easily accessible. Make information about hospitals' mortality rates and rates of hospital-based infections publicly available to penalize the institutions that aren't doing enough to maintain quality of care.
- Giving the elderly more flexibility in their health care choices. Medicare hasn't changed significantly since 1965. The government should set an amount it will spend per patient and give that amount directly to the Medicare recipient in the form of a voucher. That way he or she can purchase the insurance that fits his or her needs. Low-income and sick patients will receive a larger amount to assure that they would be able to purchase coverage.

### Arguments against:

- While a few countries in Europe do have systems involving only private insurers, these are not competitive markets as we understand them. Rather, the insurers are highly regulated with continuous government oversight. And in the U.S., employers, with assistance from consultants and health care experts, have already tried to get the best insurance deals possible, but costs have soared anyway.
- Our current system of charging and paying for health care is so complex, fragmented and inconsistent that without major changes, transparency in pricing that consumers can understand and base their decisions on is impossible.
- If individuals were solely responsible for buying their own health insurance the number of uninsured Americans would only go up. Higher numbers of uninsured people will increase expensive emergency room visits, costs that could be passed on to taxpayers.

# Approach Three

## Rather than taking risks with a radical change, tweak the current system to make it gradually more affordable and accessible.

Many aspects of our health care system need improvement, but we can make health care more efficient and affordable without radical change by concentrating on incremental solutions that are broadly accepted.

A little more than half the population gets employer-funded medical insurance, and many are satisfied with their coverage. Switching to a government-funded system for everyone or a pure consumer model where everyone funds for themselves would create too much upheaval.

### This should be done by:

- Tackling one of the biggest problems that the uninsured face—steep medical bills for emergency treatments—and providing catastrophic coverage for everyone. People would have to pay some amount for routine care, but catastrophic insurance would cover the high expenses associated with accidents or a serious disease.

- Capping the amount individuals pay for health care services or establishing set prices for services in order to make insurance policies more affordable. The government should also limit growth of insurance premiums by forcing insurers to negotiate better contracts with health care providers.
- Improving the quality of care by incentivizing use of treatments that are grounded in best-practices research and requiring that care providers use electronic medical record systems to improve communication among doctors.
- Encouraging the broad use of “best practices” by which a number of innovative healthcare providers have figured out to run their operations less expensively while treating their patients more effectively.
- Requiring preventative health care for everyone to reduce the prevalence of chronic diseases like heart disease, high blood pressure and diabetes in the U.S. Encourage citizens to make healthy decisions. The Affordable Care Act does provide for expansion of wellness programs, but we should further increase government spending on public health programs that teach the benefits of and tools for healthy living, disease prevention and alternative treatment options.

### Arguments for:

- The current employer-based approach to health coverage has served the majority of Americans well for many years and we shouldn't cause drastic upheaval in a system that is working for many citizens.
- Measures such as providing catastrophic insurance for all and spreading best practices that control costs while improving quality will not solve all our health care issues, but they will certainly help address some of the more important problems.
- Incremental changes are less likely to cause political battles that harden into gridlock, where nothing at all will get done.

### Arguments against:

- We've tried tweaking the system for years, and costs continue to spiral upward while millions remain uninsured. We need some fundamental changes to the system.
- We already have a piecemeal approach, an incoherent mish mosh of public and private systems that don't add up to what we need. This approach just adds to the confusion with a little fix here, and another one there, and no vision as to how the entire system should work to produce the kind of health care system we need.
- It's not always true that incremental change is the politically practical way to go. In today's polarized policy environment, every little policy is over-scrutinized and fought over. Sometimes it's best to go bold or go home.

## Resources to learn (and do!) more:

### Health and Human Services Department:

**The United States Department of Health and Human Services:** The Department's website features statistics, podcasts, support for military families, tips on prevention, resources for low-income families and individuals, and much more.

<http://www.hhs.gov/>

### Understanding Health Care:

**Centers for Disease Control and Prevention:** This agency of the U.S. Department of Health and Human Services promotes health and quality of life by preventing and controlling disease, injury and disability.

<http://www.cdc.gov>

**Centers for Medicare and Medicaid Services:** This federal agency oversees Medicare and Medicaid.

<http://www.cms.hhs.gov>

**Henry J. Kaiser Family Foundation:** A nonprofit, private foundation focusing on the major health care issues facing the U.S., with a growing role in global health. Kaiser's website offers research, facts, information, and analysis for policymakers, the media, the health care community, and the public.

<http://www.kff.org>

**Robert Wood Johnson Foundation:** A private philanthropic organization devoted exclusively to projects on health care issues.

<http://www.rwjf.org>

**The Commonwealth Fund:** A private foundation working toward a high performance health system, the Commonwealth fund offers research, analysis of policy and delivery, state and national scorecards and a downloadable collection of charts across multiple areas.

<http://www.commonwealthfund.org/>

**OECD:** The Organisation for Economic Cooperation and Development promotes policies that will improve the economic and social well-being of people around the world. A portion of the website is devoted to describing and comparing the health policies, cost and outcomes of OECD member and non-member countries. This is a good resource to see how the U.S. compares internationally.

<http://www.oecd.org/health/>

**Young Invincibles:** Information and resources to give young Americans a voice in the debate over health care reform.

<http://younginvincibles.org/about/>

### Tools to Act and Interact:

**The Health Care Options Matrix:** From the Wellpoint Foundation, this tool outlines each state's public and private health care options for individuals and groups in almost every demographic profile, as well as offers a reference list of phone numbers and web sites.

[http://www.wellpointfoundation.org/wps/portal/wellpointfoundation?content\\_path=%20&label=HCOptionsMatrix&rootLevel=1](http://www.wellpointfoundation.org/wps/portal/wellpointfoundation?content_path=%20&label=HCOptionsMatrix&rootLevel=1)

**HealthCare.gov:** Learn about the ACA and what it means for you, find health insurance, and get help using health insurance.

<http://www.healthcare.gov/>

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### About the Citizens' Solutions Guides:

Public Agenda's Citizens' Solutions Guides are nonpartisan, unbiased resources to help you think through a difficult issue in alternative ways, weighing and evaluating values, priorities, pros, cons and tradeoffs. The Guides can also be used as discussion starters for community and group conversations and in classes. Note that the Citizens' Solutions Guides are meant to help people start thinking and talking about an issue in productive ways — they are not meant to rigidly restrict thinking or dialogue. The perspectives described are not the only ways of dealing with the problem, nor are the viewpoints mutually exclusive in every respect. You can mix and match from different perspectives, or add additional related ideas.

For more information on the sources for this material, please refer to the Citizens' Solutions Guides online at

<http://www.publicagenda.org/pages/citizens-solutions-guides>

### About Public Agenda:

Public Agenda is a national, nonprofit, nonpartisan organization dedicated to strengthening democracy and improving people's lives. Through research and public engagement, we help leaders, citizens and stakeholders build common ground on solutions to tough public problems like education reform, the environment and healthcare. Public Agenda was founded in 1975 by the social scientist and public opinion expert Dan Yankelovich and former Secretary of State Cyrus Vance, and is based in New York City.

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