



America without Health Care Reform

Ben Furnas May 2009

An America without health care reform is an America where families face ever-higher health insurance premiums, businesses drop coverage and trim employee benefits, doctors lack access to objective information about the treatments they provide, and millions of Americans live just one medical emergency away from bankruptcy. It's an America that spends billions on tests and treatments that cannot be shown to improve health—even as more than 50 million people go without health insurance.^{1,2}

Those who oppose health reform are choosing to maintain this status quo.

But without reform, our broken health care system will continue to squeeze families, businesses, doctors, the federal budget, and the economy.

Costs for families and businesses will continue to rise

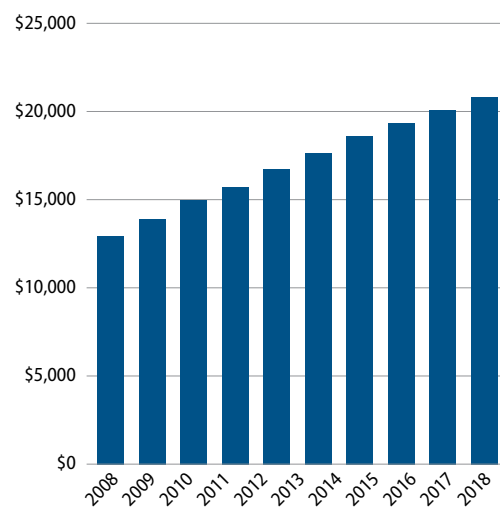
Health care costs are currently a troubling burden on families and businesses. Yet without reform, this burden will increase dramatically. The Congressional Budget Office projects that the cost of a family premium under employer-provided health insurance will increase by approximately 70 percent (after inflation) in the next nine years.³ This cost growth will have cascading effects across the economy as businesses trim benefits and workers lose their coverage.

According to researchers at Harvard University, a 20-percent increase in premiums costs 3.5 million workers their jobs, causes millions more to move from full-time to part-time work, and cuts the average income by approximately \$1,700.⁴ CBO predicts that this 20-percent increase will occur over the next four years.⁵

These costs stretch family budgets. A recent study from Families USA finds that, “one in four Americans under the age of 65—some 64.4 million people—will spend more than 10 percent of their fam-

The average family health insurance premium will increase by over 70 percent in the next decade

Cost of average family premium (2008 dollars)



Source: CBO.

ily income on health care in 2009 ... The vast majority of these people (82.6 percent) have health insurance.”⁶

We can slow this cost growth by addressing two burgeoning problems: ineffective, wasteful treatments and the cost-shift from the uninsured. CBO estimates that approximately \$700 billion every year—about one-third of medical spending in the United States—is spent on treatments that cannot be shown to improve care.⁷ We spend far more on health care than other large, healthy, developed countries, yet we persistently lag in health outcomes and quality benchmarks.⁸ A December 2008 study by McKinsey found that “the United States spent nearly \$650 billion more on health care than peer OECD [Organization for Economic Cooperation and Development] countries, even after adjusting for wealth.”⁹ As Harvard University Professor David Cutler said in a recent Center for American Progress Action Fund report, “Spending money on health care is not bad, but wasting money is.”¹⁰

A recent Commonwealth Fund study found that across 37 indicators covering quality, access, efficiency, and equity, the United States achieves “an overall score of 65 out of a possible 100 when comparing national averages with benchmarks of best performance achieved internationally and within the United States.”¹¹ Despite spending more than double the OECD median per person on health care, “quality of care is highly variable... opportunities are routinely missed to prevent disease, disability, hospitalization, and mortality,” and “the U.S. failed to keep pace with gains in health outcomes achieved by the leading countries.”¹²

The patchiness of America’s health insurance system makes health care more expensive for those who are insured. A recent CAP Action Fund update of an analysis done in 2005 by Kenneth Thorpe for Families USA found that approximately 8 percent of a families’ 2009 health care premium—about \$1,100 per year—is due to the 52 million uninsured Americans whose costs of care get shifted to people with insurance.¹³ Thorpe explains that as costs of care get shifted from the uninsured to those with insurance, “this increases the cost of health insurance and results in fewer people who can afford insurance—a vicious circle.”¹⁴

More people will lack or have gaps in coverage

Without health care reform, more Americans will lose their health insurance, more Americans will find it difficult to maintain continuous coverage, and fewer Americans will have insurance that is sufficient and affordable.

The overwhelming majority of Americans get their insurance through work, and the economic downturn and widespread job losses have caused millions of workers and their families to lose coverage. Approximately 2.4 million workers and their families have lost the health insurance their jobs provided since the current recession started in December of 2007, according to an analysis by Nayla Kazzi at the Center for American Progress.¹⁵ Some of these workers are eligible for safety-net health insurance through Medicaid, and others may be able to retain coverage through their spouse’s insurance, but many fall into the ranks of the uninsured.

More than 51 million Americans under age 65 do not have health insurance as of January 2009,¹⁶ and millions more drift in and out of coverage as their employment and financial situation changes. According to a March 2009 study from Families USA, approximately 87 million Americans under 65—nearly one in three—went without health insurance for some period in 2007 or 2008.¹⁷

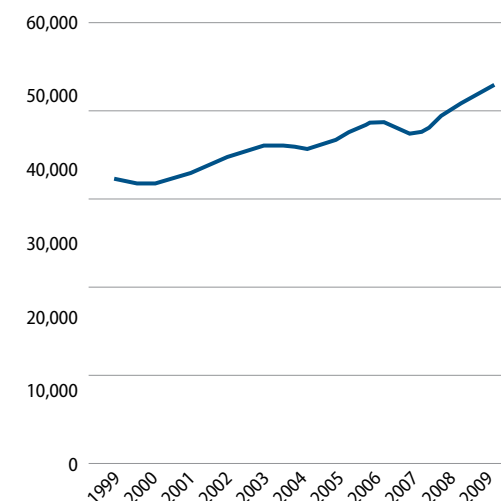
Even as the economy recovers over the coming years, swelling health care costs could cause businesses to continue cutting back on health care, dropping more of their employees into the ranks of the uninsured. A recent survey by Hewitt Associates found that approximately 20 percent of employers were planning to stop offering health benefits in the next three to five years, up from just 4 percent of employers in the 2008 survey.¹⁸

Workers who lose their employer-sponsored health insurance and are ineligible for Medicaid must shop for coverage in the individual market. Yet insurers on the individual market can refuse coverage or offer discriminatory rates to people with pre-existing medical conditions. A recent study by the Commonwealth Fund found that more than two-thirds of people shopping for health insurance in the individual market found it “difficult or impossible to find adequate coverage.”¹⁹

Shockingly, “92 percent of people with a health problem never bought a plan, presumably because they were denied coverage or could not afford the plans offered to them.”²⁰ The individual market is also staggeringly inefficient: a Center for American Progress Action Fund report found that the individual market will create more than \$40 billion in unnecessary paperwork over the next 10 years.²¹

The number of uninsured Americans is rising sharply

Uninsured Americans (under age 65, thousands)



Source: Census Bureau; North Carolina Institute of Medicine.

Patient/doctor relationships will become more strained

The doctor-patient relationship is already under tremendous strain and will continue to fray without health reform.

Physicians today face time-consuming paperwork burdens from insurers and from pharmaceutical and medical device companies that are trying to push their products. All this keeps physicians from doing what they want to do and what they are trained to do—care for patients.

The health care bureaucracy is a tremendous burden on health care providers. A survey just published in *Health Affairs*²² shows that physicians spend 43 minutes a day—or 3 hours a week—dealing with insurance companies, and primary care doctors in small practices are the most burdened. Nurses spend even more time dealing with health plans at 3.8 hours a day, or 19 hours a week.

Another source of interference is the almost endless marketing from pharmaceutical and device companies trying to influence the relationship between people and their doctors. These companies devote significant resources to increasing the use of their pharmaceuticals and procedures, regardless of what is best for patients. According to one major study, pharmaceutical company marketing expenditures totaled as much as \$61,000 per physician, and approximately 80 percent of all pharmaceutical marketing expenditures were targeted specifically to physicians.²³ Another study found that major pharmaceutical companies spent, “more than twice as much on marketing, advertising, and administration as they did on R&D [research and development].”²⁴

There is currently no centrally accessible place, free from the influence of drug and device companies, to evaluate and compare medical procedures and techniques. Without health reform, doctors will continue to be deprived of the objective information needed to develop the best treatments for their patients.

The federal budget will be in crisis

Without reform, spiraling health care costs will place ever-higher burdens on government health care expenditures. This will create structural deficits that could persist for decades, burdening future taxpayers and acting as a drag on economic recovery and growth.²⁵

The viability of federal health expenditures on Medicare, Medicaid, and the tax benefits for private coverage are tied to the quality and efficiency of the overall health system. Federal spending on Medicare and Medicaid is projected to grow from 5 percent of gross domestic product in 2009 to 12 percent by 2050.²⁶ Federal spending on these programs will double in the next 10 years from \$720 billion in 2009 to \$1.4 trillion in 2019.²⁷ According to the CBO, “rising costs for health care represent the single greatest challenge to balancing the federal budget.”²⁸ As Peter Orszag, former director of the Congressional Budget Office, explained: “health care reform is entitlement reform.”²⁹

Without reform, inefficiencies and waste in the health system will continue to burden taxpayers and future generations. Yet comprehensive health care reform and modernization could allow the federal government to save “nearly \$600 billion in health spending over the next decade, and \$9 trillion over the next 25 years.”³⁰

Conclusion

Those who would block health reform are effectively embracing a broken status quo: spiraling costs for families and businesses, more and more people without insurance, overburdened doctors who lack access to vital information for making lifesaving decisions, and deep federal deficits that could hinder economic growth for decades.

Endnotes

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