

# The United States Needs a National Health Insurance Policy

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*Does the United States Need a National Health Insurance Policy?* , 2006

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America's health care system comprises a fragmented collection of businesses, government agencies, health care facilities, and educational institutions. In addition, thousands of special interest groups such as the American Cancer Society wage campaigns to shape American health care policy with no regard for what is best for American health care overall. The best remedy would be to implement a national single-payer system that would have one agency to collect all medical fees and pay all claims. This system would eliminate the bureaucratic waste created by thousands of individual health plans. Moreover, under a single-payer plan, all Americans would receive basic comprehensive health care as well as have the freedom to choose their own doctor and hospital, choices that are missing in the present market-driven health care model.

The D-Day invasion of June 6, 1944, which would turn the tide of World War II for the Allies, was the largest amphibious assault in the history of warfare. Altogether, 5,000 ships, 13,000 aircraft, and 180,000 men took part in the initial landing on the coast of France. While not everything went according to plan, D-Day was both an incredible military success and a spectacular triumph of organization.

But imagine what would have happened if the American, British, and Canadian military units each had gone its own way instead of following a coordinated master plan. Suppose that each of the U.S. Army's twenty divisions had assembled its own list of targets, with the 101st Airborne Division dropping into one part of France, the 82nd Airborne into another. Suppose that each company within each of those divisions had done likewise. Then imagine the same for the British and Canadians: 180,000 troops, each man marching to his own drummer.

## No System at All

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That is precisely the picture of the U.S. health care system today, thousands of individual entities heading off in many directions on missions that frequently conflict. It's really no system at all. Rather, it's a stunningly fragmented collection of businesses, government agencies, health care facilities, educational institutions, and other special interests wasting tens of billions of dollars and turning the treatment of disease and sickness into a lottery where some losers pay with their lives.

The United States has 6,000 hospitals and tens of thousands more freestanding medical centers, nursing homes, kidney dialysis centers, laboratories, MRI facilities, pharmacies, and medical schools. Each maintains its own computer system. Some can talk to one another; most can't. Overlying these are hundreds of HMOs, private insurers, and government plans. There's Medicaid for the very poor, Medicare for everyone over sixty-five years of age, TRICARE and the Veterans Administration for the military, and a hodgepodge for everyone else. Each insurer has its own system of co-pays, deductibles, and spending limits. Each produces thousands of pages of impenetrable language setting forth the medical expenses it will pay, the ones it won't, and those that fall somewhere in between.

Then there are thousands of special interests, from the American Cancer Society to the American Medical Association, from the Pharmaceutical Research and Manufacturers of America (PhRMA) to the American Organ Transplant Association, each with its own agenda. Each wages an individual campaign to shape health care policy by manipulating public opinion through TV, newspapers, magazines, and radio. Each seeks to grab a piece of the health care pie. Out of all these thousands of self-interested entities, not one speaks for what's best for American health care overall.

## U.S. Health Care Is Second-Rate

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And that explains why U.S. health care is second-rate at the start of the twenty-first century and destined to get a lot worse and much more expensive. It's why some people must hold garage sales to pay their medical bills, why almost no one knows what their health insurance will pay for until it's too late. It's why many Americans are forced to make job choices based not on what they might like to do in life, or what's in their best interest, but on the health insurance packages offered by employers. It's why U.S. corporations are at a disadvantage in a global economy, forced to divert ever more revenue and resources to administering health care plans. It's why some diseases such as colon cancer or attention deficit disorder, which capture the media's attention, get a substantial share of government research and treatment dollars, while other diseases that receive less attention, such as amyotrophic lateral sclerosis (Lou Gehrig's disease) and cystic fibrosis, receive far fewer dollars. It's why millions of Americans are forced to agonize over how to care for aging parents with Alzheimer's disease, or how to pay the bills for children with a catastrophic illness—and do so without depriving siblings of their needs. It's why millions of Americans needlessly consume expensive medications that enrich pharmaceutical companies and Wall Street, but that contribute little or nothing to a longer, healthier life. Finally, it explains why Americans are the most overtreated, undertreated, and mistreated health care patients on earth.

It need not be this way.

## Provide Universal Coverage

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The simplest and most cost-effective remedy would be to provide universal coverage and to create one agency to collect medical fees and pay claims. This would eliminate the staggering overlap, duplication, bureaucracy, and waste created by thousands of individual plans, the hidden costs that continue to drive health care out of reach for a steadily growing number of Americans.

Under a single-payer system, all health care providers—doctors, hospitals, clinics—would bill one agency for their services and would be reimbursed by the same agency. Every American would receive basic comprehensive health care, including essential prescription drugs and rehabilitative care. Anyone who needed to be treated or hospitalized could receive medical care without having to wrestle with referrals and without fear of financial ruin. Complex billing procedures and ambiguities over what is covered by insurance would be eliminated.

Radical? We already have universal health care and a single-payer system for everybody aged sixty-five and over: It's called Medicare. For years, researchers, think tanks, citizens' groups, and health care professionals have advocated a similar plan for the rest of the population. Study after study has concluded that the most practical and cost-effective way to provide quality health care and to restrain costs is a single-payer system, but no plan has ever come close to adoption because of fierce opposition by the powerful health care lobby.

To discredit the single-payer idea, insurers, HMOs, for-profit hospitals, and other private interests play on Americans' long-standing fears of big government. This view was summed up by Susan Pisano, a vice president of the American Association of Health Plans, who contended in 2002 that a single-payer system "would lead to the creation of a large federal bureaucracy that would be less responsive and actually raise issues of cost, access and quality more than it would solve them."

## The Private Market Has Created a Massive Bureaucracy

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In truth, it is the private market that has created a massive bureaucracy, one that dwarfs the size and costs of Medicare, the most efficiently run health insurance program in America in terms of administrative costs. Medicare's overhead averages about 2 percent a year. In a 2002 study for Maine, Mathematica Policy Research Inc. concluded that administrative costs of private insurers in the state ranged from 12 percent to more than 30 percent. Studies of private carriers in other areas have reached similar conclusions. This isn't surprising, because unlike Medicare, which relies on economies of scale and standardized universal coverage, private insurance is built on bewilderingly complex layers of plans and providers that require a costly bureaucracy to administer, much of which is geared toward denying claims.

Some studies have put the price tag for administering the current system at nearly one out of every three health care dollars, much higher than that of any nation with single-payer health care. There is no way of knowing how much the United States could save by adopting such a system, but even with one that covered 100 percent of the population, the savings would be substantial.

What kind of an agency would administer it?

## Create a New Agency

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The idea of a single-payer plan run by the U.S. government carries with it far too much political baggage ever to get off the ground. What's needed is a fresh approach, a new organization that is independent and free from politics, one that can focus with laserlike precision on what needs to be done to further the health interests of everyone in a fair manner. For in addition to covering the basic costs of all Americans, a new system needs to institute programs that will improve America's overall health, that will focus on preventing illness and disease as well as treatment, and do so without breaking the bank.

How does the United States come up with such a mechanism?

One possible answer: Loosely copy and then amend and expand on what already exists in another setting—the Federal Reserve System, a quasigovernmental organization that oversees the nation's money and banking policies. The Fed is one of the nation's most ingenious creations, a public agency that is largely independent of politics. The Fed's board members are appointed to staggered fourteen-year terms by the President with the consent of the Senate, meaning that neither the White House nor Congress can substantively influence the Fed's policies.

## The U.S. Council on Health Care

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Call this independent agency the U.S. Council on Health Care (USCHC). Like the Federal Reserve, the council would set an overall policy for health care and influence its direction by controlling federal spending—from managing research grants to providing basic and catastrophic medical coverage for all citizens. Unlike the Federal Reserve, it would be entirely funded by taxpayers. The money could come from just two taxes, a gross-receipts levy on businesses and a flat tax, similar to the current Medicare tax, on all individual income, not just wages. This would not represent an additional cost to society, but rather replace existing taxes and write-offs. It would cut costs for corporations and raise taxes slightly on individuals at the top of the income ladder. Members of the USCHC board would include both health care professionals and citizens from all walks of life. Its mission: Implement policies that improve health care for everyone, not just those suffering from certain diseases. In short, make the unpopular decisions that the market cannot make.

The council could establish regions similar to those of the Federal Reserve System, which divides the nation into twelve areas. Whatever their number, the geographic subdivisions could take into account cultural and regional differences among Americans. They would allow for health care delivery to be fine-tuned at the local level, and ensure that regulations could take into account the differences between metropolitan and community hospitals.

Although the USCHC could be set up to keep partisan politics out of hospitals and doctors' offices, health care politics, which can be every bit as divisive as the mainstream variety, would still present a challenge. If you have any doubt, just assemble surgeons, radiologists, and internists in a room to discuss the merits of their particular approaches to treatment of a specific disease. But those members of a USCHC board drawn from outside the health care community would at least introduce a moderating influence.

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