



The Case for Universal Health Care

INTRODUCTION

Over the last few decades, the United States has witnessed skyrocketing health care costs. Health insurance premiums have been rising on average by double-digit percentage points over the past five years, a rate of increase that is 2-3 times the rate of inflation.¹ Because of these out-of-control health care costs, there has been a steep rise in the number of uninsured Americans. Currently, more than 45 million Americans lack any form of health insurance, and millions more are “underinsured” – they have insurance but lack adequate financial protection from health care costs.

While this problem was formerly a problem confined to low-income Americans, more and more middle-class citizens are becoming directly affected by the problem. In the face of rising health care costs, fewer employers are able to provide their workers with health insurance; the percentage of employers offering health insurance dropped from 69% in 2000 to 60% in 2005. Even if employers are able to provide health insurance benefits, the trend is towards providing high-deductible insurance that covers an ever-shrinking percentage of health care costs.¹ The net result is that more and more employed middle-class Americans find themselves with low-quality or no access to health care.

The erosion of employer-based coverage has been partially offset by increased enrollment in Medicaid, which is designed to provide a safety-net for the lowest income Americans.² However, Medicaid has recently been the subject of relentless funding cuts by cash-strapped states and Congressional representatives who are ideologically opposed to welfare programs. As the program continues to be slashed, it is certain that Medicaid will not be able to offset the losses in employer-based insurance, resulting in more and more uninsured individuals.

Health insecurity is at an all-time high. In a time when thousands of people lose their health insurance every day, when health care is becoming elusive to even well-to-do Americans, and when any person is just one pink slip away from becoming uninsured, it becomes clear that health care for all is not just important to achieve, but imperative.

THE MORAL CASE FOR UNIVERSAL HEALTH CARE

At its root, the lack of health care for all in America is fundamentally a moral issue. The United States is the only industrialized nation that does not have some form of universal health care (defined as a basic guarantee of health care to all of its citizens). While other countries have declared health care to be a basic right, the United States treats health care as a privilege, only available to those who can afford it. In this

sense, health care in America is treated as an economic good like a TV or VCR, not as a social or public good.

The Uninsured

The most visible victims of America's decision to treat health care as a privilege are the 45 million Americans who lack insurance. In contrast to prevailing stereotypes, 80% of the uninsured are hardworking Americans who are employed or come from working families. However, they are unable to obtain insurance through their work either because their employer does not offer it, their employer does offer it but the employer share of the premium is too expensive, or they are not eligible for health insurance (e.g. they are part-time or have not worked long enough at the job).³

The problems of accessing health care for the uninsured have been detailed extensively.^{4,5}

- **The uninsured are less likely to be able to fill prescriptions and more likely to pay much more of their money out-of-pocket for prescriptions.** In a recent survey, one third of uninsured Americans reported that they were unable to fill a prescription drug in the last year because of the cost.
- **The uninsured are 3-4 times more likely than those with insurance to report problems getting needed medical care, even for serious conditions.** In one study, more than half of the uninsured postponed needed medical care due to financial concerns, while over one third went without a physician-recommended medical test or treatment due to financial concerns.
- **The uninsured are less likely to have a regular source of health care.** 40% of the uninsured do not have a regular place to go when they are sick or need medical advice, compared to less than 10% of the insured. As a result, 20% of the uninsured say their usual source of care is the emergency room, compared to just 3% of the insured.
- **The uninsured are less likely to get needed preventive care.** When compared to the insured, uninsured, non-elderly adults are 50% less likely to receive preventive care such as pap smears, mammograms, blood pressure checks, sigmoidoscopies, cholesterol screening, and prostate exams.
- **The uninsured are more likely to be forced to delay medical services, affecting the timeline of diagnosis and thus the prognosis of the disease process.** In one study, the time to diagnosis of late-stage cancer was compared between uninsured and privately insured patients. The uninsured patients were 1.7, 2.6, 1.4, and 1.5 times more likely to be diagnosed late for colorectal cancer, melanoma, breast cancer, and prostate cancer, respectively.
- **The uninsured are more likely to receive poor care for chronic diseases.** Among non-elderly adult diabetics, a lack of insurance is associated with less glucose monitoring and fewer foot and eye exams, leading to an increased risk of hospitalization and disability. Uninsured individuals with end-stage renal disease are more likely to have progressed to a more advanced stage before beginning dialysis.

As a result of these difficulties accessing health care, the non-partisan Institute of Medicine estimates that the uninsured have an excess annual mortality rate of 25%. This increased mortality translates into 18,000 excess deaths for people between age 25-64 per year, which is of comparable magnitude to the number of people in this age group who die each year from diabetes, stroke, HIV, and homicide.⁴

The suffering caused by uninsurance goes far beyond the purely physical suffering experienced by uninsured individuals. Emotionally, uninsurance contributes to anxiety, familial stress, depression, and fear. Financially, medical costs are a major cause of personal bankruptcy. Even without bankruptcy, the financial strain on families can be significant and potentially ruinous.⁶

In the end, while all of these facts and figures are sobering, they cannot capture the true human dimension of the suffering caused by uninsurance. To truly understand this dimension, one has merely to turn to the numerous horror stories in the media that portray the victims of America's decision not to guarantee health care to all – the patients who are forced to decide between pills and food, the patients diagnosed with inoperable late-stage cancer after not receiving preventive care, and so on. The stories of these patients may seem like isolated anecdotes for some, but for the vast majority of Americans, these stories hit disturbingly close to home. The victims are friends, neighbors, and increasingly, family members.

The Insured

The consequences of America's decision to treat health care as a privilege extend far past the uninsured. With employers dropping health insurance at a record pace, more and more middle class Americans are at risk of uninsurance. Those who work for companies that continue to offer health insurance find themselves paying a higher share of health care costs than they did previously.¹ Finally, employees are finding their wage increases to be smaller and smaller as the cost of providing health insurance skyrockets for employers.

The most direct way in which the insured are affected by the lack of universal health care is illustrated by a 2005 study that surveyed people who filed for personal bankruptcy. In this study, 46.2% of those surveyed cited a medical cause for their bankruptcy. Of note, only 32.6% of those citing a medical cause of bankruptcy were uninsured at the time of filing, meaning that almost 7 out of 10 people in the survey were insured when they filed.⁷ In other words, high medical bills and lost income due to illness can lead to bankruptcy even for the insured. A society that believes that people should pay a lot of money for the privilege of having health care is a society in which only the extraordinarily rich are truly immune to the threat of medical bankruptcy.

THE ECONOMIC CASE FOR UNIVERSAL HEALTH CARE

The central question surrounding the economic case for universal health care is whether achieving health care for all is financially feasible. The answer to this question comes in three parts:

- How much would it cost to achieve universal healthcare?
- What are the costs of not achieving universal health care?
- Do the costs of achieving universal health care outweigh the benefits?

How much would it cost to achieve universal health care?

There are a number of costs involved with achieving universal health care.^{8,9}

- **The additional health care that would be used by the uninsured if they had insurance:** The Institute of Medicine estimated that this would amount to \$34-\$69 billion per year, depending on whether the benefits package offered to the uninsured offered public insurance-level benefits (e.g. Medicaid or S-CHIP) or private insurance-level benefits. Note that this number assumes “no structural changes in the systems of health care financing or delivery, average scope of benefits, or provider payment”.⁸
- **The cost of covering the out-of-pocket costs the uninsured currently pay:** The uninsured pay 35% of health care costs out-of-pocket, compared to 20% for the insured (8). It is estimated that of the \$100 billion in care the uninsured use per year, 26% was paid out-of-pocket by the uninsured, or \$26 billion. As Uwe Reinhardt wrote, “If the purpose of public policy in this area were to protect American families from financial distress, then presumably some of this out-of-pocket spending by the uninsured would be shifted from the uninsured to the government’s budget”.⁹ The cost of covering these out-of-pocket costs would depend on the generosity of the benefits offered to the uninsured.
- **The cost of covering uncompensated care costs provided by hospitals, physicians, and other providers to the uninsured:** Currently, \$34.5 billion a year is spent on uncompensated care costs, which includes free care, discounted care, and “bad debt” that is written off by the provider if the uninsured person cannot pay.⁸ A system that covered the uninsured would likely cover some or all of these uncompensated costs; the exact amount would depend on the specific solution in question.
- Finally, depending on the solution chosen, those who are currently privately insured may also use more health care (e.g. if health care were made available for all with no or minimal cost-sharing, there might be increased usage of health care across the board). Furthermore, there is the possibility that covering the uninsured through a public insurance program may tempt employers to drop coverage and push their employees onto the public insurance program (“crowd-out”); the exact magnitude of this additional cost would depend on the solution chosen.⁹

In summary, the cost of universal health care would be at least \$34-\$69 billion, plus whatever costs are associated with covering out-of-pocket expenses and uncompensated care for the uninsured. Specific solutions may entail additional expenses as well, depending on their design parameters.

What are the costs of not achieving universal health care?

In a landmark six-part series on the uninsured, the Institute of Medicine compiled an extensive report on the “hidden” costs of uninsurance.⁸

- **Fewer years of participation in the workforce:** The annual cost of diminished health and shorter life spans of Americans without insurance is \$65-\$130 billion. People who do not live as long do not work and contribute to the economy as long.
- **Developmental losses for children:** children who are uninsured are more likely to suffer delays in development because of poor health, thus affecting their future earning capacity.
- **Cost to public programs:** Medicare, Social Security Disability Insurance (SSDI), and the criminal justice system have higher costs than they would if there were universal coverage. For Medicare, the reason is that people who are uninsured have poorer health, and this poorer health translates into higher expenses once they become enrolled in Medicare. A similar effect exists for SSDI and the criminal justice system, although to a smaller degree because most people do not end up using these programs whereas the vast majority ultimately enroll in Medicare at age 65.

The Institute of Medicine also studied the cost of high rates of uninsurance to communities.¹⁰

- **Lower health care delivery capacity:** Communities with high levels of uninsurance tend to have a lower health care delivery capacity, as providers burdened by the costs of uncompensated care reduce staff, relocate, or close.
- **Impaired access to emergency departments:** Access to ER's is impaired for both uninsured and insured individuals in communities with high rates of uninsurance. The reason is twofold: emergency departments burdened by uncompensated care costs close down or reduce capacity, and uninsured individuals who have nowhere else to turn to for primary care overcrowd ER's.
- **Weakened local economy:** A high rate of uninsurance and the corresponding burden of uncompensated care costs weakens a community's health infrastructure (e.g. closing or downsizing of local hospitals). Since health care is an important part of a community's economic base, communities suffer economically.
- **Adverse effects on public health:** Communities with high rates of uninsurance have less effective control of communicable disease (e.g. less vaccinations, less surveillance of TB) and an overall greater disease burden in general. Furthermore, public health agencies may have budgetary problems if the local government has to siphon dollars away to pay for safety net services for the uninsured.

In addition to the costs delineated by the Institute of Medicine, there are several other areas of economic inefficiency because of the lack of universal health care in America:

- **Unnecessary use of the ER:** the ER is an expensive place to receive care. An average visit to an emergency room costs \$383,¹¹ whereas the average physician's office visit costs \$60.¹² It is estimated that 10.7% of ER visits in 2000 were for non-emergencies, costing the system billions of dollars.¹³

- **Lack of preventive care and adequate care of chronic diseases:** Because the uninsured do not get the preventive and chronic disease care they need, they are more likely to develop complications and advanced stage disease, both of which are expensive to treat. The magnitude of this cost is difficult to estimate, but it is significant.
- **"Job lock":** Job lock refers to the idea that people stay with their jobs when they would rather work elsewhere because their current job offers health insurance. For example, many individuals opt to stay with their job instead of starting their own business because they are unsure of whether they can get health insurance on the individual market, which has higher premiums and often denies people with pre-existing conditions. Although the number of people who would be self-employed if there were universal health care is controversial, one study from 2001 put the number at 3.8 million Americans.¹⁴ This loss of entrepreneurship is a real economic cost in a society that is relying on start-ups to offset the loss of jobs that are moving offshore.

The above are the costs of not achieving universal health care in America by any solution. There is a specific subset of costs that would remain if the solution chosen to achieve universal health care builds on the current system of employer-based insurance (e.g. if the solution is not a comprehensive reform that moves to a centralized insurance scheme, like single payer or social insurance).

- **Strain on businesses:** The employer-based insurance system in America constitutes a tremendous drain on businesses, as skyrocketing health insurance premiums dig further into profit margins and undermine the ability of businesses to invest in expansion. Health insurance premiums in 2005 grew approximately 2-3 times the rate of overall inflation (3.5%) and wage increases (2.7%).¹
- **Loss of global competitiveness:** Health insurance costs are built into the prices of American products. Because businesses in other industrialized countries are not responsible for shouldering most of the costs of employee health insurance, American companies are at a competitive disadvantage globally. General Motors reports that every car it makes is \$1,500 more expensive because of health care costs, far more than what Japanese and German automakers have to pay.¹⁵

Do the costs of achieving universal health care outweigh the benefits?

In 2005, the Emory economist Dr. Kenneth Thorpe published an important report for the National Coalition for Health Care, a strictly non-partisan, broad-based coalition of businesses, providers, unions, and other groups interested in improving the health care system. In this report, Dr. Thorpe calculated the costs to the government of instituting health care for all under four different scenarios:

- Institute an employer mandate plus individual mandate (requiring employers to provide a certain level of health benefits, and requiring individuals who do not get employer-based insurance to obtain health insurance through some mechanism)
- Expand public programs such as Medicaid;

- Create a new program for the uninsured modeled after the Federal Employee Health Benefits Plan (FEHBP), the insurance plan for federal employees;
- Create a universal, public financed plan.

This study did not just focus on expanding access; it also assumed significant systemic changes including administrative simplification, computerized physician order entry, an automated patient safety/error reporting system, reduction in inappropriate clinical practice variation, and controls of provider payments and premiums to reach target goals in expenditure growth. According to Thorpe's analysis, each of these four options would save money over 10 years. The first two options would save \$320.5 billion over 10 years, the third option would save \$369.8 billion over 10 years, and the fourth option would save \$1.1 trillion over 10 years.¹⁶

The important point to take away from Thorpe's study is that universal health care, **coupled with cost controls**, can save money while expanding health care access to everyone. If universal health care simply expanded access, the net expenditure would be large. The only way to pay for this expanded access is to institute cost controls such as administrative simplification.

Note that it is much easier in some universal health care solutions to institute cost controls than others. For instance, a single payer system allows for a more dramatic reduction of administrative costs than do the other three solutions, all of which build on the current system.

Conclusion

There are real economic costs associated with uninsurance, as detailed above. Although many of these costs are not quantifiable given present data, the idea that universal health care would entail a massive outlay of money with no return does not take into account the hidden economic gains associated with having a healthier and longer living workforce.

Even if one were to assume that universal health care would entail a large outlay of money with no economic return, the amount of money it costs to cover all is literally a drop in the bucket of the U.S. economy. In the end, universal health care is a matter of budgetary priorities, and therefore of moral priorities. As the world-famous Princeton health economist Uwe Reinhardt put it, "The issue of universal coverage is not a matter of economics. Little more than 1% of GDP assigned to health could cover all. It is a matter of soul."

THE CULTURAL CASE FOR UNIVERSAL HEALTHCARE

"Economic goods that can be valued in monetary terms are not the only kinds of good that we value having. Providing certain important goods like health care to all members of society has its own value."⁸

"Uninsurance in America not only has hidden costs, it represents lost opportunities to more fully realize important social and political ideals that account for our nation's political stability and vitality. Extending the social benefit of health insurance would help us make our implicit and explicit democratic political commitments of equal opportunity and mutual concern and respect more meaningful and concrete."⁸

These two quotes from the Institute of Medicine's report on the uninsured capture the essence of the cultural argument for universal health care – the idea that universal health care is not just consistent with American values, but demanded by them. Clearly, it is extremely challenging to define American values as a whole, and what follows are generalizations that may not apply to every American.

What does the American Dream mean to people?

In a May 2005, a representative group of 1000 participants was asked to define what the American Dream means to them. The three responses that scored highest were "having a close family", "having the freedom to make decisions about your life", and being able to provide for yourself and your family." In a follow-up question, the participants were asked what they felt was the main threat to the American dream. By far, the response that scored highest was "health insurance that is too expensive" – above the expense of college education, the quality of public schools, the loss of security in retirement, and the threat of a terrorist attack.¹⁷

How can the expense of health insurance be a threat to the American dream?

- **Having a close family:** The stress borne by families with members who have extremely high health care costs or who are ill because they cannot access health care was documented in the Institute of Medicine's report on the uninsured.⁶ Dealing with collections agencies, personal bankruptcy, and transient periods of uninsurance can be part and parcel of the experience of American families when even one of their members is uninsured. Children in particular are harmed by familial stress and developmental delays from not receiving health care, both of which can lead to behavioral problems and loss of potential.⁸
- **Having the freedom to make decisions about your life:** The freedom to make decisions about one's life includes having the financial resources to pursue one's goals. More explicitly, the "job lock" phenomenon, in which millions of Americans stay with a job they don't like because it provides health insurance it provides, is a clear barrier to being able to freely make decisions about how your life plays out.
- **Being able to provide for yourself and your family:** With health care premiums increasing 2-3 times the rate of inflation and increases in average weekly earnings, employers are forcing employees to pay a greater share of the health insurance premiums.¹ In addition, employers are increasingly passing their increased health insurance costs to employees by not raising wages. Health insurance is a form of compensation even though it is not counted as salary, and if businesses want to keep total compensation per worker steady, they often hold wages the same when health insurance premiums increase. Finally, private health insurance is trending towards high-deductible insurance that provides less

protection against health care costs than before. All of these conspire to increase the amount the average American is paying both *to have* health insurance and *to use* the health care system.

A universal health care system that insulated people from the costs of health care would help people pursue the American dream, at least as defined in this survey.

American values as they relate to universal health care

- Americans purport to believe in **equal opportunity**. Yet, in the current situation, those who do not have health care are at risk for financial ruin and poorer health, both of which disadvantage them in society and thereby do *not* give them equal opportunity. Education is guaranteed in America in part to further the ideal of equal opportunity, but health care is not treated in the same way.
- The Declaration of Independence states there are certain “inalienable rights”, including **life, liberty and the pursuit of happiness**. If Americans believe in an inalienable right to life, how can we tolerate a system that denies people lifesaving medications and treatments? Similarly, if Americans believe in an inalienable right to the pursuit of happiness, how can we allow millions of dreams to be smashed by the financial and physical consequences of uninsurance?
- Finally, a value that is not clearly specific to Americans but that certainly is held by is **economic efficiency** -- getting good value for money. The United States spend almost twice per capita on health care on average than other countries do.¹⁸ Yet, the American health care system suffers from rampant uninsurance, subpar life expectancy and infant mortality rates, and uneven performance on quality. Americans do not need more money for health care; they need more health care for their money.

CONCLUSION

It is tempting to believe that the current design of the health care system is untenable – that the system is on the verge of collapse. Yet, countless of reformers have proclaimed the impending doom of the health care system throughout the years, only to see the American health care system morph into an externally different yet still fundamentally flawed entity. The only way Americans can avoid repeating this abysmal cycle is to fully engage the central questions underlying this issue. Is it indeed acceptable to deny people health care based on their ability to pay? Or is health care a basic need that should be provided to every American as a matter of course? If the answer is the latter, then we need to overcome the remarkable inertia of the American health care system and create a society in which health care is available to all.

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