

## **Is Health Care Reform too Complex to Pass?**

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During the 1920s there was a running joke “There are two classes of people in hospitals: those who entered poor and those who leave poor.” Five years later private health care insurance emerged. Today, particularly for those without health insurance, the problems remain the same. And suspicion of the industry adds to our angst. A 2006 Harris Poll found that between 40 percent and 50 percent of the American public believes health insurance, managed care and drug makers are among the least trustworthy organizations in the United States. We even have a “Healthcare Economic Misery” index which builds on the number of uninsured and the cost of health care.

The status quo in health care is in jeopardy. President Obama’s visit to Belgrade in August had less to do with a family vacation and more to do with selling reform to a system in distress. Emotions are high on both sides of the health care debate. It’s not only an emotional issue but a financial one as well.

For most Americans, access to health care and its affordability are assured through employment, either as an employee, spouse or dependent of an employee with a provider-sponsored health care plan. In Montana, almost six in ten of the non-elderly population obtains their health insurance through an employer. Two in ten are uninsured, and only one in ten has individual health care coverage – about the same proportion as has insurance through Medicaid. But who exactly are the uninsured?

Identifying exactly who needs health insurance is problematic. In the Census Bureau’s numbers you are uninsured if you report no insurance for a week, a month or the entire year. And according to some estimates, over 20 percent of those without health insurance are in high-income households with young, healthy, single people choosing to spend their money on other items. Nationally, only 11 percent of those without access to employer-sponsored insurance purchases coverage in the individual market. For many, the out-of-pocket expenses for individual insurance are out of reach – \$6,160 for family coverage compared to \$2,489 in the employer-provided market. For some, their lack of health insurance is a matter of personal choice. Individuals fortunate enough to have individual health insurance have median incomes over twice that of the non-insured and almost 35 times the net wealth.<sup>1</sup>

The issues driving today’s health care reform are twofold: access to health care for the uninsured and cost. A recent Kaiser Health Tracking Poll shows that over half of all Americans state they have cut back in some way on medical spending. The United States

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<sup>1</sup> Didem Bernard, Jessica Banthin and William Encinosa, “Wealth, Income, and the Affordability of Health Insurance,” *Health Affairs*, Volume 28, Number 3, May/June 2009.

spends more on health care in absolute terms (per capita spending) and in relative terms (percentage of GDP) than any other developed country. Health care is consuming a greater share of our GDP, leaving fewer dollars available for everything and anything, else.

Some see the root cause as the unfettered greed of the marketplace. The pursuit of profit gets in the way of access, affordability, and at times, even the quality of health care. For these reformers, government intervention is warranted and justified, either as a regulator, provider or combinations of both. But for others, the health care market is the solution: Profit reflects success and encourages innovation. The real solution is probably somewhere in between. Regardless of the form “reform” takes, it must address several concerns.

Will, or can reform achieve universal coverage? Hawaii imposed an employer-sponsored health insurance mandate in 1974. A recent study found that the employer mandate was not an effective means for achieving universal coverage because employers simply increased the use of an exempt class of workers, those working part time. Nationally, employer-sponsored coverage has fallen every year since 2000. Reform must also consider cost and how the programs are financed. Nothing is really free. Someone has to pay, either directly as a consumer, or indirectly as a taxpayer through higher taxes, or as an employee who accepts a lower wage, reduced hours or both in response to higher costs for employer-provided health care insurance.

How can health care be more affordable without driving costs up as the result of increased use? How can programs be financed without adding to the federal deficit, and ultimately, our country’s growing national debt? Still another issue is how can reform occur that both contains costs without sacrificing quality or choice for the consumer? And finally, particularly in an environment of rising unemployment, how can reform increase access, control costs and maintain choice without adding to unemployment? After all, health care is a significant employment driver for most economies, be it national, regional or local. In 2008, health care accounted for 9 percent of Montana’s GDP. Health care is also a stable sector with respect to employment. A recent study by the Montana Department of Labor reveals that employment volatility is lowest in the health care industry.

So what is the solution? All markets ration goods and services in some way: price, budget, geographical access or time in queue. How can health care be reformed to ensure access and affordability, without encouraging overuse? How can incentives remain for people, technology and other resources to dedicate themselves to health care delivery? What are we willing to give up to reform health care? The Clinton administration thought they had the solution in the National Health Security Act. This act had managed care, regional alliances to negotiate lower prices, universal coverage through employer mandates and all financed through higher taxes. The program was doomed to failure, and in the words of one scholar, “Technical experts designed it, special interests argued it, political leaders sold it, journalists more interested in the political ramifications than its

contents kibitized it, advertising attacked it. There was no way for the average American to understand what it meant for them.”

We’ll have to wait and see what holds true for 2009-style reform.