

The New Health Care Reform Law: Who pays the Piper and Who picks the Tune?

By Lanie M. Adamson

Patients finance the health care industry and support its very existence by being its consumers, then are blamed for getting sick.

One of the many lessons I learned as a medical writer was that what you get out of a research study depends not only upon the evidence that you actually find, but also upon what you expected to find. At times, the evidence leads you into a direction you did not expect. As my Latin teacher used to say, “We don’t know what we don’t know.” Most of us don’t know what is in the new health care law--we only know that it is too long and convoluted. What we do know is that patients (consumers) – those folks who finance the health care system and without whom there would be no health care industry – have had the least input of anyone into the decision-making process¹ and are blamed for overusing the system. Consumers pay the piper, but hospitals, doctors, insurers and the government pick the tune.

What is the fuss about?

The US health care system threatens to devour our economy. Measured as a percentage of the nation’s Gross Domestic Product (what we produce as a nation), our national health expenditure increased from 5% in 1960 to 10% in 1985; rose to 15% in 2008;² and is estimated at 17% today.³ (National health expenditures include health care services and supplies and do not include spending on medical research, structures and equipment.) The care and feeding of the health care industry consumes more of what we produce than housing or national defense, and more than that of any other developed nation.⁴ We have many of the best hospitals, doctors and research facilities in the world, but despite all the outstanding facilities and spending, millions of Americans have not received the care they needed or, if they are covered, have had to fight with insurers to get their claims paid⁵.

A person could work for 30 years, be laid off at age 62, run out of medical coverage at age 64, have a heart attack between then and age 65 when Medicare coverage starts, and fall into the uninsured pool. In other words, this person has had thirty years of coverage by private health insurance, but this fact does absolutely no good when the heart attack happens during the person’s 365 days without coverage. This example is based on a real case.

The Patient Protection and Affordable Care Act of 2010 is a major overhaul of the US health care system.⁶ It makes health insurance more accessible for citizens and legal residents and stops insurers from denying coverage for past illness or after an expensive treatment. It begins a new insurance program for longterm care. The Affordable Care Act leaves employment-based health insurance relatively untouched.

Is this a government takeover?

Faced with two problems –the high cost of health care and the millions of people who cannot afford health insurance premiums due to the high cost – our government chose first to provide and subsidize health insurance for most of the country’s uninsured. One group of critics slammed the plan as government takeover of health care. Some people demanded, “Keep the government’s hands off my Medicare!”⁷ Perhaps they were a little unclear on the concept, given that Medicare has always been a government-run program.

How much money comes from government spending (Medicare, Medicaid, Children’s Health, and other government programs), and how much money comes from private sources (insurance corporations, consumer out-of-pocket expenditures, philanthropic contributions, and other non-government entities)? In 2008, government spending on health care was 48% and private spending was 52%⁸. In ten years, government and private spending are projected to be roughly equal, at \$2.2 trillion apiece.⁹

Economist Uwe Reinhardt noted in a blog for the New York Times that the \$950 billion price tag over the next decade for federal health subsidies toward the purchase of private health insurance is less than 3% of projected total national health spending (\$34 trillion).¹⁰ Reinhardt says that this is hardly evidence for government takeover.

The devil, however, is in the details, and those details come from a much more in-depth look than the 30,000 foot level of private pay and government pay.

Financing for the Affordable Care Act will come from reduced spending on existing governmental programs, new taxes and penalties, and removing hidden health taxes by removing their causes. In theory, these sources will lead to \$143 billion in excess revenue that will go toward paying the deficit.

What changes for private insurers?

Goodbye to pre-existing conditions. Goodbye to lifetime coverage caps. Hello to guaranteed availability of coverage. On January 1, 2014, the new federal law will require insurers to accept every small employer or individual who applies for coverage—no more cherry-picking of the young and the fit for private insurance coverage, and no more relegating the infirm to government care. A few parts of the law take immediate effect, including the establishment of a temporary high-risk health insurance plan to provide health insurance coverage to eligible individuals.¹¹ Health insurers, originally unhappy about covering sick people, will gain the benefit of a broad-risk pool of previously uninsured people, enough of whom are healthy and can cover the costs of those with pre-existing conditions who were denied coverage under the previous system.

The Affordable Care Act fills in the gaps in coverage for people who have no health insurance. As of January 1, 2014, most US citizens and legal residents will need to obtain health insurance coverage or face paying a penalty. This is by far the most controversial change, because it is the first time that public law will require people to purchase insurance. Exceptions exist for American Indians; for people with financial hardship or religious objections; for those who have

been without health insurance for less than 3 months; and for the incarcerated. The overall purpose is to create a health coverage continuum for individuals as their incomes rise and fall; as they become employed or unemployed; and as they age.

How will the uninsured get insurance?

Mandatory health insurance coverage cannot work if health insurance is hard to get. The new law provides that each state, or group of states, must establish a Health Benefit Exchange to subsidize the cost and simplify the purchase of coverage by individuals and small businesses that do not have access to affordable employer coverage.¹² The Health Benefit Exchange will certify that health insurance plans meet federal requirements. A cautionary note, however: The size of the candidate pool is so large that it will cost \$5 to \$10 billion for the Internal Revenue Service to determine which Americans qualify for the new subsidies.¹³

If millions more people have health insurance, where will they go for care?

The program supports an expansion of health services. The legislation temporarily raises Medicaid reimbursement rates to primary-care doctors. In addition, some federal funds will be available to states to expand their health care workforces, such as student loan forgiveness for nurses and social workers. But if doctors are not available, will patients go to hospitals? Since 1996, we have seen an increased demand for, but decreased supply of, emergency departments.¹⁴ One concern is that newly insured patients will overflow the emergency departments with non-urgent problems. The Centers for Disease Control reported in May 2010 that US emergency departments in 2007 treated 90% urgent cases and 10% non-urgent cases for both insured and uninsured patients.¹⁵ The visits of these 10% non-urgent cases represent a tremendous annual cost because the emergency department is an expensive place to treat upper respiratory infections.

What does the law say about heroic efforts to save the dying?

The law does not address it directly. While the bill was in process, it contained a Medicare benefit for doctors to be paid for end-of-life counseling; this was removed from the final bill. This is unfortunate, as the availability of this kind of counseling for patients and families could save in both financial aspects and human suffering. In any case, we as a nation will have to address death and dying at some point. Perhaps we can start with: If life begins at conception, when does death begin?

A true story: A doctor walked into a hospital room and informed his patient Henry (not his real name) that, given his diagnosis, the average life expectancy is three months. Fortunately, Henry's insurance covered additional testing. He later learned that the doctor's diagnosis was in error. This story is included here to illustrate a specific point. If the diagnosis resulted in stopping further testing, the error may have been missed. Decisions about end of life are much more nuanced than whether or not to pull the plug on Grandma.

Why should we be forced to pay for an uninsured patient's care?

We have been paying a portion of uninsured patients' health care all along, through what is sometimes called a hidden health tax. When a doctor or hospital provides care and the recipient cannot afford to pay the full amount, the uncompensated costs are spread across the privately covered population (not Medicare or Medicaid). This higher health insurance premium is the hidden tax.¹⁶ The amount of hospital and doctor charges and fees that are inflated to cover the cost of emergency and other care for uninsured patients is essentially a hidden tax.¹⁷

What can ordinary people do to reduce health care costs?

We can all take personal responsibility for our health, all throughout life, to reduce the risk of developing a chronic disease, or at second best, to maximize its manageability. Chronic diseases are defined as ongoing, generally incurable illnesses or conditions, such as heart disease, asthma, cancer and diabetes.¹⁸

Patients will come under steadily increasing pressure to take personal responsibility for their health status, especially the 45% of the population that carries the diagnosis of a chronic disease. According to the Partnership to Fight Chronic Disease, chronic diseases are responsible for 7 of every 10 deaths per year; for 81% of hospital admissions; and for 76% of all physician visits,¹⁹ and 75% of health care costs.²⁰ Chronically ill patients receive only half of the recommended preventative health care services to help them cope with lifestyle-related and modifiable chronic diseases.

The World Health Organization reports that eliminating poor diet, inactivity and smoking could help prevent 80% of heart disease and strokes, 80% of diabetes and 40% of cancers.²¹

The Bottom Line

The Affordable Care Act is as complex and inscrutable as the health care system it is trying to control.²² What it does not address is how to develop a more efficient, innovative, and coordinated system of hospitals, doctors and financing to give a better return of quality health care on our nation's investment.

Our country's founding fathers set the direction for our country:

*"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness."*²³

The Declaration of Independence does not mention adequate health care, but it is certainly difficult to maintain a healthy life, liberty and happiness for Americans without it.

References

- ¹ Herzlinger, Regina. Who killed Health Care? McGraw-Hill 2007, p 1
- ² No author. The Longterm Budget Outlook. Congressional Budget Office. June 2010
- ³ Congressional Budget Office, p 40
- ⁴ Staff of the Washington Post. **Landmark**: The Inside Story of America's New Health Care Law and What It Means for Us All. Publicaffairs Reports, 2010, pp 65-6
- ⁵ Landmark, p 65
- ⁶ Landmark, pp 64-194
- ⁷ Paul Krugman. Health Care Realities. NY Times, July 30, 2009
<http://www.nytimes.com/2009/07/31/opinion/31krugman.html>
- ⁸ Congressional Budget Office, p 27
- ⁹ Landmark, p 64
- ¹⁰ Reinhart UE. A "government takeover" of health care? NY Times. February 28, 2010
<http://economix.blogs.nytimes.com/2010/02/26/a-government-takeover-of-health-care/>
- ¹¹ Summary of the Patient Protection and Affordable Care Act. Congressional Research Service of the Library of Congress. In: **Landmark**: The Inside Story of America's New Health Care Law and What It Means for Us All. Publicaffairs Reports, 2010, p 198
- ¹² Landmark, pp 73-78
- ¹³ Landmark, p 77
- ¹⁴ Garcia TC, Bernstein AB, Bush MA. Emergency Department Visitors and Visits: Who Used the Emergency Room in 2007? National Center for Health Statistics (NCHS) Data Brief 38. May 2010.
<http://www.cdc.gov/nchs/data/databriefs/db38.pdf>
- ¹⁵ Ibid
- ¹⁶ Landmark, p 159
- ¹⁷ No author. Hidden health tax: Americans pay a premium. Families USA. May 2009.
<http://www.familiesusa.org/resources/publications/reports/hidden-health-tax.html>
- ¹⁸ Chronic Disease Fact Sheet. Partnership to Fight Chronic Disease 2010.
<http://www.fightchronicdisease.org/pdfs/FightingChronicDiseasefactsheet81009.pdf>
- ¹⁹ An Unhealthy Truth: Rising rates of chronic disease and the future of health in America. PowerPoint presentation. Partnership to Fight Chronic Disease 2010. <http://www.fightchronicdisease.org/>
- ²⁰ World Health Organization (WHO), Preventing Chronic Diseases: A Vital Investment. Available at:
http://www.who.int/features/factfiles/chp/10_en.html
- ²¹ An Unhealthy Truth
- ²² Landmark, p 69
- ²³ Hancock J, et al. The Declaration of Independence. July 4, 1776