



The Way Forward with Health Reform

By Karen Davis



In his State of the Union address, President Obama urged Congress to stay the course and enact comprehensive health reform. He reminded us that the problems that health reform is intended to address remain, posing a serious threat to the health of Americans and our economy.

Nearly 50 million Americans are uninsured, as those who lose their jobs often lose their health insurance. And it's not just the uninsured who are at risk: with the rise in health care costs in the last decade, even middle-class families with jobs and coverage are struggling to pay their share of premiums and medical expenses. Seventy-two million working-age adults have difficulty paying medical bills or accumulated medical debt, while rising health care costs force employers to choose between hiring new workers, paying higher wages, and providing adequate health insurance to their employees.

For all that families, businesses, and government spend on health care, the health system fails to deliver reliably safe and high-quality care that is easily accessible to patients. Instead, nearly three-fourths of Americans report difficulty getting a doctor's appointment promptly, reaching their physician by phone, or obtaining care on nights or weekends. Half of patients say they don't receive their test results or their doctors don't have their medical information when needed. One-third of the public undergo duplicative tests or other care that is unnecessary or of little health benefit. And more than

one-fourth experience administrative hassles when handling insurance claims or paying medical bills.

The high costs of health insurance and health care also force people to go without needed care, whether it's a doctor's visit or a prescription refill. Because of all of these inadequacies, too many Americans are suffering—even dying—without the care they need. And the health system will continue to deteriorate if we do nothing to change course.

But misleading claims about the impact of health reform, and lack of understanding of its potential to improve patients' experiences, have undermined public support. What have been obscured are the many aspects of the proposed health reform legislation that would make health care accessible to all Americans and begin to transform the delivery system to improve the quality and coordination of care. Both the House and Senate bills:

- Cover over 30 million uninsured Americans who now fail to get the care they need; improve 24/7 access to doctors and nurses; and provide the information necessary to ensure the best care for patients.
- Provide families who make less than about \$90,000 a year and don't have employer coverage with help in paying their insurance premiums, offer coverage under Medicaid for families with incomes under about \$30,000; and set a ceiling on family out-of-pocket medical expenses.
- Ensure health insurance is available to all, without regard to health conditions and without artificial limits on covered expenses, and establish a standard for essential comprehensive benefits.

- Lower premiums and improve benefits, especially for those buying insurance on their own and employees of small firms, and provide tax credits to small businesses.
- Launch an intensive effort to develop and implement innovations to transform health care delivery to improve quality of care, preventive care, and control of chronic conditions, while eliminating waste, duplication, and the need for costly hospitalizations and reducing insurance waste and overhead.
- Help ensure Medicare's fiscal solvency while improving prescription drug benefits for beneficiaries and helping pay for home care and long-term care for tomorrow's disabled.
- Reduce the federal budget deficit and middle-class families' expenses.
- Ensure that no one in America is unable to obtain the care they need because of cost—so that the U.S. is no longer the only advanced, wealthy country where losing a good job or taking a major cut in pay means losing access to, and the ability to pay for, health care.

Myths and Reality

One way to move forward is to look at what health reform is and isn't—to separate myth from reality.

1. **Myth:** Health reform would ration needed care.
Reality: Reform would increase patients' choice and improve access to care.

The charge that the American health system will be “government-run” or “socialized,” with the government telling doctors what they can do for patients, stirs a deep-seated fear that care will be rationed. The truth is that nothing in the health reform legislation calls for rationing effective care. The law would support research on the comparative effectiveness of diagnostic and treatment services so that physicians and patients know which drugs and treatments work best; it would not, however, limit doctors' ability to treat patients. The U.S. would retain its largely private system of health care delivery and continue to have a well-resourced system capable of meeting the needs of all. In fact, improved access to affordable coverage through a

[national health insurance](#) exchange (in the House bill) or state exchanges (in the Senate bill), as well as proposed expansions of Medicaid, would improve access to care and choice among providers for many Americans.

2. **Myth:** Health reform would raise insurance premiums and fail to reduce future health costs.
Reality: Without reform, many Americans stand to lose their coverage or face higher premiums and medical bills as benefits erode. Health reform would offer a return to rising incomes.

Many American families are living on the edge and hard-pressed to meet their day-to-day expenses. Not surprisingly, they worry that health reform might mean losing the coverage they already have—or even higher costs as uninsured people gain coverage. Yet the reality is that rising health care costs have undermined wage increases over the last decade and increased workers' premium costs and out-of-pocket health care expenses. Without health reform, those trends will continue unabated.

Between 1999 and 2008, employer family health insurance premiums rose by 119 percent, while the median family income rose by less than 30 percent. As a result, the total average family premiums paid by employers and workers have risen from 11 percent to 18 percent of median family income. If Congress fails to pass reforms that are effective in controlling the rise in health care costs, premiums are projected to rise to 24 percent of the typical family's income by 2020. In any economic climate, but especially today, families cannot afford to devote one-fourth of their income to maintaining insurance coverage, nor can businesses afford to pay their share of insurance premiums while also giving raises to employees.

Comprehensive health reform would reduce administrative costs for insurers and help modernize the delivery of health care services, both of which would result in reductions in private insurance premiums. A [recent analysis](#) finds that, without reform, family premiums are expected to increase from \$13,649 in 2010 to \$22,535 in 2019. By 2019, family premiums would be \$1,900 lower with reform. Along

with reductions in out-of-pocket costs and lower taxes for Medicare and Medicaid, estimated savings for the typical family would be about \$2,500, relative to predicted costs, if we stay the current course.

- 3. Myth:** Health reform would cut Medicare benefits.
Reality: Reforms would improve prescription drug coverage and protect future Medicare benefits by giving doctors and hospitals incentives to improve care and efficiency and reduce costs.

Seniors and the disabled are concerned that health reform would undermine their Medicare benefits. Yet Medicare benefits would actually improve under health reform. For example, the so-called doughnut hole in the prescription drug benefit would be eliminated under the House bill and reduced under the Senate bill. The House bill would give the government the authority to negotiate prices of prescription drugs, a move that would further benefit people with Medicare and reduce their out-of-pocket costs. Additionally, preventive services would be covered in full, without copayments.

Medicare reforms in the bills would also save the federal government money. Hospitals have agreed to shave one percentage point off their annual price increase under Medicare over the next decade, recognizing that coverage of the uninsured would reduce bad debt and other efficiencies would make it possible to improve productivity. Providers also fare well under the reforms. Even with this one-percentage-point price reduction, Medicare payments to providers would be more than adequate, exceeding the growth in our economy overall and increasing by 67 percent by 2019. Most important, a new Innovations Center within the Centers for Medicare and Medicaid Services would pilot innovative payment methods that reward providers who succeed in improving care, reducing the need for hospitalization and cutting waste, duplication, and ineffective services.

The government would stop paying private managed care plans extra for participating in Medicare. These plans were paid \$11.4 billion more in 2009 than what the same beneficiaries would have cost were they enrolled in the traditional Medicare fee-for-service program. Health reform would gradually eliminate this inequity. Some extra benefits financed by these overpayments—received by a minority of

beneficiaries but financed by all—would likely be eliminated. But all beneficiaries would continue to receive the basic Medicare benefits to which they are entitled.

- 4. Myth:** Health reform would raise the average American's taxes.
Reality: Reforms avoid any new broad taxes and instead seek to pay for better insurance by slowing spending growth.

Most Americans agree with the goals of health reform: covering the uninsured, improving the affordability of coverage and care, and cutting costs. But they are concerned that paying \$800 billion to \$1 trillion over 10 years for improved coverage would increase their taxes. They question whether the nation—and taxpayers—can afford such a commitment on top of government expenditures under the stimulus bill that was enacted to bring the economy out of serious financial crisis.

In fact, most middle-class families would not face tax increases. Almost half of the cost of improved coverage is financed by slowing increases in prices paid to health care providers and insurers. The remaining financing comes mostly from payroll taxes on families with incomes over \$250,000 a year (in the Senate bill) and income taxes for families with incomes over \$1 million (in the House bill), as well as fees on insurers, manufacturers or importers of brand-name drugs, and medical device manufacturers. An excise tax on insurers selling plans with premiums in excess of \$24,000 might affect premiums for some workers—although few employees have plans that exceed this threshold, and safeguards could be added to protect workers who pay high premiums because of where they live, their age, or health risk.

- 5. Myth:** Health reform would add to the deficit.
Reality: Reform would reduce the deficit and reduce costs for businesses and families.

Related to the concern about taxes is a concern about red ink and the implications for future generations of unfunded expansions in coverage. The President, however, has made good on his pledge not to add to the federal budget deficit, and the Congressional Budget Office (CBO) estimates a net reduction in the budget deficit of \$132 billion to \$138 billion would result from the Senate and House health reform

bills, respectively. CBO also estimates that revenues would exceed expenses in the second decade, from 2020 to 2029.

In short, health reform as designed in the House and Senate would achieve the goals set forth by the President: 1) to ensure the stability and security of insurance coverage for those who have it; 2) to provide coverage for those who don't; and 3) to slow the rise in health care costs for employers, individuals, and government.

Health reform would help all Americans receive the care they need to lead healthy and productive lives, while removing the financial strain of inordinately high health insurance premiums and out-of-pocket medical expenses. Rather than inflicting high costs on those who are sickest, as in the current health system, the legislation's proposed financing is balanced and fair, drawing from households, government, and employers. It changes the incentives in our health system, from rewarding a high volume of services to rewarding prevention, management of chronic conditions, and the best health outcomes for patients. Health reform preserves the best of American health care, while fixing what doesn't work for patients.

While the way forward politically is not yet totally clear, the President reassured Americans in his State of the Union address that he is not going to walk away from the problem.. He urged Congress to enact health reform that will relieve the burden on middle-class families, address the worst practices of the insurance industry, and reduce health care costs and insurance premiums.

The odds are that, like President Obama, you, a family member, or a close friend has experienced a problem with health care coverage, medical bills, or care. The health reform legislation is about addressing the problems we all face; we cannot let the opportunity to improve our lives and our livelihoods slip by.

