

Strategies to Increase Healthcare Access



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The Situation

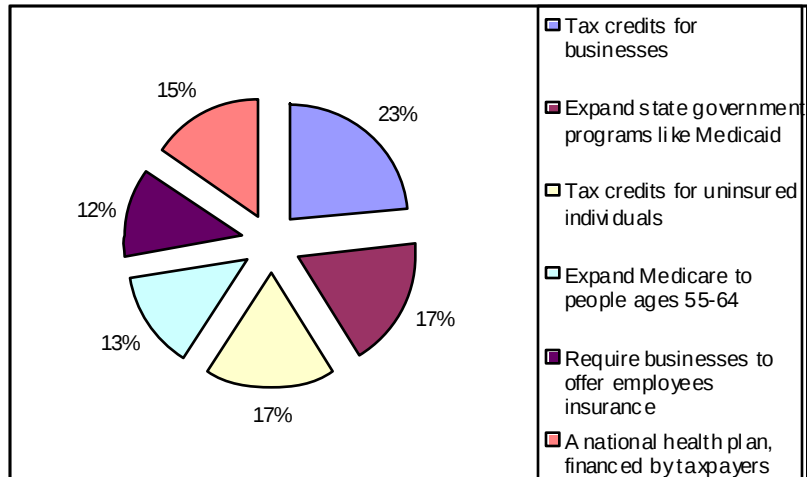
Most polls show that the American public is strongly of expanding healthcare access. For example, consider the following results from recent polls conducted by the nonpartisan Kaiser Family Foundation¹:

- In a 2000 poll, eight in ten respondents agreed that health care should be provided equally to everyone, with over half of respondents agreeing “strongly” or “completely.”
- In a 2000 poll, survey respondents were presented with arguments for and against government expansion of health insurance coverage. Nearly eight in ten respondents believed that the federal government should expand health insurance coverage to more Americans.
- In a 2004 poll, about three-quarters of respondents (76%) agreed strongly or somewhat that access to health care should be a right.

With this type of support, why haven't we made any significant progress in decreasing the number of uninsured Americans? There are innumerable answers to this question, but here are two important reasons:

Reason #1: The American public is divided as to the best option for increasing healthcare access.

According to a Kaiser Family Foundation poll in April 2005, the following options were chosen by Americans as the single best method of increasing healthcare coverage in the United States²:



These differences in opinion reflect a deep division in Americans around the role of the federal government, the efficacy of the free market, and the proper use of taxes, among many other values.

Reason #2: Healthcare activists are likewise divided over the best option to increase healthcare access.

There are many different ways to increase healthcare access, ranging from single payer to individual state-based initiatives to federalist approaches to population-based expansion. Each of these ideas has its advantages and disadvantages, and each has strong advocates within the healthcare activist community. Unfortunately, as with the general population, healthcare activists have not been able to come to a consensus as to the best way to increase healthcare access, which in turns stalls political progress on the issue.

Objective of this primer

A well-informed health care advocate must be informed of the diversity of ways that have been proposed to achieve UHC in America. This primer will attempt to outline these various approaches an objective fashion that enumerates the advantages and disadvantages of each strategy. The primer is meant to give an overview of the options, not to advocate for one particular approach over another. The arguments listed in this primer do not necessarily reflect the opinion of AMSA.

Single payer

This approach revolves around the view that our nation's healthcare system is in need of comprehensive reform. In this approach, the government would serve as the single payer (financer) of all medical bills, replacing our current system in which both the federal government and the thousands of health insurance companies in America act as payers for medical bills. The role of the private healthcare sector would be significantly diminished; current single payer legislation in Congress would prohibit private insurance companies from duplicating coverage for services already covered by the public insurance program.

Arguments for this approach

- The single payer approach theoretically addresses one of the main drivers of the high cost of American healthcare: the \$200-\$300 billion in administrative costs incurred each year by the private insurance sector for expenses such as marketing, profit, underwriting, billing, etc. In this sense, the single payer approach controls costs, and several economic studies have substantiated the claim that single payer would save money over the long run⁸.
- A single payer system would largely eliminate the for-profit element of healthcare and shift medicine back into a not-for-profit industry, which is seen as desirable by many people⁸.
- The healthcare system would be fundamentally accountable to the public, so decisions about allocation of healthcare resources (e.g. how much to spend, what to pay for, whom to pay for) would be public decisions instead of decisions made by private companies³.
- The single payer approach has precedent in many other countries, including Canada, Sweden, and Denmark. These countries have achieved universal health care while maintaining a level of health that is equal to or surpasses that of the United States.
- The government would have significant bargaining power with health care providers/facilities as well as suppliers such as pharmaceutical companies, thus allowing for lower drug prices and other cost savings.
- Single payer systems lend themselves naturally to centralized electronic medical records databases that would facilitate patient care and help prevent medical errors.
- Unlike with the current managed care system in America, there would be no "preferred network" of providers, and individuals would be free to choose which provider to see. In contrast to the common misperception that single payer systems would limit choice, single payer would EXPAND choice among individuals in regards to which physician they see.
- From a physician perspective, single payer systems may allow for more professional autonomy over healthcare decisions than does the current system, in which managed care companies largely determine whether a procedure is paid for or not.

Arguments against this approach

- The significant scaling down of the private health insurance system is seen by many Americans as an extreme solution. Private health insurance is generally popular with the American public.
- The transition from our current system to a single payer system would be logistically challenging; for instance, there is concern about the loss of health insurance industry jobs that would occur with a transition to a single payer system.
- The single payer approach may not be politically feasible in the current political and cultural climate. There are many misperceptions by the public regarding single payer, and it is easy to cite the specters of “big government”, “government inefficiency”, and “communism” against single payer.
- As with any government-financed system, the funding of a single payer system would be sensitive to the political parties in power. Politicians against single payer may underfund the system⁵.
- If single payer reimburses physicians on a fee-for-service basis, as in Canada, there may be no incentive for physicians to control costs. This would resemble the situation in the 1970's and 1980's, when the out-of-control spending of physicians in part led to the development of managed care companies.
- Some physicians may be wary of a single payer approach because their collective bargaining power over reimbursements may be reduced relative to the tremendous bargaining power held by the government.
- Establishing a single payer system in which there are few financial barriers to health care access may encourage overconsumption of health care resources and strain health care delivery capacity.
- Private competition would be minimized for many services in a single payer system, which some economic conservatives believe will be detrimental to the overall efficiency of the system.
- Under a pure single payer system, everyone will have the same insurance plan, so Americans will have not choice over which plan to purchase. Americans who prefer having this choice may view this as a disadvantage.
- From an advocacy standpoint, some argue that pushing for single payer is counterproductive to healthcare reform as a whole. The European experience shows that there are multiple ways to achieve affordable healthcare for all, and focusing solely on single payer overlooks solutions that may be more politically feasible. As the saying goes, “Don't let the perfect be the enemy of the good”³.

Population-based expansion

The idea behind population-based expansion is to increase the coverage of specific populations of individuals, e.g. expanding the State Children's Health Insurance Program (S-CHIP) to cover all children, expanding Medicaid to cover more low-income or disabled adults, or expanding Medicare to include ages 55-64. This incrementalist strategy has been termed the "pincer strategy" because it entails expanding coverage upwards to cover the young and downward to cover those who are old³.

Arguments for this approach

- Many advocates of this approach argue that population-based expansions will ultimately lead to universal healthcare, assuming that increasing sectors of the population continue to gain coverage through incremental expansions. In the interim, those populations covered by the expansions will benefit from having access to healthcare.
- Since population-based expansions build on the current system, there would not need to be substantial changes in the structure of the healthcare system. In particular, expanding eligibility of public insurance programs would not necessitate excessive administrative changes, since the administrative structure is already in place³.
- Population-based expansion could be a politically palatable idea to many people (i.e. cover all children in the case of S-CHIP, or cover working adults who aren't quite poor enough for Medicaid in the case of expanding Medicaid eligibility)³. Medicare expansion may be particularly appealing, as Medicare already enjoys strong support with the public.
- Conceptually, the idea of expanding public coverage is easily grasped by the public. From an advocacy standpoint, the conceptual simplicity of population-based expansions facilitates campaigns for this approach.
- There is potential for bipartisan support of population-based expansion; S-CHIP, for example, was passed in 1997 with a broad bipartisan majority.

Arguments against this approach

- Population-based expansions do not in and of themselves guarantee universal access to healthcare.
- Population-based expansions are seen by some as being inherently unjust – why should kids only be covered? What is the rationale for covering one group of people over another?
- Some worry that covering a certain group will decrease the number of uninsured and thus decrease the urgency for more comprehensive reform.
- With every incremental increase in public coverage, there is a temptation for employers to drop coverage since their workers will have a public safety net to fall back on ("crowd out"). This increases costs to the public sector.
- Given that there are many people who are eligible for Medicaid and S-CHIP already but who don't enroll due to lack of knowledge, administrative barriers, or in some cases deliberate attempts by states to limit enrollment outreach,

some are concerned that population-based expansion initiatives building upon these programs may not be effective. Eligibility is only one part of the access equation³.

- Some argue that Medicaid is an inefficient program and that expanding the program would be simply propagating its problems³. Others argue that so few providers take Medicaid patients due to low reimbursement rates that expanding Medicaid eligibility will do little to increase access⁸.
- Population-based expansions in Medicaid and S-CHIP are expensive, and the programs are already underfunded as it is. Increasing the number of people covered under these programs would be problematic without a dramatic increase in funding⁷.
- These approaches do not address the fundamental question of cost control, since they build upon the current system and do not simplify administration.
- With strained state budgets and recent massive cuts in Medicaid, population-based strategies may be less politically feasible at this point in time.
- The history of incrementalism in the U.S. is not particularly inspiring; for all the good that Medicaid and S-CHIP have done, they have not been sufficient to provide insurance for all Americans⁷. Pushing for incremental approaches potentially diverts energy away from pushes for more comprehensive reform.
- S-CHIP and Medicaid predominantly affect low-income individuals, a group that traditionally has little influence in politics. As such, there is relatively little political motivation for politicians to fund the programs well⁷.

Federalist approach

The central idea behind the federalist approach (federal-state partnership) would be to provide federal funding to the states to provide universal healthcare for their residents. In order to receive these funds from the government, states would have to design systems that satisfied certain federally-defined criteria (e.g. universal, affordable, comprehensive, etc.). The exact solution for achieving UHC would not be specified at the federal level; rather, the solution would be determined at the state level based on that state's individual needs and political climate⁷.

Arguments for this approach

- One of the most attractive aspects of federalist strategies is its potential for bipartisanship. Progressives will be happy that universal healthcare is achieved, and conservatives will be happy that there is a great deal of local/state control rather than a “one-size-fits-all” federal solution. With the current healthcare stalemate on the national level, it is imperative to reach across party lines to come up with a solution that both sides can accept.
- The federalist strategy has the potential to unite the currently fragmented universal healthcare movement, in which advocates agree on the goal of UHC but differ on the approach to obtain the goal.
- By prompting the creation of essentially 50 different universal health care systems, the federalist strategy allows for the generation of empirical data on which solutions work the best. Effectively, each state would become a “laboratory for change”, and the performance of each state's healthcare system would help inform efforts to improve healthcare in America.
- The federalist strategy recognizes that it is unclear to state with absolute certainty that any given solution to achieve UHC would work better than another. State experimentation circumvents this problem by allowing for comparisons of individual solutions.
- Any solution put forth by the state would be necessarily crafted through discussions between all interested stakeholders, including providers, business, and the public. Such discussions would theoretically create a solution that is compatible with that state's political culture.
- The federalist strategy recognizes that most states are in a budget crisis and partially avoids this problem by providing federal funds.
- Some argue that big businesses will ultimately prefer a uniform, federal solution to healthcare over a healthcare system in which there are 50 different sets of regulations, one for each state. Thus, federalism could be seen as a step towards national health insurance.
- Canada's healthcare system historically was built province-by-province, not with a single sweeping piece of federal legislation. In an analogous way, building a healthcare system state-by-state might eventually lead to a national universal healthcare system.
- On a political level, the national debate about federalism will shift from **how** to achieve UHC towards **whether** America should have UHC. Opponents of

reform will be forced to answer the latter question, and given that most Americans believe that healthcare should be guaranteed, these opponents may give in to public pressure.

- Federalism specifies concepts, principles, and goals (e.g. affordability, comprehensiveness, etc.). From a grassroots standpoint, it is easier to campaign for such general ideas than for specific policy plans, which tend to be mired in technicalities, jargon, and statistics.

Arguments against this approach

- The federalist model is a new alternative in the health policy debate that lacks the history of other alternatives such as single payer. Thus, a widespread education campaign to both the public and activists would be necessary. Furthermore, it will likely take time for awareness of this solution to emerge³.
- As with all state-based approaches, the federalist model fundamentally sets up inequities among states, as some states will offer better coverage than others³. Such inequities may encourage some people to move to a particular state with favorable coverage, thus overloading the system of these states.
- Inter-state differences between health coverage policies may decrease the portability of health insurance (i.e. a person who lives in one state may not have the same coverage in another state).
- Despite the opportunity for federal funding, some states may still not be receptive to the idea of universal healthcare for political, ideological, or financial reasons, thus setting up the potential for federalism to fall short of achieving true universal healthcare.
- There will be substantial disagreement and potentially deadlock at the level of the states about how to achieve UHC in that state. In a sense, the deadlock avoided at the federal level could be converted to deadlock at the state level³.
- If the federal funding is too modest, some states may not be able to create a system that satisfies the federal criteria for funding. Also, insufficient federal funding may discourage states from participating⁶.
- State governors would have concerns over whether the federal funding will be present from year to year, as cutting federal funding would likely have a severely detrimental impact on the state's healthcare system.
- There is controversy over whether the federalist model should take the form of a nationwide effort involving all 50 states or a limited number of state demonstration projects, in which a minority of the states would receive funds for achieving UHC. The advantage of the latter approach is that it is less expensive. The disadvantage is that other states would not have support until after the demonstration projects were completed⁶.

Tax credits

In its most common form, this proposal would offer tax credits for Americans who do not have employer-based insurance to purchase private health plans through the individual market. The tax credits would be progressive in that the size of the credit would be inversely correlated with income. In addition, the tax credits would be refundable, such that refunds would be offered to individuals who pay less income tax than the amount of the credit⁷.

Arguments for this approach

- Tax credits are a popular idea among conservatives and free-market economists. They are an easily grasped concept by Americans, and the proposal has some popular support, in part because of the perception by some Americans that taxes are too high.
- Since tax credits do not change the structure of the healthcare system, they would be relatively easy to implement. As such, politicians are attracted to this idea.
- Tax credits would theoretically increase consumer choice among individual healthcare plans due to the increased purchasing power of individuals. In addition, tax credits would still allow for people to choose whether or not to purchase health insurance, which is a popular concept among those who highly value individual choice.
- Tax credits could be used to encourage consumers to select more “efficient” health plans (i.e. give a bigger credit for buying such plans)⁷.
- Tax credits might cause greater competition among private insurers, which free market economists believe will result in better benefits and lower prices for consumers⁴.

Arguments against this approach

- Tax credits will not achieve universal healthcare. There is no guarantee that every individual would be able to afford healthcare insurance unless the size of the credit was quite substantial. Furthermore, since there is no mandate to have insurance, many who could afford health insurance would have the option to remain uninsured.
- Even if the tax credit paid the entire cost of health insurance, some people may not be able to afford the up-front cost of paying premiums while they wait for their tax return.
- Most of the current problems of our system would remain in place (the for-profit motive, the high administrative costs, and the managed care system of restricting patients’ choice of physicians and physician autonomy).
- Tax credits do not control costs. They are inherently expensive, and studies that suggest that tax credits will increase administrative costs because of the need to create a new infrastructure for administering the credits.
- From an economic theory standpoint, adding money to the healthcare system without adding any additional regulation may simply cause health insurance companies to increase their prices, since they know that consumers have

more money to spend on healthcare. Thus, one of the effects of tax credits may be to give more money to these companies.

- The individual market is inherently more expensive and less efficient than other markets; the average cost of individual coverage is about 30% higher than group plans⁷.
- The individual market discriminates against individuals who have chronic illnesses or pre-existing conditions. Tax credits would do nothing to prevent insurance companies from charging exorbitant amounts of money to these people⁷.
- Increasing tax credits for individuals who do not have employer-based insurance would encourage employers to drop coverage in an attempt to reduce costs ("crowd-out")⁷.

Employer mandate

There are many variations of this approach. In one common variation, employers would be legally mandated to provide some degree of health benefits for their employees. The public insurance sector, such as Medicaid, would be expanded to cover people who for whatever reason cannot receive job-based insurance. In another common variation, also called play-or-pay¹², employers would be required to provide health benefits for their employees (play) or to agree to a payroll tax that would support a public healthcare system (pay).

Arguments for this approach:

- The employer mandate is an easily understood solution that has some popular and political support.
- The employer mandate is based on the idea that it is unfair for some businesses to offer healthcare benefits while others do not. Thus, the employer mandate may help equalize the playing field in business.
- Workers for companies that do not offer health benefits are often forced onto public insurance programs such as Medicaid; as such, these companies are essentially “free-riding” off the public system and public tax dollars. An employer mandate will effectively prevent such free-riding from occurring.
- Under a play-or-pay system, it is possible that businesses will opt for the payroll tax if it is less expensive than employer-based insurance¹². In particular, small businesses, which tend to pay lower wages, may be more likely to opt for the payroll tax route. In this way, more and more people will be pooled into the public system, thus decreasing the administratively inefficient private sector and increasing the government’s bargaining power with entities such as drug companies.
- In an employer mandate, the actual cost of the mandate would likely be somewhat hidden from workers. Specifically, economists believe that employers will try to keep total compensation for workers constant by diminishing year-to-year wage increases. As such, the employer mandate may seem less oppressive to the average taxpayer because loss of wage gains may not be as noticeable as other ways of financing universal healthcare, such as a higher income tax.¹⁰

Arguments against this approach:

- Employer mandates are not sufficient in and of themselves for producing universal healthcare. In order to achieve UHC, employer mandates must be accompanied by a dramatic expansion of the public system (as described above) or an individual mandate to purchase health insurance for those who do not qualify for public insurance and do not receive job-based insurance.
- Businesses may be against the employer mandate for political or financial reasons. Many business people do not like the idea of government regulation, as evidenced by their opposition of the 1993 Clinton Health Security Act. Furthermore, some businesses may not be able to pay for health insurance or even a payroll tax⁷.

- Some argue that employer mandates would be overly burdensome for businesses, slow down the economy, or result in the loss of jobs.
- Employer mandates leave the administratively wasteful, profit-driven system in place and may not necessarily control costs over the long run⁷.
- There may be a significant inequity between those covered by the public system and those covered by the employer-based private system.
- Some workers may see reductions in wage gains or non-health benefits if employers that newly offer coverage under the employer mandate attempt to keep total compensation levels constant. Some people, such as those who have coverage through their spouses/families or healthy individuals who need very little healthcare, may prefer to have increased wages or better non-health benefits rather than health insurance.
- There may be pressure for employers to lay off (or not hire) minimum wage or other low-salary workers because health insurance is expensive. Alternatively, there may be a push to decrease the minimum wage.
- Under an employer mandate, the penalty for not honoring the mandate would have to be sufficiently high to offset the costs of providing health care benefits to workers (which may be very high for large businesses).

Individual mandate

The individual mandate approach would require everyone to have health insurance, just as all drivers are required to have auto insurance. The mandate would apply to people who do not receive job-based insurance or public insurance through programs like Medicare or Medicaid; such people would be forced to purchase health insurance through the individual market or pay a penalty for not complying with the mandate.

Arguments for this approach

- Individual mandates force everyone to be covered, so there would be no option to be uninsured. As such, there would theoretically be universal health care.
- The idea of an individual mandate is easily grasped by the public and politicians because of the precedent of auto insurance.
- The cost of care for the uninsured comes from out-of-pocket payments by the uninsured, taxpayer-financed public assistance, and higher premiums for those who are privately insured^{10,11}. Although most uninsured individuals are uninsured due to inability to pay, some uninsured can afford to pay for healthcare but choose not to for various reasons. When such individuals end up needing healthcare, the cost of their care may be partially subsidized through public assistance and the higher premiums for the privately insured. Thus, these individuals essentially “free ride” off the system. An individual mandate would prevent this from occurring.

Arguments against this approach

- The most formidable disadvantage of the individual mandate is simply the high cost of purchasing health insurance. It is unfair to force people to buy health insurance when they do not have the funds.
- Low-income individuals would be disproportionately affected by the individual mandate, unless there was significant subsidization of the premium.
- It would be potentially very costly and bureaucratically complex to set up a system to monitor who has health insurance as well as to enforce a penalty for those who do not comply with the mandate⁷.
- The penalty would have to be sufficiently high to force individuals to purchase health insurance, but at the same time, overly high penalties would unfairly affect individuals who have legitimate trouble purchasing health insurance (e.g. low-income individuals).
- The individual market, as described above in the tax credits section, is discriminatory, inefficient, and costly.
- The individual mandate does not do anything about cost control. In fact, administrative costs will be increased due to the inefficiency of the individual market, in addition to the costs of monitoring health insurance status and assessing penalties as outlined above.

Individual state initiatives (geographic expansion)

In the 21st century, most progress on achieving universal healthcare has occurred thus far at the level of individual states. Maine, for instance, passed a universal healthcare plan (Dirigo Health) that aims to achieve UHC by 2009. Other states have attempted to pass single payer bills, employer mandate bills, and constitutional amendments to make healthcare a right. Still other states have focused not on specific policy solutions but instead on passing legislation that sets up a process to achieve UHC in that state. Illinois, for instance, passed the Healthcare Justice Act in 2004, which sets up a task force that will compile feedback from public hearings and make a series of recommendations to the governor about how to achieve UHC in Illinois.

Arguments for this approach:

- The primary advantage of the state-based approach is that it avoids the federal stalemate on healthcare in Congress. Due to variations in political cultures, some states have favorable conditions for healthcare reform while others do not.
- Arguably, state-based governments or organizations are the most appropriate entities to design a healthcare system that is compatible with the state's particular environment and needs.
- If successful, state-based initiatives can show the rest of the country that UHC is both achievable and affordable, thus priming the country for either additional state-based UHC efforts or a federal effort towards UHC.

Arguments against this approach:

- Early attempts at state-based UHC must be successful, because any failures in these initiatives early on may deter other states from attempting to design their own systems.
- State budgets are currently very strained, so the financial barriers to state-based UHC initiatives are significant.
- Smaller states may not have the economies of scale to successfully implement UHC.
- There is a concern that citizens of other states will move to states with UHC systems in order to take advantage of their healthcare system, thus "overloading" the system.
- If a state designs a UHC system that isn't favorable to insurance companies, there is a possibility that the companies will eventually pull out, leaving the state with fewer private insurers, less competition, and higher prices.

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