

LAND  
OF THE

FREE?

Healthcare was a big driver in the outcome of the recent US mid-term elections. But could the Democrats' vision of a truly reformed healthcare system ever become a reality?

There are US states that have a worse maternal mortality rate than Sri Lanka and Kazakhstan... because their health system does not meet women's needs

Robert Yates, Chatham House

By Simone Rensch

Universal healthcare has long been a holy grail for the progressive American Democrats. The late Massachusetts senator Edward Kennedy dubbed healthcare reform the “cause of my life”. As First Lady in 1993, Hillary Clinton spearheaded an ultimately doomed plan to introduce universal health coverage. And while former president Barack Obama made significant progress with his Affordable Care Act, introduced in 2010, it cost him much political capital. The Democrats' Republican opponents are determined to repeal this landmark reform, although have yet to alight on a way to do it.

In this context, it is unsurprising that healthcare reform was one of the big campaign issues for the Democrats at November's mid-term elections. The

press has attributed the party's call for 'Medicare for all' as a deciding factor in its solid victory in the House of Representatives election – Democrats took 225 seats to the Republicans' 197.

Polling has shown Americans are dissatisfied with health policy in their country. Despite its great wealth, the US is an outlier among developed nations when it comes to healthcare. The majority of advanced economies – for example, in Asia Pacific and Europe – have some sort of universal healthcare coverage, but the US doesn't.

In the summer, a Reuters survey found that 70% of Americans supported the universal rollout of Medicare, a national health insurance programme currently only available to people over 65 or those with disabilities or end-stage renal disease.

Prior to the ACA, or Obamacare as it is widely known, many Americans didn't have access to affordable healthcare insurance and so met any costs upfront. Expensive medical bills are consequently the biggest source of personal bankruptcy in the US. A 2015 poll involving Harvard University and National Public Radio found 7% of respondents had declared bankruptcy because of healthcare costs. One-fifth took out costly high-interest loans to cover medical bills, while 23% piled on credit card debt.

Now, under Obamacare, citizens are required to take out insurance, while insurers are regulated so that 'affordable' policies are on offer.

But the system as a whole remains a very costly and complex one, especially when benchmarked against international comparators.

In 2017, the US spent about \$3,5trn – 18% of GDP – on health, more than twice the average among developed countries, according to the independent Committee for a Responsible Federal Budget, which addresses fiscal issues.

Of this, just under half (45%) was publicly financed by the federal, state and local governments – equivalent to around 8% of the economy. The rest of the

total cost of healthcare in the US comes from private sources, such as insurers, companies and households. The US is the only G7 country where less than half of healthcare expenditure is financed through government (via taxation) or compulsory social insurance schemes.

Robert Yates, project director of the Universal Health Coverage Policy Forum at think-tank Chatham House, tells PF the American healthcare system is “so bad”. It's “a joke in the international set-up”, he says.

“There are some US states that have a worse maternal mortality rate than Sri Lanka and Kazakhstan. It's extraordinary that so many American women die in childbirth, because their health system does not meet their needs,” he says.

A 2017 OECD report found that life expectancy in the US is slightly lower than average for the forum's 35 members. Usually, the more a country spends on its citizens' health, the longer their life expectancy, according to the OECD. Not so with the US, where health spending has increased much more than in other countries since 1995, but where life expectancy gains have been smaller.

The Commonwealth Foundation, a US NGO, last year ranked the US the worst of 11 advanced economies on safety, affordability and efficiency of healthcare.

It highlighted that the US spent \$9,364 per person on healthcare in 2016, whereas the UK, which ranked first on health performance overall, spent just \$4,094 per person.

Problems identified included time wasted with insurance claims and restricted access to primary care, which led to delayed diagnoses and poor prevention and management of chronic diseases. Meanwhile, there is “wasteful overuse of drugs and technologies”.



# \$3.5trn

US HEALTH SPEND IN 2017  
MORE THAN 18% OF GDP

Problems with US healthcare are exacerbated by its complexity – a patchwork system with the provision of care and funding coming from a mix of private providers, insurers and some federal-backed programmes.

Gerard Anderson, professor of health policy at Johns Hopkins University in Maryland, says US healthcare is the “most convoluted, confusing, dysfunctional system” he knows of, because private and public players “do not work in conjunction with each other”.

Medicare, funded by the federal government, covers some 50 million elderly and disabled people, while Medicaid, a joint state and federal

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Gerard Anderson,  
Johns Hopkins University

# 20million

NUMBER OF AMERICANS  
WITHOUT HEALTH INSURANCE

government programme, targets those living below the poverty line. Everyone else has to have private insurance. Most people access this through employers, but an estimated 20 million don't have insurance, either because they are not registered as citizens or are unemployed, Anderson says. Healthcare providers are generally private – both hospitals and small individual practices – which keeps prices high.

**O**bamacare was “a huge step towards universal care coverage”, says Yates, as it became compulsory to take out health insurance. Failure to do so by 31 January 2019 would have resulted

in a fine or tax penalties. However, president Donald Trump has repealed part of the law, meaning people without insurance no longer face these penalties.

Trump's administration is trying to “blow up” Obamacare, but doesn't have an alternative to put on the table, Yates says. “Republicans can't cobble together an alternative plan.”

By 2028, the federal government's costs are estimated to increase to \$2.9trn, according to the Committee for a Responsible Federal Budget. The country pays more per person – almost \$10,000 per person a year – than Australia, Canada, Denmark, France, Germany and the UK.

“We pay in the US approximately twice as much for the same service that exists in the UK or any other industrialised country,” says Anderson.

“It's not that we get more hospital days or doctor visits, or better doctor visits or more drugs, it's that we get more expensive services and drugs.”

There is also an “obsession with specialism”, Yates explains. Healthcare providers are very good at treating cancer, for example, and tend to keep people in hospital and intensive care for longer than required – which also raises the bill.

Care and drugs are unregulated, so insurance and healthcare providers can

set the prices they want. Costs could be regulated – as they have been in Maryland since 1971 – but this is considered “un-American”, Anderson says.

Robert Berenson, a fellow at US think-tank the Urban Institute, says: “Prices [of medical care and drugs] are what is driving costs.” He adds that regulating prices is “very unlikely” at a federal level, although it could be possible at a state level.

Bernie Sanders, the left-wing Vermont senator and challenger for the Democratic presidential nomination in 2016, proposed the ‘Medicare for all’ bill in September 2017.

He advocates the ‘single-payer system’ – one government-run healthcare insurance programme that would make care free for all with no co-payments.

Sanders has said single-payer is the “only long-term solution to America's healthcare crisis” and claims it will cost \$6trn less than the current healthcare system over 10 years. But analysis by the Mercatus Center at George Mason University in Virginia suggests that Sanders' plan would cost \$32.6trn over 10 years, requiring tax hikes.

John Auerbach, president of the Trust for America's Health, a non-profit policy organisation, tells PF that ‘Medicare for all’ is unlikely to happen in the next few years.

“It would be challenging to implement such a system nationally or even at a state level. In Vermont, there was an effort several years ago to move to a single-payer state-based programme, and, even though there was political support, it proved very complicated and expensive to do... so Vermont had to abandon that.”

It would also mean a big funding gap for the federal government – to cover the costs currently met by the private sector. Americans don't like paying taxes needed to raise the required revenue, Yates says – and Trump has been pursuing tax cuts.

Anderson suggests that single-payer “is no longer a viable alternative in the US”.

# \$1trn

AMOUNT TAXES WOULD HAVE TO BE INCREASED  
FOR A SINGLE-PAYER SYSTEM

He says: “For a single-payer system, you'd have to increase taxes by \$1trn.

“It's depressing but I think it's unfortunately real that we just can't go to single-payer because we won't afford it – not that we can't, but we won't afford it because we won't pay higher taxes.”

Berenson agrees there is “no chance” that a universal, publicly funded system will get the go-ahead. “Our anti-government attitude – which is increasing, not decreasing – and the politics in the US do not permit it.”

Yates points out that organisations such as hospitals, pharmaceutical companies and insurance providers have a vested interest and benefit from the current system. They “spend billions on advertising and propaganda trying to persuade the American people that a socialised healthcare system, like the rest of the world has, is like communism”, he says.

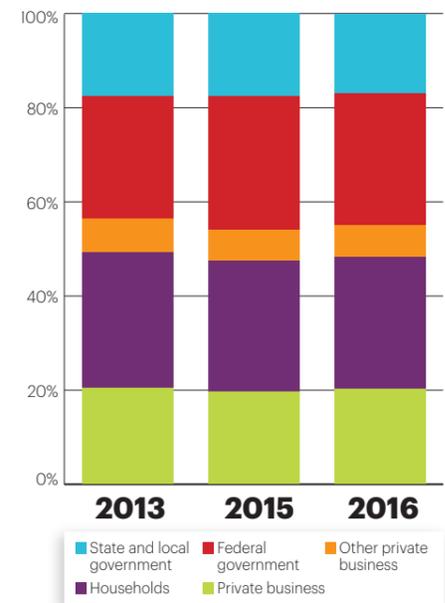
Lack of agreement among Democrats over what universal healthcare might look like is a further challenge. However, it is likely that whichever Democrat campaigns to be president in 2020, they will lead with a pledge to change the health system.

As the mid-term elections showed, there is will in the country for real change to healthcare – and perhaps for more public funds to be pumped into it.

“We should set a goal as a nation that every single person has access to affordable

**National health expenditures: distribution and growth**

By type of sponsor, selected years



high-quality care,” says Auerbach. “We need to make sure that our public health system is robust and that there are minimum guarantees for the American public that they can count on.”

Without doubt, it will be one “almighty battle” for the US to get something like the UK's National Health Service, says Yates, but he's “convinced” it will happen. ●

Specialist view: providers are very good at treating certain conditions but tend to extend hospital stays – and bills



► US HEALTHCARE SYSTEM

## At a glance

**Medicare:** a federal government health insurance programme for those who qualify by age (65+) or disability. It covers more than 50 million elderly or disabled people. Created in 1965, Medicare made healthcare a universal right – for those over 65. Different plans may cover hospital stays, doctors' services, medical supplies or prescriptions. Beneficiaries may still face some out-of-pocket costs, such as premiums, deductibles, co-payments or co-insurance.

**Medicaid:** a social security programme for poor citizens who can't afford any coverage. It is a joint federal government and state initiative created in the 1960s. It is administered at state level, so coverage varies across the country.

**The Affordable Care Act:** also known as Obamacare, the ACA extended health coverage to those who otherwise could not afford it and requires plans to meet minimum coverage standards. It ensures that everyone has access to ‘affordable’ care by regulating insurance. Uninsured individuals faced fines or tax penalties, but the Trump administration reversed this.

**Universal health coverage:** a Sustainable Development Goal that many countries have already moved to. According to the World Health Organization, it ensures “all people have access to needed health services of sufficient quality to be effective” and that “the use of these services does not expose the user to financial hardship”.

REUTERS/GETTY



Singleminded: Bernie Sanders proposed the single-payer Medicare for all bill in September 2017