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# THE CASE FOR HEALTH REFORM

The Moral, Economic, & Quality Motives for Action

HEALTH POLICY PROGRAM

NEW AMERICA FOUNDATION



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## Introduction

Our nation's health system is in crisis. Forty-six million Americans are uninsured and millions more are paying more than they can afford for health insurance that does not satisfy their health and financial needs. In the midst of economic uncertainty, U.S. businesses are losing ground to their foreign competitors and rising health care costs are placing increasing strain on federal, state, and local governments. Meanwhile, the American health system is fraught with errors and uncoordinated medical care.

Some say that now is not the right time to reform our health care system because of the worldwide economic downturn. No statement

could be more wrong. Our social and economic futures depend upon creating a sustainable health care system. To postpone health care reform would be unwise. Our system cannot be transformed overnight. But to achieve success we must begin to invest in a quality, 21st century health system today.

America can do better. Comprehensive health reform that ensures all Americans have quality, affordable health coverage, controls health care spending over time, and improves the quality of patient care is a moral and economic imperative. A sustainable system of coverage that includes every American will make our health system work better for us all.

# THE MORAL CASE FOR HEALTH REFORM

## **America can do better.**

It is unacceptable for hard-working Americans to go without affordable health care. As members of a community, we have a moral obligation to guarantee that our fellow Americans have health insurance so they can access quality, life-enhancing care when they need it.

# THE MORAL CASE FOR HEALTH REFORM

**America can do better.** It is unacceptable for hard-working Americans to go without affordable health care. As members of a community, we have a moral obligation to guarantee that our fellow Americans have health insurance so they can access quality, life-enhancing care when they need it.

**Health insurance saves lives.** Thousands of Americans die every year simply because they do not have health insurance and cannot access care.

- Controlling for other factors like race, age, income, and geography, the uninsured are 25 percent more likely to die than the insured.<sup>1</sup>
- The Institute of Medicine estimates that 18,000 uninsured people died in 2000 simply because they did not have access to the care that health insurance affords.<sup>2</sup> The Urban Institute recently updated the study, finding that in 2006, 22,000 people died because they did not have health coverage.<sup>3</sup>

**Quality health care provides access to important preventive and necessary services.** Uninsured Americans die sooner and remain sick longer than the insured because they lack access to necessary care and preventive screening.

- Controlling for age, race, sex, and income, uninsured cancer patients are 1.6 times more likely than insured patients to die within 5 years of diagnosis.<sup>4</sup>
- Uninsured individuals are less likely than insured individuals to receive preventive screening.

Table 1: Receipt of Preventive Measures by Insurance Status

	Percent of adults (over 50) who receive a scope procedure	Percent of women (40-64) who receive a mammogram	Percent of adult women who receive a pap smear
Insured	45.7%	73.1%	85.8%
Uninsured	18.6%	32.9%	62.0%

Source: National Center for Health Statistics, in "Health, United States, 2007: with Chartbook on Trends in the Health of Americans," 2007.

America can do better.

Health insurance saves lives.

Quality health care provides access to important preventive and necessary services.

Not all Americans get the care they need.

Too many Americans are worried about how they are going to pay their health care bills.

Americans should be free to pursue their dreams and reach their potential.

# THE MORAL CASE FOR HEALTH REFORM

“We as a country have a moral obligation to figure out a way for the 800,00 Tennesseans who do not have health insurance and the 45 million Americans that do not have health insurance to have it.”

--Senator Bob Corker  
(R–TN)

“The moral obligation to support each member of our community is as old as scripture.”

--Len Nichols,  
Director, Health Policy  
Program, New America  
Foundation\*

\*from “A Sustainable Health System for All Americans,” New America Foundation, July 2007.

- The uninsured are less likely than the insured to have access to routine medical care.

Table 2: Receipt of Medical Care by Insurance Status and Age

Adults	Percent of population with no health care visits	Percent of population with no usual source of care
Insured	12.4%	8.9%
Uninsured	43.6%	57.4%

Source: National Center for Health Statistics, in “Health, United States, 2007: with Chartbook on Trends in the Health of Americans,” 2007.

**Not all Americans get the care they need.** Americans currently have unequal access to health care services and experience unequal health care outcomes because of race, ethnicity, and income. Over time, disparities in access to preventive services, treatment of acute illnesses, management of chronic diseases, and timeliness of care will continue to worsen without action.<sup>5</sup>

- Access to an emergency room does not qualify as access to health care. While doctors are required to stabilize patients in an emergency, they are not required to treat their condition comprehensively.<sup>6</sup>
- Both African-Americans and Hispanics are more likely to be uninsured and less likely than non-Hispanic whites to have a usual source of care.<sup>7</sup>
- Poor women over 40 are 1.6 times more likely than their high-income counterparts to have gone without a mammogram in the past 2 years.<sup>8</sup>
- When considering core health care services,<sup>9</sup> like pregnant women receiving pre-natal care, the poor receive lower quality care than higher income individuals 71 percent of the time; African Americans receive lower quality care than non-Hispanic whites 73 percent of the time; Hispanics receive lower quality care than non-Hispanics whites 77 percent of the time.<sup>10</sup>

# THE MORAL CASE FOR HEALTH REFORM

**Too many Americans are worried about how they are going to pay their health care bills.** Lack of health insurance threatens the financial stability of individuals and their families.

- In 2001, nearly 2 million Americans cited medical costs as a reason for their bankruptcy. This represents 50 percent of people filing for bankruptcy.<sup>11</sup>
- On average, the uninsured are 9 to 10 times more likely to forgo medical care because of cost and twice as likely to have medical debt.<sup>12</sup>

**Americans should be free to pursue their dreams and reach their potential.** The current health system forces workers to stay in their jobs because they fear being unable to secure affordable health coverage on their own.

- Nearly one-quarter (23 percent) of Americans reported taking a new job or staying in a job in 2008 because of better health insurance benefits.<sup>13</sup>

**“Health care is not just another commodity. Good health is not a gift to be rationed based on ability to pay. The time is long overdue for America to join the rest of the industrialized world in recognizing this fundamental need.”**

**--Senator Edward M. Kennedy (D-MA)**

# THE MORAL CASE FOR HEALTH REFORM

**“Walk in the shoes of someone without health insurance. They live in fear every day. Fear that their child will get sick but can’t see a doctor. Fear that their spouse will have a serious accident that prevents them from working. And the constant fear that they are one step away from medical bankruptct. America should not accept such failure.”**

**--Newt Gingrich\***

\*Co-authored with David Merritt

## Endnotes

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# THE ECONOMIC CASE FOR HEALTH REFORM

**America cannot afford our  
current health system  
any longer.**

Rising health care costs threaten the economic future of employers, workers, governments, and American households.

# THE ECONOMIC CASE FOR HEALTH REFORM

America cannot afford our current health system any longer

More and more Americans find quality health coverage simply unaffordable.

We must reform our nation's health care system—not despite our economic crisis, but precisely because of the impact it has on U.S. workers and businesses.

U.S. businesses and hard-working Americans are suffering.

**America cannot afford our current health system any longer.** Rising health care costs threaten the economic future of employers, workers, government, and American households.

*The current economic downturn is serious. The federal investment in economic recovery has made some doubt that we can afford to finance comprehensive health reform. Yet, as Senator Max Baucus said in a Senate Finance Committee hearing in November 2008, "Health care reform is not a distraction from addressing the economy, health care reform is central to restoring America's economy. Comprehensive health reform legislation must be part of any successful economic recovery plan."<sup>1</sup> Health care represents 16 percent of our economy. It is also the fastest growing component of our economy. We cannot "restore" our economic health if we ignore our health care system.*

**More and more Americans find quality health care coverage simply unaffordable.** The share of median family income spent on family health insurance jumped from 7.3 percent in 1987 to 16.8 percent in 2006.<sup>2</sup> Worse yet, the full cost of family employer-sponsored health insurance will be more than \$24,000 in 2016. This means half of American households would need to spend more than one-third of their income to buy health insurance for themselves and their families.<sup>3</sup> These cost-to-income trajectories cannot be sustained.

- From 1999 to 2007, employee health insurance contributions rose by 102 percent.<sup>4</sup>
- In 2006, one-fifth of the nation spent more than 10 percent of their income on out-of-pocket medical expenses.<sup>5</sup>
- The average deductible will reach nearly \$2,700 in 2016 – almost doubling the amount Americans will have to spend before their insurance begins to pay for their medical care.<sup>6</sup>

**We must reform our nation's health care system - not despite our economic crisis, but precisely because of the impact it has on U.S. workers and businesses.** The income and productivity our economy loses every year because of the poor health and shorter lifespan of the uninsured is as much as and perhaps greater than the public cost of covering all Americans.

# THE ECONOMIC CASE FOR HEALTH REFORM

- The U.S. economy lost more than \$207 billion in 2007 because of the poor health and shorter lifespan of the uninsured. This is over \$4,500 per uninsured resident – more than the cost of providing that person quality health coverage. This calculation does not take into account other spillover costs.<sup>7</sup>

**U.S. businesses and hard-working Americans are suffering.** The employer health care burden makes it difficult for employers to compete in the 21st century global economy. Rising health care costs threaten the profitability of U.S. businesses, the stability of American jobs, and workers' wages. In addition, globalization makes it impossible for firms to shift health care costs into the prices of their goods. As a result, employers are reducing or eliminating health benefits and workers are paying a larger share of the bill.

- Manufacturing firms in the United States pay more than twice as much in hourly health costs as their major trading partners—\$2.38 per worker per hour versus \$0.96.<sup>8</sup>
- The percentage of employers offering health benefits has declined from 69 percent to 60 percent since 2000.<sup>9</sup> Over the same period, the average worker contribution for family coverage increased by 102 percent, while average wages only increased by 3 percent.<sup>10</sup>
- The United States spends upwards of 15 percent of GDP on health expenditures and more than \$6,000 per capita. Our major trading partners like Japan, France, Germany, Canada, and the U.K. spend between 7.8 percent and 10.6 percent of GDP and \$2,300 and \$3,200 per capita on health care.<sup>11</sup>

**The consequences stemming from a lack of health insurance only worsen during slow economic times.**

- A 1 percentage point rise in the unemployment rate would increase Medicaid and SCHIP enrollment by 1 million and cause the number of uninsured to grow by 1.1 million. That change would increase total Medicaid and SCHIP costs by \$3.4 billion, which includes \$1.4 billion in state spending.<sup>12</sup>
- The health insurance subsidies included in the American Reinvestment and Recovery Act will lessen the potential increases in the uninsured; however, we will likely still see an increase in the uninsured as a result of the current economic downturn. We have much work left to do to solve the underlying, long-term problems of our health care system.

**The consequences from a lack of health insurance only worsen during slow economic times.**

**The insured have higher health care bills.**

**Workers are less productive.**

**Health care costs jeopardize the financial stability of our government.**

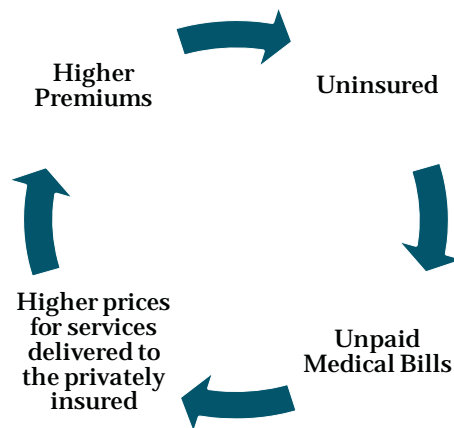
**The cost of health reform is small relative to the potential gain**

# THE ECONOMIC CASE FOR HEALTH REFORM

“The question isn’t how we can afford to focus on health care, the question is how can we afford not to. Because in order to fix our economic crisis and rebuild our middle class, we need to fix our health care system too.”

--President Barack Obama

**The insured have higher health care bills.** Families across America pay a “hidden tax” to provide health care to the uninsured. When medical bills go unpaid, providers attempt to recoup the lost revenues by raising the rates for services delivered to the privately insured. As a result, insurers raise premiums. This vicious cycle inextricably links the uninsured to health care costs and by extension premium rates.



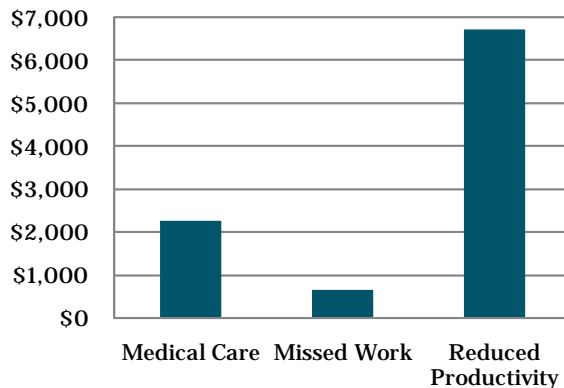
- While estimates vary, the hidden tax is likely between 3–11 percent of health care premiums. In terms of premium costs, this adds between \$360 and \$1300 to the price of a family’s health insurance coverage per year.<sup>13</sup>

**Workers are less productive.** The uninsured are more likely to be sick unnecessarily for long periods of time. Poor health decreases workplace productivity.

- The loss in workplace productivity stemming from poor health reduces total productive work hours by as much as one-fifth.<sup>14</sup> For an employee working 40 hours a week, this equates to as much as 4 days a month in lost work time.
- A case study of Dow Chemical Company shows that productivity losses from depression were greater than the total losses from the cost of medical care, missed work days, and decreases in on-the-job productivity as a result of all other chronic conditions.<sup>15</sup>

# THE ECONOMIC CASE FOR HEALTH REFORM

Figure 1: Cost of Missed Work, Medical Care, and Reduced Productivity, Chronic Conditions, Dow Chemical Company 2002



Source: James J. Collins, et al., in *Journal of Environmental and Occupational Medicine*, 2005.

**Health care costs jeopardize the financial stability of our government.** Rising health care costs place increasing strain on state and local budgets and threaten the sustainability of the Medicare and Medicaid programs. Health care is consuming a greater and greater share of the federal budget. Over time, health care spending could endanger other vital spending priorities or continue to increase our federal deficits.

- Former CBO Director and current OMB director, Peter Orszag, has said consistently that rising health care costs are the largest threat to our nation's long-term fiscal future.<sup>16</sup>
- By 2035, health care spending will account for more than 30 percent of U.S. GDP—double its current share of 15 percent.<sup>17</sup>
- Medicaid accounted for 21.2 percent of state spending in 2007, an increase of more than 6 percent over 2006.<sup>18</sup>
- Medicare reform is the key to fiscal sustainability. The key to Medicare reform is creating a more value-based, efficient delivery system. Delivery system reform is a necessary complement to coverage expansion. Therefore, health care reform is inextricably linked to a more fiscally sustainable Medicare program and a sound federal budget.

“Health care is no longer just a moral crisis; it has become an economic crisis as well. Our economy is no longer national, but international. We are not going to drive into the future looking in the rear view mirror. We need new 21st century ideas and partnerships if America is going to thrive in today's global economy.”

--Andy Stern,  
President, SEIU

# THE ECONOMIC CASE FOR HEALTH REFORM

**“Finding ways to make the health care system more efficient and cost-effective will reduce costs for all health care users, public and private, and that will pave the way toward getting Federal spending truly under control.”**

**--Senator Max Baucus  
(D-MT)**

**The cost of health reform is small relative to the potential gain.** While genuine reform will require new spending in the short run, the economic and social cost of inaction are high and they will only rise over time.

- The funding necessary to finance comprehensive health reform is credibly estimated to be about 1 percent of GDP (\$140 billion in 2007).<sup>19</sup>
- Health care spending that does not add clinical value accounts for 5 percent of GDP.<sup>20</sup> Reducing this unnecessary spending by 1/5 could pay for covering the uninsured.
- CMS projects that total health spending in 2016 will be \$4 trillion. If we could cut spending that does not add clinical value by just 10 percent per year for 10 years, total health spending would be \$900 billion lower.<sup>21</sup> That is \$900 billion that we could spend on the uninsured, education, infrastructure, energy independence, defense, and other national priorities.

# THE ECONOMIC CASE FOR HEALTH REFORM

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**"The nation's long-term fiscal balance will be determined primarily by the future rate of health care cost growth."**

**--Peter Orszag,  
Director, Office of  
Management and  
Budget & Former  
Director, Congressional  
Budget Office**

# THE QUALITY CASE FOR HEALTH REFORM

**Patients deserve the highest  
quality care.**

Reforms that ensure that all Americans have quality, affordable health coverage will make our health system work better for everyone.

# THE QUALITY CASE FOR HEALTH REFORM

**Patients deserve the highest quality care.** Reforms that ensure that all Americans have quality, affordable health coverage will make our health system work better for everyone.

**Americans receive both good and bad care.** There are many excellent nurses, doctors, and hospitals in America. However, there are too many mistakes and too few efforts to coordinate care in our health system. This harms the quality of care that patients receive.

The United States has the most responsive<sup>1</sup> health care system, according to the World Health Organization. However, there are still many shortcomings.

- Between 44,000–98,000 Americans die from medical errors annually.<sup>2</sup> The U.S. has the highest rate of death—almost double—as a result of surgical and medical errors when compared to other OECD nations, which include: Japan, Germany, Great Britain, Canada, and France, among other countries.<sup>3</sup>
- Medical errors cause more deaths per year than breast cancer, AIDS, or motor vehicle accidents and cost our economy between \$38 and \$50 billion.<sup>4</sup>
- Americans receive the recommended standard of care less than half the time.<sup>5</sup>

**Paying doctors in a way that makes sense will allow them to focus on patient care.** Most doctors have to see more patients than they would like in order to keep up in our current system. Making sure we pay good health care providers for keeping people healthy will allow them to spend more time with patients, improve health, and save money.

- In 2004, the average length of an office visit with a doctor was less than 20 minutes per patient.<sup>6</sup>
- Community Care of North Carolina assigns Medicaid patients to doctors who are paid to manage their patients' chronic illnesses. This comprehensive payment system cost \$8.1 million to implement, but saved over \$240 million in one year.<sup>7</sup>

Patients deserve the highest quality care.

Americans receive both good and bad care.

Paying doctors in a way that makes sense will allow them to focus on patient care.

Twenty-first century information tools combined with more knowledge about best practices will allow doctors to spend more time helping patients make informed decisions about their health.

Our communities suffer from over-burdened emergency departments.

# THE QUALITY CASE FOR HEALTH REFORM

**“Most consumers today don’t have the information to make informed decisions about treatments or providers. Most providers are paid the same whether they deliver the highest quality or the lowest quality care, irrespective of their cost-effectiveness. The only solution to reforming health care over the long term is to change these two dynamics – consumers must have the information and incentives to make the best choices for them; and providers need to be rewarded for doing a better job.”**

**--Peter Lee,  
Executive Director,  
Pacific Business Group  
on Health**

**Twenty-first century information tools combined with more knowledge about best practices will allow doctors to spend more time helping patients make informed decisions about their health.** Even great doctors could use tools to keep them up-to-date on the latest technologies and medications and support their efforts to strengthen the doctor-patient partnership.

- It takes an average of 17 years for new, effective treatments to be incorporated into routine patient care in the current system.<sup>8</sup>
- Only 37 percent of U.S. primary care doctors report receiving information about their patients from specialists after a referral.<sup>9</sup>

**Our communities suffer from over-burdened emergency departments.** The uninsured place unnecessary burdens on emergency care providers because they do not have access to regular primary care. All Americans need to be in the system in order for our emergency departments to function at the highest level possible when we need them most.

- The costs associated with uncompensated care for the uninsured and under-insured cause many emergency departments to close. Between 1993 and 2003, 425 emergency departments closed nationwide.<sup>10</sup>
- Median emergency department waiting times increased by 36 percent between 1997 and 2004.<sup>11</sup>
- Seventy-five percent of emergency departments report difficulty finding necessary specialists because physicians are increasingly hesitant to provide uncompensated care.<sup>12</sup>
- In 2003, over 500,000 ambulances—one every minute—were turned away from overcrowded emergency departments.<sup>13</sup>

**We spend money on things that do not make patients healthier.** Scholars generally agree that there is a substantial amount of spending on procedures and medicines that do not add clinical value in our health system.<sup>14</sup> Our system could save money and improve the overall quality of care by reducing unnecessary spending and directing resources to treatments that actually help patients.

# THE QUALITY CASE FOR HEALTH REFORM

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**“If you believe the Institute of Medicine’s report that about 90,000 people a year have preventable problems that may occur in hospital and other settings and that they die from that, that’s the equivalent of a 747 airplane crashing about every two and a half days. Every two and a half days. Would this country tolerate this in the airline industry?”**

**--Denis Cortese, CEO  
Mayo Health System**

# CONCLUSION

**“[W]e owe it to ourselves and to the American public to reduce the rhetoric, to weigh the benefits and shortcomings of every aspect of health care reform, and to admit that compromise will be necessary to develop a reform proposal that will make sense in our country.”**

**--Senator John Chafee  
(R-RI)**

As Americans, we have a moral responsibility to our communities and an economic obligation to the U.S. economy to create a more sustainable health system that performs at the highest level for us all. Many approaches to solving our nation’s health crisis could be successful. A comprehensive health reform proposal, however, must be bipartisan to be legislatively possible and politically sustainable over time. To be truly bipartisan, each party must realize its core values in the policy solution. For Republicans, this means that markets, choice, and sound budgetary constraints must play a central role. For Democrats, the proposal must benefit all Americans, especially the most vulnerable.

As the late Senator John Chafee (R-RI) said during the last serious debate about health reform, “[W]e owe it to ourselves and to the American public to reduce the rhetoric, to weigh the benefits and shortcomings of every aspect of health care reform, and to admit that compromise will be necessary to develop a reform proposal that will make sense in our country.”

# USEFUL RESOURCES

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MAIN OFFICE  
1899 L Street NW  
4th Floor  
Washington, DC 20009  
Phone 202 986 2700  
Fax 202 986 3696

CALIFORNIA OFFICE  
921 11th Street  
Suite 901  
Sacramento, CA 95814  
Phone 916 448 5189  
Fax 916 448 3724



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