U.S. Healthcare: Challenges and Solutions

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Introduction

Through the following essay, I will show that the U.S. healthcare system is failing to meet the standards it should be as a global superpower. I will achieve this by highlighting the specific issues faced in the U.S. healthcare system. I will then discuss historic U.S. healthcare reform and evaluate which elements of these reforms have since succeeded or failed. Finally, I will review healthcare reform bills that are currently being considered by Congress and assess whether these bills could make a positive impact on the U.S. healthcare system and how plausible they are.

Background

The U.S. is unique in that it is the “only industrialized country in the world that does not have Universal Health Coverage for all citizens” (Slaybaugh, 2017). It is clear, therefore, that the U.S. healthcare system is failing to fulfil its requirements. Through the following section, I will outline the specific issues that the U.S. healthcare system faces in order to show why it is not operating as it should.

The Insurance System

The most notable and isolated issue faced in the U.S. healthcare system is the insurance trap. If you are unemployed in the U.S. you are likely to be poorly covered by health insurance, if covered at all. However, without adequate health insurance, costs of healthcare are extortionately high. Unemployed people therefore risk bankruptcy if they suffer from a serious illness or injury. This creates an ‘insurance trap’ whereby those with injuries or illnesses that prevent them from working are

unable to ever escape the debt burden of their healthcare costs. This can fill unemployed people with despair, as there seems no way out of the trap. It also makes the cost of losing one's job incredibly high, as 55.7% of Americans receive coverage through their employer (Slaybaugh, 2017). Even "one-third of *insured* adults worry about affording their monthly health insurance premium, and 44% worry about affording their deductible before health insurance kicks in" (Montero et al, 2022). According to the American Bankruptcy Institute, healthcare costs are the "number one cause of bankruptcy for American families" (ABI, 2023). Therefore, nobody is safe from the anxiety that the mixing of health and profit through the insurance system creates.

Furthermore, being insured is not necessarily the answer. This is because there are host of issues with the insurance industry. For example, insurance companies are incentivised to prevent unnecessary expense, as a responsibility to shareholders. This can have devasting effects on the consumer however, when the industry is health. Often this results in coverage of illnesses, only when cheaper medication is prescribed. This can result in the recommended course of treatment being abandoned. A 2018 American Medical Association survey found that 57% of physicians surveyed reported that prior authorisation of a medication from healthcare providers sometimes leads to the abandonment of treatment, and 21% reported that it often or always leads to patients abandoning their recommended course of treatment (AMA, 2018).

Additionally, according to Shmerling, "one hallmark of US healthcare is that people tend to get care in a variety of settings that may have little or no connection to each other" (Shmerling, 2021). The American system suffers from fragmented care. This is because hospitals are often tied to insurance companies through contracts. This means that insurance companies consider some hospitals 'in-network' and others 'out of network'. Hence, people tend to get care from different providers who do not

cooperate or share results. Patients therefore often have to repeat tests because results are not readily available. This issue can also lead to consumers suffering from unexpected costs. This was the case for Shmerling's neighbour who said that while they used an in-network provider for their knee surgery, the anaesthesiologist was out-of-network, so they incurred additional costs which they had not anticipated (Shmerling, 2021).

Issues Caused by For-Profit Healthcare

There are also some 'natural' issues that arise out of a for-profit healthcare system, namely the over prescription of drugs and procedures and a lack of emphasis on preventative care. Stopping these side effects of a for-profit system is always going to be a challenge, because doctors are incentivised to sell healthcare like a product. This often causes physicians to be lured into malpractice by pharmaceutical companies and laboratories who offer them illegal sales-based commission. In 2022 for example, a kickback scheme in Texas was discovered and fifteen doctors had to pay a combined $2.8 million in order to settle allegations of receiving remuneration in exchange for the ordering of laboratory tests from Little River, True Health and Boston Heart (Justice.gov, 2022). The U.S. also scores poorly in preventable hospitalisations and health education, "in 2006, nearly 4.4 million hospital admissions, totalling $30.8billion in hospital costs, could have been potentially preventable" (Jiang et al., 2009). This is because money in the healthcare industry is not made from preventing illness altogether, but from treating it. Therefore, there is a lack of incentive to keep people healthy from the offset. This means that while the U.S. scores highly in providing top class facilities and procedures, it scores poorly in preventing avoidable deaths.

How does U.S. Healthcare Compare Globally?

These issues surrounding the U.S. system become even more apparent when compared to other countries around the world. It is partially because of these issues that whilst the U.S. is the largest economy in the world, it is only 21st on the human development index (UN, 2023). This is because according to Shmerling, "despite spending far more on healthcare than high-income nations, the US scores poorly on many key health measures including life expectancy, preventable hospital admissions, suicide, and maternal mortality" (Shmerling, 2021). For reference, the U.S. spends 16.6% of its GDP on healthcare, whereas the UK spends 11.3%, Sweden 10.7% and Norway 8% (Statista, 2022). Despite spending far more on healthcare, the U.S. does not provide universal coverage for all its citizens, which shows that Americans are paying more for healthcare than they should be. This is the logical result of a for-profit healthcare system, where there is more money to be made by treating people than keeping them out of hospitals. This results in a system where those who can afford healthcare pay too much, and those who cannot, receive no healthcare at all.

A key contributing factor to the U.S.'s poor prevention of hospital admissions is a lack of quality healthcare policy, specifically surrounding smoking and healthy eating. Smoking, the leading cause of preventable death, claims the lives of 480,000 Americans annually. While U.S. law mandates that 50% of cigarette packets be covered by health warnings, legal complications mean that tobacco companies have not adhered to the rules. Since 2011, when the FDA released nine images to be displayed on cigarette packages, tobacco companies have been lobbying to prevent the enforcement of this rule. For example, some tobacco companies, such as R.J. Reynolds claimed that "the FDA's graphics violated the First Amendment" (Sachs, 2023). This is because they felt that the government was forcing tobacco companies

to push a message that was in line with the government's rhetoric, instead of their own. For this reason, the U.S. is one of a few developed countries with only a small text-only warning. Trends suggest that the psychological effect of warning pictures is real. For example, the U.K. and New Zealand who both have warning images that cover most of the package both have smoking rates of less than 20%, whereas the U.S. has a smoking rate of 25% (World Population Review, 2023). The story of business having too much power over healthcare is the same when it comes to food standards. The artificial dyes Red 40, Yellow 6, Yellow 5 and Blue 1 account for "90 of the dyes used in foods" in the U.S. (Potera, 2010). However, they are banned in the UK due to their links to hyperactivity in children. Similar steps have been taken in the EU, "in Europe, as of July 2010 most foods that contain artificial dyes must carry labels warning they may cause hyperactivity in children" (Potera, 2010). This move in the EU has incentivised many brands to move to natural colouring ingredients to avoid having to plaster the warning label on their products. The U.S.'s lack of food standards regulations is putting unnecessary strain on the healthcare system at the expense of the average American. While big businesses gain from being able to cut corners in the production of food, the American healthcare system suffers through a high level of preventable admissions. It is clear therefore that there are issues in the U.S. healthcare system that need addressing. Through the following sections, I will discuss previous attempts to solve the issues faced by the U.S. system and evaluate whether or not they have succeeded. I will then discuss two potential reforms that are being considered and discuss both the plausibility and pros and cons of the policies should they be enacted.

Reform Status

Past Reform

Healthcare reform in the U.S. begins with the Medicare and Medicaid Act of 1965. This was introduced by Lyndon B. Johnson's Democratic Party. The act provided state-funded health insurance to all individuals aged 65 or older, and to some under 65 with limited incomes. Johnson passed the act out of necessity as by the 1960s, insurance companies were consistently failing to provide comprehensive coverage for a reasonable price to those who needed it most. This is because insurance providers saw the elderly as too high a risk to insure, and thus charged unaffordable premiums. The 1950 census showed that only 1/8th of older Americans had health insurance (National Archives, 2022). The act therefore combatted this issue by ensuring that all elderly people had access to adequate healthcare. Despite the positive intentions behind the Medicare and Medicaid Act, Johnson did not predict just how much it would cost the taxpayer in the long run. Annual federal healthcare costs have increased from $27.1 billion in 1960 to $4.3 trillion in 2021 (CMS, 2021). Additionally, between 1960 and 2013, healthcare expenditures as a proportion of GDP have increased from 5% to 17.4% (Catlin and Cowan, 2015). Therefore, while the Medicare and Medicaid Act of 1965 made some essential changes to the healthcare system, subsequent mismanagement of the system has sent U.S. healthcare costs spiralling.

One significant recent attempt to address the challenges faced in the U.S. healthcare system is the Affordable Care Act of 2010. The act provided 'premium tax credits' to "lower costs for households with incomes between 100% and 400% of the federal poverty level" and expanded the Medicaid program to cover individuals with

income below 138% of the federal poverty level (Healthcare.gov, 2023). While the act has brought health insurance to the highest total of Americans on record, more than 40 million (ASPE, 2023), the ACA has faced fierce opposition from high-ranking Republicans since its introduction. “Newsweek has found at least 70 Republican-led attempts to repeal, modify or otherwise curb the Affordable Care Act since its inception” (Riotta, 2017). Opposition to the ACA has not been limited to congresspeople either. On Donald Trump’s first day in office as President of the United States, he signed an executive order that aimed to “ease the burden of Obamacare as we transition from repeal to replace” (Morrongiello, 2017). However, despite the executive order and subsequent attempts by Republicans to repeal the ACA, it still stands in U.S. law. What is clear however, is that Republicans will continue to oppose the Affordable Care Act until its repeal. This therefore would suggest that there is room for further or different reform.

Potential Solutions

Some left-wing policymakers like Jayapal, Dingell and Sanders think that reform such as ACA does not go far enough. In 2023, the politicians introduced the Medicare for All Act. The act would bring universal health coverage to all Americans, including the 85 million individuals currently under or uninsured (Jayapal, 2023). Jayapal, Dingell and Sanders argue that introducing universal healthcare is an important step that is required to bring the U.S. in line with other global leaders. A lack of access to universal healthcare in the U.S. has resulted in life expectancy being 3.9 years below, and the infant mortality rate being 50% higher than, the OECD average (OECD, 2023). Life expectancy in the U.S. is also declining and is now the same as it was in 1996.

Furthermore, as a result of a lack of universal healthcare, “In 2021, nearly 1 in 5 adults in the U.S. with diabetes either skipped, delayed or used less insulin than was needed to save money” (Jayapal, 2023). It is clear therefore that the cost of healthcare in the U.S. has had adverse effects.

Introducing universal healthcare would however come at a great cost. Healthcare expenditures in the U.S. amount to over 17% of GDP as it is, and through nationalising health, initial costs are bound to go up. Furthermore, nationalising health will cause inefficiencies at first, as healthcare providers will need time to organise a structure under one unified network. There may also be a decline in technological advancement, as there will be less monetary incentive for healthcare companies to innovate. Crucially however, the introduction of Medicaid for All would put further pressure on the U.S.’s spiralling debt burden. If the act was introduced, new or higher taxes would be required to offset the increase in government spending. As taxes are always politically unpopular, politicians are incentivised to borrow to cover spending gaps, rather than to introduce new taxes. If this were the case with Medicaid for All, future generations would suffer from an even greater debt burden which has already been exacerbated by the Coronavirus pandemic. This spiralling debt burden is therefore the key reason why the Medicare for All Act will not get enough support in congress. Not only will all republicans oppose it, fiscally conservative democrats will also oppose the bill. Therefore, for there to be any hope for the bill, at a minimum there must be a strong democratic majority in both chambers.

One potential reform that would benefit from more bipartisan support is Biden’s Public Option. President Biden says that through the introduction of a Public Option, more than 97% of Americans will be insured (Porretta, 2022). A Public Option is an insurance plan that is provided by the government. By introducing a government

insurance plan, private insurance premiums will be driven down to match government competition. This therefore would cut out overinflation of insurance prices and some loopholes used by insurance companies to maximise profits, such as not approving certain medication. Instead, the Public Option will act as a non-profit alternative to expensive healthcare plans and will cover essential healthcare procedures. The Public Option would also bring affordable health insurance to people in areas of socio-economic deprivation, which would help to address the imbalance in the provision of healthcare in the U.S. which has resulted in the U.S. performing so poorly on development indexes. While some liberal economists would argue against the Public Option as it introduces artificial competition to the market, the fact that it upholds the current system of private insurers may win it some popularity with fiscal conservatives. The Public Option is therefore the potential reform which is most likely to pass. Its progress so far has been halted not by Congress in general, but disunity within Biden's own Democratic Party. This is because Democrats on the left-wing of the party are more in favour of policies such as the aforementioned Medicare for All Act. They believe that by upholding the system of private insurers, Biden's Public Option treats the problems of U.S. healthcare, but does not cure them. However, the Public Option is the healthcare reform most likely to garner support across party lines, and so left-wing Democrats may concede in negotiations over time and accept Biden's solution over no solution.

Conclusion

While a single-payer system as observed in the UK is unlikely to ever pass in US congress, some issues with the US healthcare system could be addressed through a

‘public option’ insurance scheme. A ‘public option’ would make insurance quotes more competitive and provide insurance to those in areas of low income. However, while a ‘public option’ would be best suited to the framework of the US healthcare system, attempts to push it through congress have gone cold. Therefore, swooping healthcare reform is unlikely to take place at all under the current congressional arrangement. A majority in both the House and Senate will be required to make any significant changes to the current flawed system.

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