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A 10-Point Plan for Universal Healthcare Coverage

by

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Our country faces three terrible and worsening healthcare crises.

First, 47 million Americans, including 8 million children, have no health insurance coverage. In 1987 the uninsured totaled 32 million. In two decades, we've seen nearly a 50% rise in those without health insurance.

Second, Medicare and Medicaid costs threaten to bankrupt the country. Today's elderly are now on average receiving more than \$15,000 per year from these programs. When all 77 million baby boomers are fully retired, the average benefit will exceed \$25,000, in today's dollars, if benefit growth is not restrained. The two programs' inflation-adjusted annual costs will run close to \$1.5 trillion.

These huge pending annual healthcare costs are largely responsible for the roughly \$70 trillion fiscal gap, in present value, separating projected federal expenditures and receipts. This fiscal gap provides the true measure of our nation's indebtedness, because it puts all future obligations, implicit and explicit on an equal footing. Seventy trillion dollars is a whole lot of money, even in an economy as large as ours. It goes well beyond anything the nation can pay.

The third healthcare crisis involves enormous healthcare obligations facing employers, many of whom are drowning in healthcare bills. General Motors, for instance, is sitting on a \$15 billion healthcare liability that may ultimately spell its bankruptcy.

The three crises are interconnected. Employers are reacting to the high cost of healthcare by eliminating their health plans. This is swelling the ranks of the uninsured.

In 2000, 66% of non-elderly Americans were covered by employer-based health insurance. Today's figure is 59%.

Those employers that continue to offer health insurance are asking their employees to pay for ever-larger shares of the premiums. But millions of American workers are saying "no thank you" and declining coverage in their employers' plans.

As the uninsured run out of funds to cover their healthcare bill, more and more end up on Medicaid. Since 2000, Medicaid enrollments have soared by 35%.

And, to close the circle, the fee-for-service reimbursement system used by Medicare and, to a lesser extent, by Medicaid has contributed significantly to the overall rise in the price of healthcare and, consequently, to the healthcare costs employers now face.

The major presidential candidates are advocating policies that address only one of our three healthcare problems: the 47 million uninsured. Their campaign-trail solutions entail sticking the uninsured in what is best described as a loser's insurance pool, in which participants receive third-rate insurance coverage thanks to significant co-payments, high deductibles, exclusions and ceilings on coverage. Since the expected healthcare costs of this population are much higher than average, the insurance companies will provide coverage only if they are compensated at a higher price than they would charge the general population.

To finance this higher price, the candidates propose offering direct government subsidies and forcing all employers who don't provide health insurance coverage to pay a special fee per worker. Those uninsured who don't work, including many very poor people, will be required to buy a health insurance policy. Finally, to limit the size of the losers' pool and the costs of the per-loser premium, the candidates propose substantially expanding Medicaid coverage. As for Medicare, they propose no changes.

The proposals might play well on the campaign trail, but they are hardly the answer to America's healthcare problems.

Worsening Medicaid's finances and letting Medicare's further hemorrhage will leave no money for anything else, let alone massive government subsidies for losers' insurance. And rather than help employers exit the health insurance business, these schemes permanently trap all employers in it. Worse yet, they may suggest to employers that they dump their plans and simply pay the loser's insurance tax for all their workers, lest the government pass a law that compels them to indefinitely maintain their current very expensive plans.

As for forcing the uninsured poor to pay for their own coverage, good luck. There is no way to force someone who is poor to buy health insurance, meaning we'll still end up with an army of uninsured when all is said and done.

What's needed is a universal healthcare plan that provides a single fix for all three of our crises. I call the solution the "Medical Security System." The 10-point plan is simple.

First, the plan provides universal coverage. The "Medical Security System" would replace our current Medicare, Medicaid and employer-based healthcare systems. Second, the plan annually provides each American with a health insurance voucher.

Third, those with higher expected healthcare costs receive bigger vouchers.

Fourth, each year participants use their voucher to purchase a basic health plan.

Fifth, participants can change their health plans annually.

Sixth, the government defines the basic policy.

Seventh, the basic policy will cover drugs, home healthcare and nursing home care.

Eighth, each plan must cover the basic policy and accept any and all Americans who wish to join the plan or buy the policy.

Ninth, health plans are free to compete for participants via co-payment rates and deductibles, as well as incentives to exercise, reduce weight, stop smoking and otherwise improve health.

Tenth, the government fixes its total annual voucher budget as share of GDP so that the nation can't go broke due to healthcare expenditures.

The best part of the plan is that it requires very little new financing. Add up everything federal and state government now shells out on healthcare — both directly and indirectly via tax breaks — throw in some significant administrative savings, and you arrive at roughly 90% of the money needed to pay for the “Medical Security System.”

In addition to resolving three terrible problems, the plan is highly progressive. It eliminates huge tax breaks to the rich and provides vouchers based on medical condition — and the poor are, on average, in much worse medical shape than the rich.

Finally, the healthcare fix preserves and would in fact greatly strengthen our competitive healthcare industry. The plan institutes universal health insurance, not universal healthcare per se, although universal healthcare is the end result. The distinction is important.

What's being proposed here is not a government-run healthcare system. It is a plan for the government to redirect its current expenditures to a new system that is efficient, equitable and highly competitive — and that won't drive our nation broke.

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