

## **The Affordable Care Act Versus Universal Healthcare**

Prepared by the Current Issues Club Research Team ... November 2014

*Not single-payer.* The U.S. has a multi-tiered system. The ACA retains the same complex structure as before, while adding another layer through the introduction of health care “exchanges” for previously uninsured Americans. The majority of Americans continue to access care through (1) health insurance plans from their employer; (2) fifty million through Medicare; (3) another sixty million through state-federal Medicaid arrangements.

Extending Medicare to everyone would have created a single payer system. It would also have changed the nature of health insurance in the US by radically changing the role of private insurance companies.

*Not universal coverage.* The individual mandate, derived from a Republican precedent in Massachusetts, broadens coverage, but relies on a fundamental insurance principle—care depends on type of coverage—and compels Americans to purchase insurance to access care. Americans now have more affordable insurance options and subsidies to cover their costs, and the lowest-income may be eligible for public coverage through the expansion of Medicaid. Still only half of the estimated forty-plus million uninsured are affected by the ACA.

The individual mandate is one of the three legs of the ACA each of which was necessary for it to succeed as an insurance system: (1) community rating—insurers can’t discriminate based on medical history; (2) mandated insurance to avoid adverse selection (insuring only people who don’t get sick); (3) means testing to provide subsidies to lower income individuals.

*Not “national” health insurance.* The implementation of the ACA will further exacerbate regional and state differences, mainly as a result of the Supreme Court decision to curtail the federal government’s requirement for states to expand their Medicaid coverage. Only about half of the states have chosen to sign on to the new Medicaid program.

States like Texas have excluded millions of citizens who don’t qualify for Medicaid under their strict standards, but who don’t have income high enough to qualify for subsidies. For example, a single adult without children earning below the Federal poverty level can’t qualify for Medicaid because Texas refused Federal Medicaid funds but also can’t qualify for a subsidy under the ACA.

*Not equal access.* The ACA addresses access to care and wait times in its provisions for insurance reform, such as lifting pre-existing conditions and limits on co-payment. But for all of the emphasis on affordable care, the new law reinforces the notion that access depends on how much you can afford, not how much you need. In the health insurance exchanges, the price of premiums depends on your age, health, income, and on whether you opt for bronze, silver, gold or platinum coverage.

*Not cost containment.* The sharpest critics of the ACA argue it does little to address the fundamental challenge of health care—cost control. The new law includes a review of Medicare reimbursement and the expansion of Accountable Care Organizations to reward cost-effective care. But it doesn’t grapple in a systematic fashion with the overall inefficiencies in health care

delivery and financing, the administrative burden of multiple payers, providers and plans, and the cost pressures of defensive medicine.<sup>1</sup>

Here are some data on US healthcare costs compared with other developed countries:<sup>2</sup>

**Exhibit 1. Health Spending in Select OECD Countries, 2008**

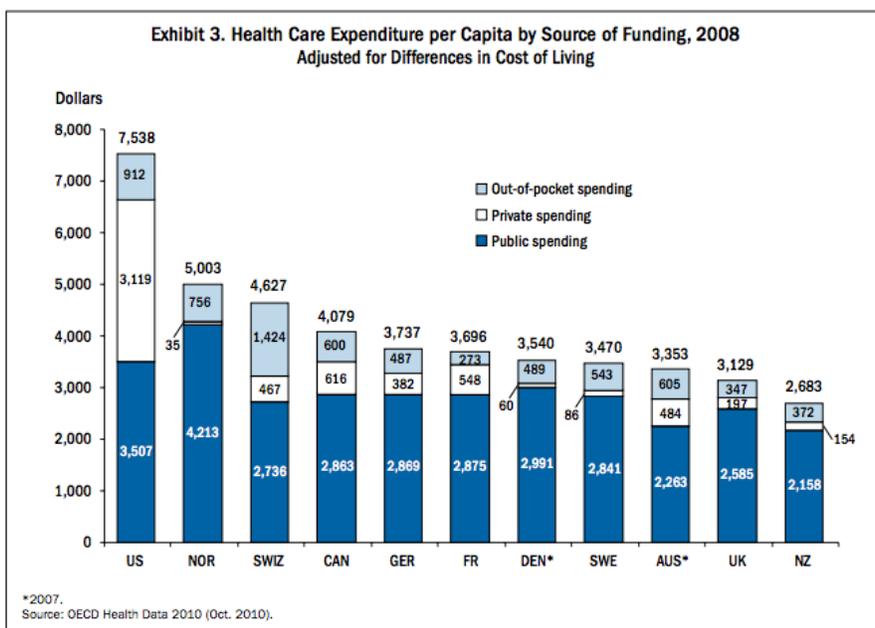
	Total Health Spending		
	Per capita <sup>c</sup>	Percent GDP	Average annual real growth rate per capita: 1998–2008
Australia	\$3,353 <sup>a</sup>	8.5% <sup>a</sup>	3.6% <sup>a</sup>
Canada	\$4,079 <sup>e</sup>	10.4% <sup>e</sup>	3.4% <sup>e</sup>
Denmark	\$3,540 <sup>a</sup>	9.7% <sup>a</sup>	3.5% <sup>a</sup>
France	\$3,696	11.2%	2.3%
Germany	\$3,737	10.5%	1.8%
Netherlands	\$4,063 <sup>e</sup>	9.9% <sup>e</sup>	4.1% <sup>e</sup>
New Zealand	\$2,683	9.9%	4.4%
Norway	\$5,003 <sup>e</sup>	8.5% <sup>e</sup>	0.8% <sup>e</sup>
Sweden	\$3,470	9.4%	3.9%
Switzerland	\$4,627 <sup>e</sup>	10.7% <sup>e</sup>	1.9% <sup>e</sup>
United Kingdom	\$3,129	8.7%	4.9%
United States	\$7,538	16.0%	3.4%
OECD median	\$2,995	8.7%	3.9%

- In 2008, healthcare spending in the US reached \$7,538 per capita—more than double the OECD median of \$2,995. Healthcare spending in the next highest spending countries—Norway and Switzerland—was less than two-thirds as much per capita. In New Zealand it was close to one-third.
- The US spent 16 percent of its GDP on healthcare—double the OECD median and over 40% more than

the country in second place (France).

• From 1998 to 2008, healthcare spending grew at an annual adjusted rate of 3.4%, slightly below the OECD median (3.9%). However, healthcare spending growth in the US has dwarfed growth in other countries since 1980(see chart).

• Private healthcare spending in the US is far greater than other countries. Yet even with more than half of total spending coming from private sources, public healthcare spending was greater than for all countries except one (Norway—see chart).



<sup>1</sup> Adapted from “Obamacare vs. Canada: Five key differences,” The Globe and Mail, Oct.23, 2013.

<sup>2</sup>The U.S. Health System in Perspective: A Comparison of Twelve Industrialized Nations, The Commonwealth Fund.

- Spending on pharmaceuticals is highest in the US due to higher prices and a more expensive drug mix.

**Exhibit 6. Supply, Use, and Price of Pharmaceuticals in Select OECD Countries**

	Pharmaceutical Use, 2010 <sup>a</sup>		Pharmaceutical Spending		
	% adults taking at least <u>one</u> prescription regularly	% adults taking at least <u>four</u> prescriptions regularly	Per capita, 2008 <sup>c</sup>	% total health spending, 2008	Average annual real growth rate per capita: 1998–2008
Australia	54%	18%	\$480 <sup>a</sup>	14.3% <sup>a</sup>	4.9% <sup>a</sup>
Canada	56%	17%	\$701 <sup>e</sup>	17.2% <sup>e</sup>	4.6% <sup>e</sup>
Denmark	— <sup>f</sup>	— <sup>f</sup>	\$303 <sup>a</sup>	8.6% <sup>a</sup>	2.9% <sup>a</sup>
France	45%	17%	\$607	16.4%	3.0%
Germany	54%	12%	\$563	15.1%	2.9%
Netherlands	56%	15%	— <sup>f</sup>	— <sup>f</sup>	— <sup>f</sup>
New Zealand	55%	18%	\$257	9.6%	0.8% <sup>a</sup>
Norway	54%	14%	\$381 <sup>e</sup>	7.6% <sup>e</sup>	–0.8% <sup>e</sup>
Sweden	50%	17%	\$457	13.2%	3.5%
Switzerland	40%	10%	\$461 <sup>a</sup>	10.3% <sup>a</sup>	2.0% <sup>a</sup>
United Kingdom	52%	13%	\$368	11.8%	2.3% <sup>a</sup>
United States	61%	25%	\$897	11.9%	5.3%
<i>Median (countries shown)</i>	<i>54%</i>	<i>17%</i>	<i>\$461</i>	<i>11.9%</i>	<i>3.5%</i>

