



U.S. Healthcare Affordability



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Problem Stream

- Healthcare costs in the United States are at a new level of unaffordability, straining Americans across the country
- Even citizens with insurance struggle with deficient coverage, leading to lost care and/or extreme debt
- “healthcare costs have increased over the past few decades, from 5 percent of GDP in 1960 to 18 percent in 2021”

Policy Stream

- Improve competition among healthcare and insurance providers
- Encourage government subsidies to help reduce healthcare costs
- Lowering prescription drug prices and expand access to these scripts

Politics Stream

- “76% of the public believes that Americans are paying too much for most of the health care they receive” from the NEJM
- Generally, Democrats favor federal government intervention in the matter, while Republicans believe private health insurance and/or state governments are more effective in reducing costs

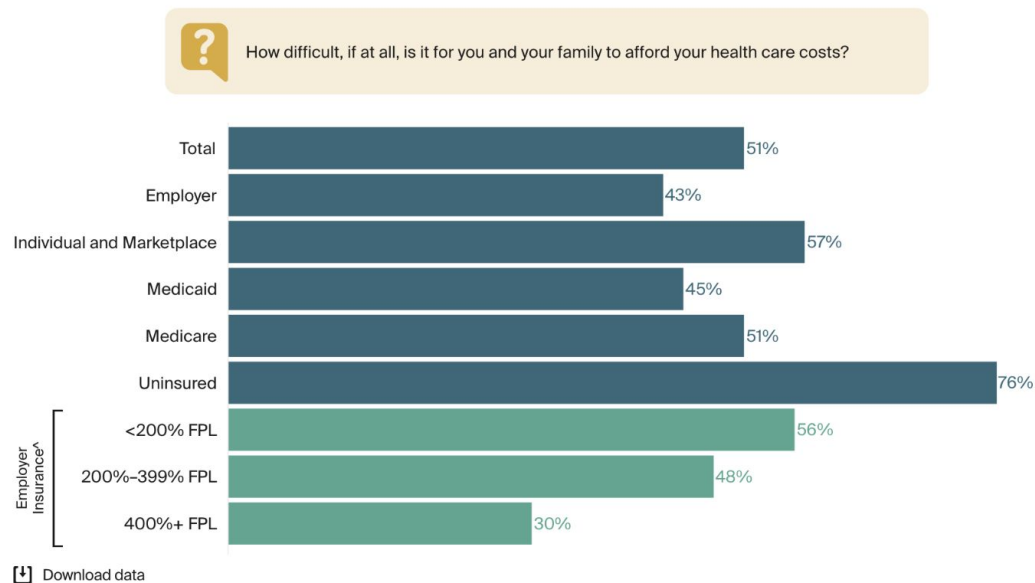
Policy Window

Lower costs and increase accessibility to healthcare in the United States.

EXHIBIT 1

Half of working-age adults said it was very or somewhat difficult to afford their health care costs.

Percentage of adults ages 19–64 who reported difficulty affording health care costs, by insurance type and poverty level



Base: Adults ages 19–64. ^ Base: Adults ages 19–64 with employer insurance.

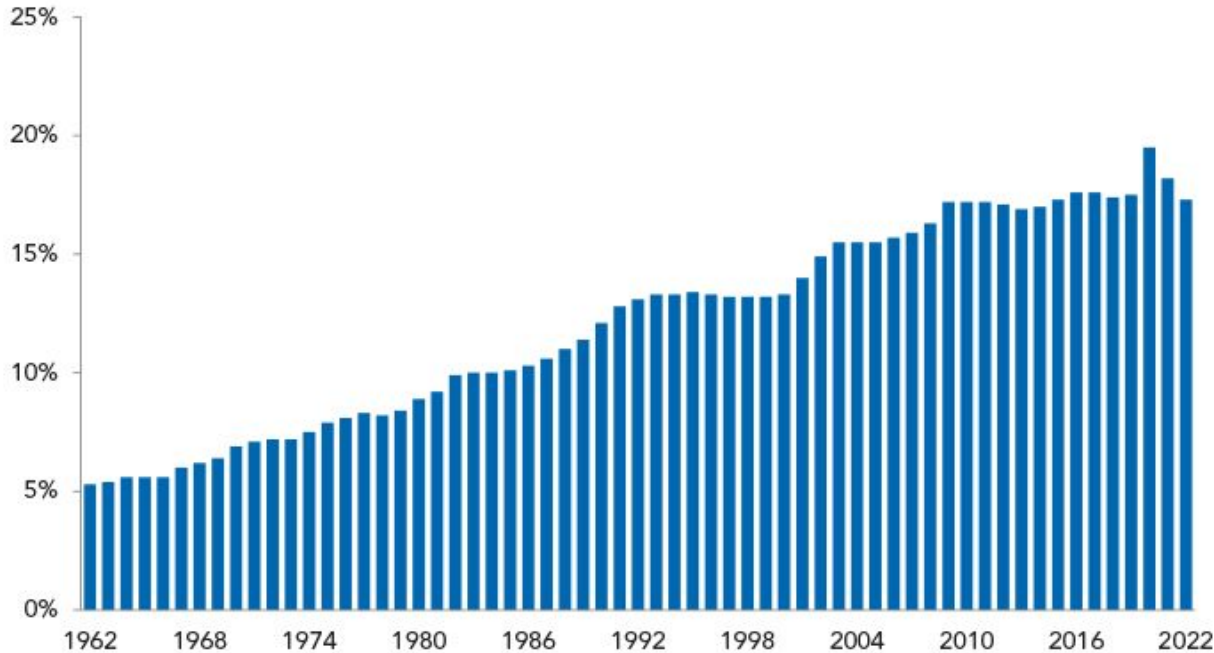
Healthcare.gov found:

- Fixing a broken leg can cost up to \$7,500
- The average cost of a 3-day hospital stay is around \$30,000



Healthcare costs in the United States have increased drastically over the past several decades

National Health Expenditures (% of GDP)



SOURCE: Centers for Medicare and Medicaid Services, *National Health Expenditure Data*, December 2023.

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- In 2022, US healthcare spending reached \$4.5 trillion, which averages to \$13,493 a person
 - Despite Covid-19 having an impact on these costs, it is evident that prices have increased long before this

History of Healthcare in America

1800s - Civil War → more deaths from disease than war; accelerated generation of surgical techniques, research, and nursing methods; Hospital Corps established post-war; AMA gains popularity at end of century

1900s - American Association of Labor Legislation forms with the increase in work-related injuries → qualified recipients receive sick pay, maternity benefits, and death benefit of \$50

1910s-20s - Blue Cross Blue Shield begins to emerge, after hospitals begin charging more than what the average person can afford (provided healthcare to teachers on pre-paid monthly fee)

1930s - Social Security Act of 1935 provides support to retired and elderly and allowed states to open provisions for unemployed and/or disabled

Post WWII - pushes for Universal Health Care and the Truman plan included care for all Americans (rather than working class or low income) but was denied

1960s - Social Security Act of 1965 lays groundwork for Medicare and Medicaid

1970s - Nixon pushes for employers to offer healthcare to employees and provide subsidies

Early 2000s - Medicare Prescription Drug, Improvement and Modernization Act of 2003 expands medical coverage to millions

2010 - ACA signed in by Obama and 8 million signed up during the first enrollment period

Today - 21.4 million people have selected to enroll in an ACA marketplace plan for 2024, and 40 states and D.O.C have expanded Medicaid

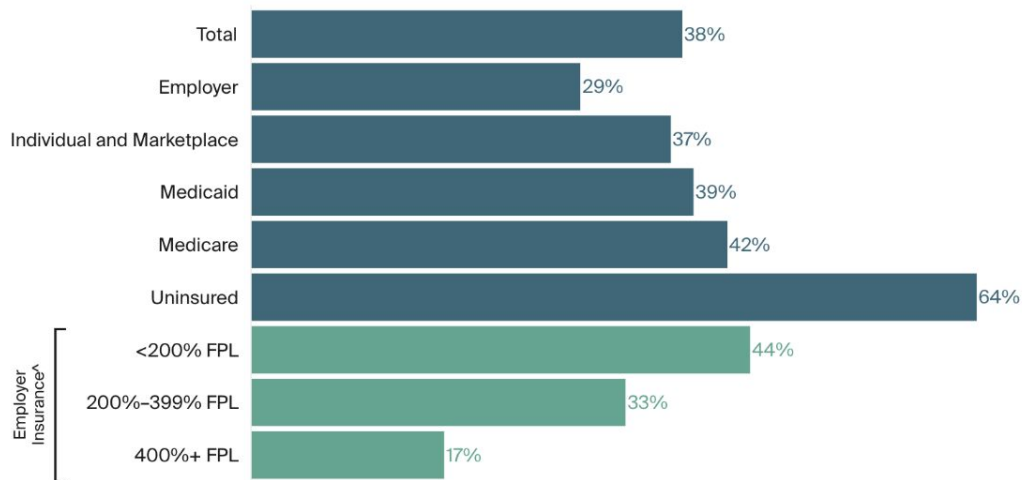
EXHIBIT 2

Nearly two of five working-age adults reported delaying or skipping needed health care or a prescription drug in the past year because they couldn't afford it.

Percentage of adults ages 19–64 by income who delayed or skipped any needed health care because they couldn't afford it, by insurance type and poverty level



At any time in the past 12 months, have you or a family member delayed or skipped any needed health care, including prescription drugs, because you or they couldn't afford it?



Download data

Base: Adults ages 19–64. ^ Base: Adults ages 19–64 with employer insurance.

Notes: FPL = federal poverty level. Insured respondents were insured for all of the past 12 months; coverage type given at time of survey. Uninsured includes respondents who lacked insurance coverage at any point in the past 12 months.

Federal Laws

- ACA (2010) → goals include: making affordable health insurance available to more people
 - Expanding Medicaid Program
 - Supporting medical care delivery methods that could lower overall costs
- Inflation Reduction Act (2022) → provides financial relief for people with Medicare by expanding benefits and lowering costs

State Laws

- House Bill 350 is an attempt to lower costs of healthcare within the state of Delaware → prohibits hospitals from charging more than 250% of Medicare costs
 - there are push backs, however, as this entails cutting necessary programs and inhibiting innovation and investment into more research
- SB120 (2021) → requires insurance carriers to spend a certain amount on care, places rate caps on hospital price growth to encourage investment in primary care

Local Laws

- Health Impact Assessments: help policy makers identify unintended health risks and reduce unnecessary costs
- ACA plans in Delaware cover 10 essential benefits including emergency services, prescription drugs, and maternity care

States with the Highest Healthcare Costs

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Rank	State	Annual Healthcare Cost ¹
1	Alaska	\$13,187.67
2	New York	\$13,012.33
3	Massachusetts	\$12,754.33
4	Delaware	\$12,294.33
5	Vermont	\$12,237.33
6	West Virginia	\$12,019.00
7	Connecticut	\$11,899.33
8	South Dakota	\$11,736.00
9	Maine	\$11,505.00
10	New Hampshire	\$11,359.00

1. This cost represents a three-year average from 2018 to 2020, based on data from KFF.

Official and Unofficial Actors

Official Actors Involved

- Federal Government
 - US Department of Health and Human Services
 - US Treasury (holds trust funds that fund Medicare)
 - Centers for Medicare and Medicaid Services
 - FDA
 - CDC

Unofficial Actors

- Citizens
- Interest groups
 - Academy Health's Global Health and Health Care Interest Group
 - American Medical Association (AMA)
- Advocacy Organizations
 - Consumers for Affordable Health Care
 - Doctors for America
- Commonwealth Fund

Sustainability (Economically and Equity)

Economic Sustainability:

- Involves balancing the delivery of high-quality services with the required finances while also ensuring equitable access
 - **Value-based care:** switching from a fee-for-service model to value-based care where providers are compensated based on outcome rather than the volume of service
 - **Preventative care:** focusing and investing more on prevention rather than reaction can help reduce expensive chronic illnesses
 - **Healthcare infrastructure investment**

Equity Sustainability

- **Collaborative actions** are required to target societal issues relating to healthcare inequalities including income inequality, education access, and racial discrimination
- Beyond expanding health insurance coverage, **tackling barriers** (like geographic and language) by increasing funding towards community health centers or providing outreach programs to underserved communities will prove beneficial

Policy Options

- **Establishing a Universal Health Care System, like Medicare for All**
 - According to a Yale study, could save \$450 billion per year
 - In this system, the government would provide coverage for all citizens
 - “reduce costs by improving access to preventive care, reducing administrative overhead, and empowering Medicare to negotiate prices”
- **Drug Price Regulation**
 - Medicare working directly with pharmaceutical companies to negotiate prices or capping prices for essential medications (like insulin, for example) can help reduce costs
- **Healthcare Price Transparency**
 - Encouraging providers and pharmaceutical companies to be upfront about their pricing will not only help citizens make better informed decisions, but could also encourage competing providers to offer more affordable options

Solution

Transition to Value-Based Pricing and Payments

- value-based pricing for drugs based on quality and outcomes compared to existing products (limiting excessive price increases)
- Prioritize FDA reviewed and generic drugs when fewer than 3 are available for a condition to expedite availability & revitalize price competition
- **Implications:**
 - **Social** → reduce costs and improve quality of care
 - **Political** → both parties support innovative value-based care options developed by CMS
 - **Economic** → providers gain revenue if drug exceeds expectations on quality and cost, prospective payments motivate providers to offer quality care
 - prospective payments are given upfront to providers to manage a given defined patient, procedure, and sometimes period → this incentivizes providers to lower costs to gain more revenue

Resources

<https://www.commonwealthfund.org/publications/surveys/2023/oct/paying-for-it-costs-debt-americans-sicker-poorer-2023-affordability-survey>

https://www.bcbs.com/sites/default/files/file-attachments/affordability/Affordability_Solutions_Principles_012323.pdf

<https://www.hsph.harvard.edu/news/hsph-in-the-news/what-the-public-thinks-about-high-health-care-costs/>

<https://www.hhs.gov/healthcare/about-the-aca/index.html#:~:text=About%20the%20Affordable%20Care%20Act,-The%20Patient%20Protection&text=The%20law%20provides%20consumers%20with,below%20138%25%20of%20the%20FPL.>

<https://news.christianacare.org/2024/05/if-house-bill-350-passes-we-all-lose/>

<https://housedems.delaware.gov/2024/04/26/house-passes-rep-longhurst-bill-to-curb-healthcare-cost-growth/#:~:text=As%20a%20temporary%20measure%20until,Medicare%20or%20Medicaid%20patient%20populations.>

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<https://www.pgpf.org/blog/2024/01/why-are-americans-paying-more-for-healthcare#:~:text=Relative%20to%20the%20size%20of,to%2018%20percent%20in%202021.>

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<https://www.commonwealthfund.org/publications/explainer/2023/feb/value-based-care-what-it-is-why-its-needed>