

HEALING AMERICAN HEALTHCARE

A PLAN TO PROVIDE QUALITY CARE FOR ALL
WHILE SAVING \$1 TRILLION A YEAR

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“Americans will always do the right thing in the end,
but only after exhausting all other possibilities.”

—Winston Churchill (1941)

CHAPTER 1

Health Care Must Be a Birthright

BY SOME ACCOUNTS WINSTON CHURCHILL'S FAMOUS WORDS WERE uttered during a contentious cabinet meeting in the Cabinet War Room bunker below the Treasury Building in London. It was an emergency meeting late one April night in 1941. German U-boats were in the ascendancy in the North Atlantic and were sinking ever-increasing numbers of British merchant ships, upon which the island nation depended. The numbers for March had just been discussed and it was clear that if things continued this way for another few months, Britain would have to surrender to Germany. Churchill, brandy in hand, started talking about the Americans and lend-lease. Suddenly, a cabinet member started yelling that the Americans were hopeless because of their indecisive Congress, and completely unreliable. Then came those famous words from Churchill, and the Cabinet War Room fell silent.

US health care is not in quite the same position as the British were in 1941, but perhaps there couldn't be a better example of "exhausting all other possibilities." Our system is beyond laughable; it is extraordinarily expensive, extraordinarily inefficient, extraordinarily unjust, and a drag on the US economy.

A cornerstone of the Declaration of Independence is the statement of an “undeniable” truth: that human rights include Life, Liberty, and the Pursuit of Happiness. Yet, in regard to one of the most important of human rights, health care, we have failed the aspirations of our founding fathers. Proper provision of health care permits Life. Proper provision of health care enables Liberty and the Pursuit of Happiness. Every other advanced country in the world provides high-quality health care for all of its citizens. We do not.

Health care in the United States must be a birthright, not a privilege. It is time for us to join the rest of the industrialized world by allowing every American access to high-quality health care while reducing costs to a sustainable level.

To accomplish this goal, we need to simplify and redesign our complicated, confusing, and disjointed approach to health care by replacing it with real choice in health care: private insurance or a very competitive single-payer national health care system that provides basic coverage for everyone. Concierge medical programs should be allowed to flourish for those who can afford and want them.

We need to develop a government funded health care option to compete with health insurance companies for two important reasons. First, providing health coverage for everyone is the right thing to do. Second, replacing our uncompetitive and unwieldy system will result in large savings for our society that could become an economic driver making our businesses more competitive. In this book as we discuss this option, we will refer to it as Allcare.

Prior to the Trump administration’s corporate tax cut, Warren Buffett declared at his annual meeting of Berkshire Hathaway in the spring of 2017 that the biggest problem US businesses face, in competition with corporations overseas, is not the levy of taxes but the cost of health care. He said that over the last 50 years, as a percentage of GDP, corporate taxes have decreased from 4% to 1.9% while the cost of health care has grown

from 4% to 17.1% of GDP. The cost of health care is simply out of balance with the rest of our economy and it continues to grow at an alarming rate.

The reason for this is simple. Provision of health care is made largely (although not entirely) through the commercial insurance industry, and these same public companies have a financial incentive to withhold the very service they provide. This perverse fact breaks all the rules of capitalism. As Christopher Hitchens put it, “the health care business combines the worst aspects of capitalistic greed with the worst excesses of bureaucratic socialism.”

We already have a successfully working example of a single-payer system in this country called Medicare. This works much more efficiently than the commercial insurance industry that must employ a vast bureaucracy to reduce outgoing payments in order to make the corporations more profitable. If you already have Medicare, you probably know this. If you do not, then ask your parents or grandparents. In our experience, almost all those with Medicare, whether Democrats or Republicans, like their Medicare. The fact is that Medicare is not run by the government as most people assume. It sets the payment rates and service rules and the end result is that it is merely financed by the government. Doctors and other providers then compete with each other for patients and this drives up standards while costs are kept relatively low. Ironically, therefore, Medicare fosters free enterprise, while publicly traded insurance companies depend on bureaucracy and ever-increasing premiums as they increase deductibles and copays to enrich their shareholders at the expense of the patients that they have contracted to serve.

A survey conducted by the Kaiser Family Foundation in January of 2017 determined that 60% of Americans favor single-payer health care. This is the highest positive rate response to a survey on national health care in more than 10 years. Today, health care is more than 17% of GDP, and from 2008 to 2013, it grew at an annual rate of 3.7%. The growth rate for 2014 and 2015 was over 5% per year. In 2015, we spent \$3.2 trillion on health care. In 1970, the average cost of care for an American citizen was

\$308 annually. In 2016, the per capita cost of health care exceeded \$10,000. It is a national disgrace that we spend twice as much per capita on health care than the average for the 35 most industrialized nations—as documented by the Organization for Economic Cooperation and Development (OECD)—while providing comparative outcomes that are among the worst in the developed world—as documented by the Commonwealth Fund.

In the past, many of us would have rejected a single-payer national health care system as a socialistic threat to our democracy and our economy. The Allcare option that we envision is not a socialistic system; it is a federally funded program with services provided by privately owned and operated entities, much like Medicare. Ironically, therefore, we believe and will show that it adheres more to the principles of free enterprise competition than does today's commercial health care insurance industry.

It is also important to note that almost half of all Americans already receive their health care from a government-funded plan. This breaks down as follows:

- 70 million people are covered by Medicaid
- 57 million people are covered by Medicare
- 9 million are covered by the Veterans Administration
- 9 million are covered by TRICARE for military active duty, retirees, and dependents
- 2 million Native Americans are covered by the American Indian Health Service

Today, 75 million Americans are baby boomers; 10,000 sign up for Medicare every day. This means that by 2025, the number of people on Medicare will double to 114 million.

Prior to the passage of the Patient Protection and Affordable Care Act (ACA), sometimes known as Obamacare, access to health care was inadequate. In 2010, nearly 50 million Americans were uninsured and during that year we spent \$2.6 trillion on health care. This is equal to the

fifth largest economy in the world and just smaller than the entire United Kingdom economy. A large portion of these costs include bureaucratic and clinical waste.

The commercial insurance billing process is complicated in part because its coverage and payment requirements are not the same for all insurers. Each insurer can have many different billing requirements for the different plans that are a part of the services they sell. As a result, administrative employment in health care continues to expand. Today, for every physician in the United States, there are 16 health care workers, half of which are in administration and other nonclinical roles. Today, 1 in 9 Americans is working in health care, while in 2001, this ratio was 1 in 12. Since 2007, 35% of the nation's job growth has come from health care. This has been the fastest growing sector of our economy, largely due to the complications of billing issues. For example, over the last nine years, the number of professional medical coders has grown from 70,000 to 170,000. The administrative costs in the United States are the highest in the world. We spend 14% of all domestic health care spending on administration at insurance companies, hospitals, and doctors' offices, while the global average is 3%. That means that we spend \$752 annually for every man, woman, and child on health care administration—over \$3,000 for a family of four, and this cost continues to rise every year. *This is completely unacceptable.*

Senator Ted Cruz of Texas, who opposes a national health care system, says that with private insurance you can pick your insurance plan and your physician. In a national health system, you would lose your right to choose. This is simply not true. Employer-based insurance provides coverage for more than 150 million Americans. This is the largest segment of insurance coverage in our country. If your physician is not in your employer's insurance network, you will have out-of-network costs. If you get your insurance through Obamacare, and you select your insurance plan and your physician participates with this plan, there is no guarantee that he or she will stay in that insurance plan for the contracted coverage

period. If he or she leaves the network, services that you receive from that physician may or may not be covered by your plan.

On the other hand, in a national health insurance system, not only is there essentially one very large provider network, but it is less likely that a physician will leave the network.

Recently, Senator Bernie Sanders proposed Medicare-for-All. A growing number of Democratic senators support this concept. The Republicans, on the other hand, want to eliminate Obamacare and reduce the federal budget exposure to the cost of health care.

Congress continues to earn extremely low approval ratings for its inability to complete meaningful health care legislation that actually addresses the concerns of average Americans. Historically, many great legislative advances have occurred through compromise. However, with a few notable and courageous exceptions, Republicans and Democrats often line up along their party lines and very little gets done. Republicans in the Senate could not even compromise within their own party as they worked to repeal and replace Obamacare. Compromise and bipartisan initiatives will be needed to address the many problems in health care.

As an example of how misdirected the Republican legislative direction was, as Congress struggled to replace the ACA, consider the potential impact of Congressman Paul Ryan's American Health Care Act according to the Congressional Budget Office (CBO). If it had been signed into law, 14 million Americans would have lost their health care coverage immediately, with another 24 million losing coverage over the next 10 years. The CBO review also projected that the bill would result in a 700% increase in premiums for 64-year-olds making \$26,500 a year.

The House and Senate health care bills of 2017 that were intended to repeal and replace the ACA were massive failures. They were simply not about health care. They were about reducing federal spending. They were about funding mechanisms. The Graham-Cassidy bill would have shifted much of the cost and all of the management of eligibility for Medicaid from the federal government to the states. The bills all took different approaches

to simply “kick the financial health care can down the road” without addressing the real problem, which is determining how to replace our expensive and inefficient system with a workable, cost-effective approach that improves outcomes while providing universal coverage.

Compromise between the Democrats and Republicans might be less difficult if the members of Congress had a better understanding of the problem and the solutions that a single-payer option provides. Leading Democrats want a system that covers all Americans. They would like a single-payer system or a combination of public and private payers that would cover everyone. The Republicans would like to reduce the federal deficit, and it is likely that they feel a more urgent need to do so with the passage of the tax cut of 2018 that is projected to increase the deficit. Efforts to reduce the federal deficit will likely in part focus on expenditures for Medicare and Medicaid. They also want to give people more choice in health care. All of these goals could be accomplished with a well-designed single-payer health care option that meets the needs of our society.

The Allcare national health care plan based on Medicare would significantly reduce the per capita cost of health care. As Warren Buffet has suggested, lowering the corporate cost of health care will make our businesses more competitive. This will in turn generate more jobs and increase personal and corporate tax revenue. The increase in tax revenue and the reduction in overall health care cost would give the Congress the opportunity to chip away at the national debt. Allcare would simplify coverage options and would provide more provider choice, not less. Reducing the cost of health care would also reduce out-of-pocket costs of health care, creating more disposable income for consumers. Most importantly, it would improve patient care by improving access and improving outcomes. A solid, well-thought-out, single-payer health care program, with a well-articulated funding plan, will give Congress an opportunity to compromise, and for the first time in many years, they could really address the health care problem in our country.

This will not be easy, but it is of immense importance because the way health care is provided today in the United States is becoming unsustainable. In addition to the political problems, there are many competing interests that will have to be addressed to make this much-needed change. Clearly, the insurance industry will have a multitude of reasons why this much-needed new initiative will not work. However, given that all other industrialized nations in the world have some form of single-payer health care at much lower costs, and with better outcomes, these arguments will likely be weak.

In this book, we analyze this major problem and lay out a comprehensive plan to fix our broken system. We begin by reviewing the single-payer systems in other nations. We review how our outcomes compare with theirs. We take a look at how we got to where we are today, and we review the major segments of our health care system including insurance companies, physician issues, hospitals, and pharmaceutical companies, as well as their impact on our very high per capita costs.

In this book, we provide the details of the Eichhorn–Hutchinson Plan that is designed to reduce the nation’s health care costs while improving the quality of health care for everyone.