HEALTH CARE
Approved:  

Department of:  ACCY

Date:  8/5/92
With the Presidential Election approaching, we are hearing more and more about the issue of health care. Politicians are finally standing up and taking notice. The bottom line is that people are fed up and want change. As usual, however, it takes a major catastrophe to make people stop and "open their eyes." What we are seeing is skyrocketing costs and plummeting quality. We have a crisis on our hands and the only solution is change. In the paragraphs that follow I will be taking a closer look at our present health care system, national health care, and finally a combination of the two in hopes of reaching an equitable compromise.

HEALTH CARE TODAY

Currently our health care system is comparable to many other industries. Our present health care system operates within the boundaries of free market enterprise as does for example, Pepsi Co. or Kraft Co. The reasoning many people use for this is that if the law of supply and demand works for other industries then why can't we also make it work in the health care industry? The answer to this question is to be found by looking at the basic difference between the health care industry and other industries. Other industries that satisfy consumers' needs are to some extent controlled by the consumer. That is, the law of supply and demand is allowed to operate. The wants and needs of the consumer work to control the amount of certain products that will be supplied and
their corresponding prices.

All these other industries, however, do not have the insurance factor to consider. This is the basic difference between health care and other industries, and the very reason that competition is not a feasible argument for allowing the health care industry to participate in a free market enterprise. Health care experts explain that there is no incentive for the insured patient to search out for the best deal. Likewise, doctors have no reason to become low cost producers. (1)

Proponents of our present health care system exclaim that this is the only way to allow competition to thrive. Thereby producing the best results for the best possible price. Theoretically speaking, competition is the ideal situation. Different industries are competing for the number 1 spot. This constant battle of the businesses drives out the weak and leaves the best standing. The best, of course, is the one producing the highest quality product for the lowest price. The others left behind either go under or search out a "better" plan. Therefore, we are left with people doing their best, in order to be the best. Unfortunately, this scenario can not be envisioned in the health care industry, due to the presence of insurance.

The scenario you need to envision is an out of control system that is spending $733 billion a year on health care. (2) Of this amount Dr. Robert Brook, Director of Health Sciences for the Rand Corporation, estimates that 20% of it goes toward unnecessary medical procedures and treatments. These procedures and treatments
are costing us $132 billion a year. (3) Aetna further estimates that another 30% ($198 billion) is going toward health care that is unlikely to solve the problem under treatment. This arbitrary care contributes to our already high percentage of waste. (4)

The reason for such a high percentage of unnecessary medical care is that doctors, in essence, have a "blank check." This blank check is caused by insurance. Most patients don’t question the high prices doctors are charging, this leaves much room for abuse of the system. (5) For example, research has shown that private doctors order 40% more x-rays and 50% more electrocardiograms than doctors in managed health care groups. Similarly, Rand studies have shown, in certain regions of the country, that up to 44% of coronary bypass surgeries and 64% of artery-clearing carotid endarterectomies have been either unnecessary or there is cause for questioning whether these surgeries are necessary. (6) Many other studies confirm such results.

Obviously, we are witnessing a tremendous amount of waste. Proponents of the current system might lead you to believe that this waste is due to the fear of malpractice suits that doctors experience. While I am certain that many doctors experience such fears, I can not understand how performing unnecessary procedures and providing discretionary care might alleviate these fears. We have an estimated 30% of health care going towards discretionary care and another 20% of health care represents purely unnecessary care. Anyway you look at it, this is waste! With costs soaring, we should be cutting waste and not making excuses.
If you ask doctors the reason for the rising costs of medical care, they will explain that the U.S. has the best quality of care available. Unfortunately, there is no universal standard by which we may measure quality. Therefore, we must look at several dimensions of the word "quality" in order to assess the level of health care quality in the U.S.

On the one hand, our quality of care is remarkably high due to all the technological advancements that have been made. We have defeated plagues and conquered many diseases. We have learned how to make spare parts for almost every organ, except the brain. (7) Our lifespans have been increased by decades. All in all, a large percentage of the U.S. population is healthier today than it has ever been. However, health care is a rich man's luxury, a privilege for most others, and merely a faint dream for the poor. Yes, we are achieving medical miracles and "scientific breakthroughs", yet we are seeing the results on fewer people. (8) We have the best possible quality of care attainable, but only for those who can afford it.

Currently, the U.S. spends 12.3% of its' GNP on health care. This figure has risen from 9.4% in 1980. (9) We are devoting more and more funds to health care yet more and more are finding it difficult to obtain basic health services. In order to judge the level of quality, we must look at all the people who do and do not receive health care and then conclude whether it is high or low. 37 million Americans do not receive any type of health care. An additional 56 million receive inadequate care. (10) Our level of
quality plummets when we include these statistics. We can not conclude that we have the best possible health care available when 1 in 9 Americans do not receive any of it. A health care system that claims to be quality driven must also be a system that is designed for the entire population, rich and poor alike. Our current system treats health as a priviledge, when in fact it is an essential right for everyone.

Much of the cost of medical care can be seen in the prices doctors charge. Employers health insurance bills rose from $1000 per worker in 1970 to $2500 in 1990.(11) Why does it cost this much? Part of the reason could be that physicians’ incomes average $150,000 a year, surgeons’ and anesthesiologists’ $200,000 and cardiovascular surgeons’ nearly $400,000. Doctors incomes rose 48% between 1982 and 1988, twice the rate of inflation.(12) We are spending twice as much on health care than we did seven years ago; yet 37 million people have no health care and another 56 million have inadequate care. Therefore, as incredible as these rates are ironically, they are still understated. If we were to include all those who are not insured and those that are under insured and how much it would cost to insure them, the amount of health care expenditures would increase dramatically.

What we don’t see but also accounts for a large percentage of our overinflated health care costs involves poor administration of our health care system, and the abuse that results from this poor administration. The National Health Care Anti-Fraud Association claims that fraud accounts for as much as $75 billion of annual
expenditures. (13) This figure does not include the amount of unnecessary care that was discussed earlier. It is easy to see how insurance allows so much fraud. Doctors are able to bill for services that have not even been performed, by claiming to the insurance company that they were performed.

To exemplify the problem of poor administration consider certain government run programs. Medicare and Medicaid, for example, are government run programs that experience much fraud and corruption. These programs were established to help the elderly and the poor. Instead they have allowed much corruption and have contributed to the devastating condition that our health care system is in. Medicaid for example, is the fastest growing program (in terms of dollars spent) in the U.S. yet Medicaid can barely afford to help 40% of the poor. (14) Despite this low percentage Medicaid will still spend $158 billion in federal and state funds. Of this amount, billions of dollars are going toward fraudulent insurance claims for patients that do not even exist!

On the other hand, Medicare was designed to provide reasonable care for the elderly. Nearly 90% of Medicare funds come from payroll taxes and provides care for rich and poor elderly folk alike. (15) As the elderly resist sharing a larger burden of the health care costs, the burden falls on laborers, many of whom have no health insurance for themselves and their families.

NATIONAL HEALTH CARE

The Declaration of Independence states that we have
"unalienable rights to life, liberty, and the pursuit of happiness." It also states that "all men are created equal." If we were to look at our health care system in its current condition we can safely conclude that it contradicts these two very essential phrases which are necessary to our living together as one society. It is time for a drastic change in order to prevent further problems. Many programs and services we enjoy as citizens are supported through our tax dollars. These include, police stations, fire departments, public education, social security and many more. These services are supported through our tax dollars because they are necessary and everyone benefits. Ironically though, even though health care is essential for all to survive or survive properly, it is not obtainable by all. One system that tries to solve this problem is a national health care policy.

The United States is the only industrialized nation that does not have some sort of national health care policy. Canada, France and Germany all provide their citizens with universal health insurance coverage at a cost of between 8 and 9.5% of the gross national product. Britain, Japan and Australia manage to provide health insurance at between 6 and 8% of the gross national product (16). The United States, however, surpasses them all by spending 12% of the gross national product but still doesn't cover all citizens. Furthermore, the U.S. ranks below all members of the Organization for European Cooperation and Development in terms of infant mortality and life expectancy (17). For this reason many experts are advocating that the U.S. change to a national health
care plan in hopes of achieving results similar to other industrialized nations.

A national health care policy would involve rationing health care. Rationing entails limiting certain services and procedures and often eliminating others in order to provide basic health coverage to everyone. Rationing is the only way that universal coverage can be provided due to our population size and the expense involved with medical care. There are many moral and ethical questions within this issue. What many don't realize is that rationing health care in the U.S. takes place everyday. Such rationing involves the turning away of people in need because they do not have insurance to cover their medical expenses. Therefore the U.S. already limits eliminates services and procedures, but only to the poor. Such as it is, it is difficult to cry immoral and unethical when such issues already confront us on a very large scale.

There are many problems involved in a national health care plan. Doctors will no longer have as much incentive to do their best. They will no longer attain such high levels of income and therefore many feel that doctors will no longer compete with each other to be the best. Some experts believe that this decrease in competition will cause quality to go down. Doctors would proceed to take care of patients but perhaps with less "caring", thus functioning like a robot. This could lead to a deterioration of the health care system in the short run.

Doctors, of course, are a major part of health care.
To predict that a doctor's drive to save lives is directly correlated with dollar signs would be very difficult. We cannot conclude that all doctors are greedy, this is a tremendous generalization. However, the rising costs that we have been witnessing in our current system might provide some proof for such a conclusion. Doctors incomes did rise 48% between 1982 and 1988, this was twice the rate of inflation. What justified this wage increase? Were people receiving 48% more health care in 1988 than 1982? Obviously not. A possible long run advantage might be that prospective doctors would be looking for more inner fulfillment than wage compensation. In the long run we would have high quality doctors producing high quality results. In the short run however, it is fair to assume that competition and quality may go down.

Instinctively when people hear "national health care" they think of poor quality. This may very well be its biggest obstacle. Again, we need to look at all aspects of the word quality and evaluate them in order to obtain a more accurate analysis.

When comparing our system to that of Canada's people are quick to cite the obvious gap in technological advancements (18). Clearly, the U.S. is superior in this regard and a move toward national health care would limit the dollars available for research. In this respect, quality in a national health care system would go down. However, the focus in such a system would shift from technological advancements to preventative medicine. U.S. News and World Report states that check-ups and routine tests are the best insurance against chronic killers and diseases (19).
the case with government run institutions, such as Medicare and Medicaid, is that a large number of people operate with each employee having different responsibilities. This makes quicker and efficient care within it impossible. Government run programs are notorious for their inefficiency. People have to wait in long lines before being assisted. This is a big problem since difference between life and death may only involve minutes. If such bloated bureaucracies can be avoided, as in other countries, then the advantages are fantastic.

Aside from universal access, the biggest advantage to national health care is that costs would be curtailed. This would be accomplished through rationing and preventative medicine. Because the very issue that concerns Americans is high cost, this is definitely a highlight of this system.

Unfortunately, there doesn’t seem to be one health care system that everyone can agree on. Therefore, in hopes of satisfying proponents of both the present system and national health care, a compromise is in order. This compromise is combining the two plans in hopes of reaching the best of both worlds.

COMBINATION PLAN

The combination plan would maintain some of the basic features of our current system. Also, a national health care plan would be added to facilitate all the people that are currently uninsured or underinsured. For those that are employed, their employers will be
system based on low cost and high quality.

As was discussed earlier, the definition of health care quality is composed of several different areas: 1. technological advancements 2. number of people obtaining health care 3. cost of health care 4. efficiency of administration. The combination plan allows us to reach a high level of quality that will encompass all of these areas.

The U.S. has made medical history through its scientific breakthroughs and technological advancements. It is true that the national health care segment of the combination plan can only allow very limited (if at all) funds to be spent on research and development. It is also true that spending for research and development in the free market segment will also lessen. Although research and development spending will be less in the combination plan, the emphasis on preventative medicine will compensate for this.

The emphasis on preventative medicine will be sought through education. By educating all of our citizens on health care and healthy lifestyles, there will not be a need for such high levels of spending for research and development. Therefore in the short run we maintain a high level of spending for research and development. In the long run these costs will be almost completely phased out through the use of preventative medicine.

The national health care segment of the combination plan provides for universal access. This plan is primarily designed to accommodate the entire U.S. population, not just most of it. This
aspect of quality is 100% because everyone will receive basic medical assistance, rich and poor alike.

Through the rationing process and practicing preventative medicine, costs will finally be brought under control. The limiting and eliminating of certain medical procedures (rationing) will keep health care spending reasonable. The from a high technology focus to preventative care will also diminish costs incredibly. Jeff Goldsmith, a health-care advisor to the accounting firm Ernst and Young says "we have to rearrange how the dollars are being spent and refocus them on earlier stages of illness." (21) Many terrible illnesses can be halted sooner or avoided altogether through preventative medicine and this will be the focus in the combination plan.

What might confront us in the combination plan is the problems a government run program creates. This would bring quality down. We know of the negative effects of bureaucracy in the U.S. If we expect such trends to continue, we have a problem. If the government if currently failing with a smaller sector of health care (Medicare and Medicaid) then what is the point of giving them a larger program to manage. It would be difficult to solve all the problems of bureaucracy however, it is possible to try to solve some of them. The fact that we realize that this is a big problem will force us to establish tighter and more efficient control measures.

Many fear change because of its uncertain outcome. It is very hard to conclude, for certain, what will result when you initiate
a new plan. In a growing society, with changing values and needs, change is necessary and good. We cannot continue to grow and prosper without changing failing enterprises. Our present health care system is failing 37 million people and nearly failing an additional 56 million people. To correct this problem a revolutionary overhaul of the system is not only humanely necessary, but financially essential. A complete change to a national health insurance though solves many problems, it creates several other difficulties. A more feasible approach seems to be a combination of a national health care system with our present free enterprise health care. Thus we maintain the American virtue of free enterprise, while also providing many underprivileged Americans with health care through a national (government) insurance. The proposal I am recommending combines the best of both systems and offers an exemplary solution to the chaos that has emerged out of our present health care system.
ENDNOTES

3. Castro 34.
7. Castro 35.
8. Castro 42.
9. Castro 42.
11. Lani Luciano, "More Disturbing than the Incomes is How They are Earned" *MONEY* 1990:58.
12. Luciano 57.
15. Castro 38.
17. *Current History* 424.
BIBLIOGRAPHY


Luciano, Lani. "More Disturbing than their Incomes is how They're Earned." Money Extra Fall 1990: 54-60.

