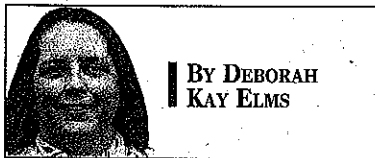


ECONOMIC WATCH

Why it's difficult to reform US health care



BY DEBORAH KAY ELMS

ON ISSUE after issue - from climate change to trade policy - Washington has argued that it cannot begin serious discussions until it has completed the reform of the US health-care system.

Why not? What is it taking so long to get these reforms done?

The United States faces three major problems. First, in one of the richest countries on earth, up to 50 million Americans do not have health insurance. Given the high costs of seeking medical treatment, people without insurance tend to forgo treatment altogether.

Second, spending on health care is chewing up an increasingly larger percentage of total income. This affects not only the bottom line for industry, but also federal and state government spending on health benefits for senior citizens, children and the disabled. The US already devotes nearly 16 per cent of its gross domestic product to health care and the annual increases far outpace inflation rates.

The consequences of an expensive health system show up in many ways. Medical bills are the single biggest reason for Americans to declare personal bankruptcy. Insurers can deny payments for a wide range of reasons, leaving pa-

tients struggling with unexpectedly high bills.

Third, for all the money spent on health, Americans are not significantly healthier than others. By many measures, in fact, the US has worse health outcomes than countries that spend half as much.

The US has an unusual means of delivering health coverage to citizens. For most Americans, health-care insurance is provided through their employers. The basic cost has been borne by companies, although employees may supplement their coverage out of their pay cheques, especially to provide coverage for family members. Employees are often asked to provide co-payments or deductibles for visits to doctors or hospitals or for prescription drugs.

This system worked relatively well in the past when individuals often worked for the same company for decades. Now, however, it is breaking down. Health insurance is not portable from job to job. If

you lose your job, you lose your health insurance. Also, many employers can no longer afford to provide sufficient coverage for employees.

Individuals who are self-employed, work part-time, or work for small businesses frequently have no insurance. One employee in a medium-sized firm with a long-term illness like multiple sclerosis can drive up the overall costs of insurance for the firm to unsustainable levels. Many of the individuals without insurance are employed, but not in positions that give health benefits.

If you get sick or have a "pre-existing condition" of any kind, it can be impossible to get insurance. If you become too sick to keep your job, you can lose both your income and your health insurance.

These problems in health care in the US loom so large that most outsiders cannot understand why they have not been fixed thus far. There are four primary reasons.

First, although 15 per cent of Americans are uninsured and another 8 per

cent are underinsured, the vast majority of citizens do have health insurance. Among the three-quarters of the population with coverage, any discussion of change is uncomfortable. "What if, in a massive reorganisation of one of the largest sectors of the US economy, I end up worse off?" some may wonder.

Other comments frequently heard include: "If I like my doctor and believe I am well-covered, why would I want to change the system? The potential impact on my family overrides my concerns for those individuals without coverage or those who have died due to unaffordable treatment options."

Second, the costs of the current system are largely hidden from view for most employees. Since they do not write the cheques to pay for their own coverage, they do not get personal exposure to the rising costs. Even if their co-payments or deductibles have been rising, the rate of increase does not compare with the escalation of costs faced by employers. Changing the system is less attractive if you do not have a full understanding of the costs of the status quo.

Third, the current system involves a lot of money. Most health insurance companies in the US are for-profit corporations, as are many hospitals and clinics. The pharmaceutical industry is one of the most lucrative in the country. Keeping costs down and providing additional care to the currently uninsured will require squeezing revenues. Parts of the health industry have fought back hard against the broadest measures of reform.

Finally, the health-care debate is embedded in a larger debate about the role of government. For conservatives, moving the health-care system away from employer-provided coverage means a greater involvement of the government. This is viewed as a problem by most Republicans, leaving them unwilling to support the health-care reform packages on the table now.

The net result is a debate that has grown increasingly heated. This is why the drama has been so difficult to conclude and why it continues to interfere with American decision-making in a host of other arenas.

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