

## VIEWPOINT

## HEALTH POLICY

## The Language of Health Care Reform

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**When a new president takes office**, it often heralds a major health care reform debate. In fact, health reform in various forms has been debated in the US since the early 1900s.

In 2009, following the election of President Barack Obama, a contentious debate led to the passage of the Affordable Care Act (ACA), possibly the most important domestic policy initiative since the creation of Medicare and Medicaid in 1965. In 2017, following the election of President Donald Trump, a divisive debate over repealing and replacing the ACA ultimately failed, although some significant steps, such as repealing the ACA's individual mandate penalty, did succeed.

President Joe Biden arrives with a divided Congress, along with a pandemic and economic crisis of historic proportions that will likely consume the early months, if not years, of his administration. As a result, debate and action on health care reform may be limited, at least initially.

However, major health care challenges in the US are here to stay, including much higher costs than other high-income countries, worse outcomes in many cases, tens of millions of people still uninsured, and many more with burdensome out-of-pocket costs.<sup>1</sup> The nation will have another major health care reform debate, the only question is when.

### The Coming Health Reform Debate

It could be years before political forces are aligned to address health reform again. But it is not outside the realm of possibility that as the US emerges from the pandemic and economic crisis, especially if Democrats gain seats in Congress in the 2022 mid-term elections, that a debate could come sooner rather than later. Another challenge that could force action is the looming insolvency of the Medicare Hospital Insurance Trust Fund, now projected by the Congressional Budget Office to start taking in less in revenues than it pays out in benefits in 2024.<sup>2</sup> The Supreme Court is also expected to rule this spring on a suit challenging the ACA. If the court invalidates the entire law or major parts of it, Congress would almost certainly be required to act to avoid more than 20 million US residents losing their current insurance arrangements, including people with preexisting conditions.

Republicans have veered little from their opposition to the ACA, despite the overwhelming unpopularity<sup>3</sup> of their efforts to repeal the law in 2017. Republican leaders have never coalesced around a replacement plan, and universal coverage (ie, guaranteed public or private health coverage for everyone) has also never been a policy aim for Republicans. Rather, they have focused on lowering taxes and government spending, relaxing regulation, and shifting responsibility for health care from the

federal government to the states, including shifting the Medicaid program to a block grant that caps federal funding and gives states greater leeway to run the program.

Democrats, by contrast, have for decades pushed health reform proposals that would guarantee universal coverage or put the US on the path toward that goal.

### Medicare for All

The marquee universal coverage proposal discussed in recent years has been Medicare for All. The idea is that everyone would be automatically covered in a publicly sponsored health insurance program. The program would be paid for through taxes, with no premiums or deductibles. Private insurance duplicating the plan's benefits would be disallowed, but supplemental insurance would be permitted (although there would likely be little need for it with comprehensive benefits guaranteed).

A variety of estimates have shown that by controlling the prices paid to physicians, hospitals, and drug companies, as well as reducing administrative costs, including insurance overhead and profits, Medicare for All could conceivably achieve universal coverage while lowering what the US spends overall on health care. There would, however, be substantial disruption in how health care is paid for, shifting from premiums and out-of-pocket costs to taxes.

Estimates of costs and savings of a Medicare for All model would depend crucially on how much physicians and hospitals would be paid. Currently, physicians are paid 43% more by private insurance than by Medicare, and hospitals are paid 99% more.<sup>4</sup> The large disparity between Medicare and private payment rates illustrates the potential for Medicare for All to restrain health care spending, but also shows why such plans attract substantial opposition from the health care industry.

Despite what many critics say, Medicare for All is not socialized medicine. While everyone would be included in a public insurance plan operated by the government, the practice of medicine and the ownership of hospitals would remain as they are today, overwhelmingly owned and operated by private entities.

Although Medicare for All would provide coverage through a universal program called "Medicare," it would actually bear little resemblance to Medicare as it exists today. The current Medicare program covers more than 60 million older and disabled people and pays out more than \$730 billion in benefits annually. Medicare involves premiums, substantial patient cost-sharing in some cases, and beneficiaries can choose Medicare Advantage plans run by private insurers instead of traditional Medicare. Medicare Advantage now covers an estimated 36% of beneficiaries.

Medicare for All, which is sometimes called "single payer" because there is only one source of financing for

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health care for the entire population, is also not the only way to achieve universal coverage. In fact, many other countries do so through a mix of public and private insurance that also involves some payment of premiums, deductibles, and co-pays. But, even in these countries, coverage is compulsory with substantial public support and household costs based on ability to pay.

### Bidencare: A Public Option

President Biden campaigned against Medicare for All, so while this idea will continue to be a part of the discussion in the coming years, it is unlikely to be enacted in the near term.

Rather, the Biden plan, as outlined during his presidential campaign, calls for a "public option."<sup>5</sup> The federal government would operate a plan, administered by Medicare, that anyone could join. Premiums would be capped at a percentage of income. Like Medicare for All, a public option would not alter the actual delivery of medical care. But, unlike the prominent Medicare for All proposals, a public option as proposed by Biden would have premiums and patient cost-sharing.

Many details of how the proposed Biden public option would work remain unspecified, most notably how physicians and hospitals would be paid. While the health care industry has already come out in opposition to a public option, the details, including payment rates, could influence how strong the opposition would be.

The Biden plan would also expand the availability of public coverage in another way, by lowering the age of eligibility for Medicare to 60 years. This would extend Medicare to a group that faces some of the biggest health care affordability challenges. It could be seen by both proponents and opponents as putting the nation on a slow path to Medicare for All.

The Biden proposal for expansion of public coverage, which could help to improve affordability by making lower-cost health coverage available, would be paired with an increase in the ACA's premium subsidies by extending them to middle-income people with incomes above 4 times the poverty level (about \$105 000 for a family of 4) and to people with employer health insurance that they find unaffordable. The average family premium in employer health insurance plans, which cover about 157 million people, was \$21 342 in 2020, with the worker share of the premium averaging \$5588. Deductibles in employer plans have also increased substantially, to an average of \$1644 per person in 2020.<sup>6</sup>

### Short-term Incremental Reform

With a divided Congress, neither Medicare for All nor Biden's plan is likely to advance in 2021. That will put a greater focus on administrative actions that President Biden can take to advance reform.

Many of those administrative actions will likely center around undoing what Biden has called the Trump administration's "sabotage" of the ACA. This might include reversing a 90% reduction in outreach funding, restricting enrollment in short-term plans not required to cover people with preexisting conditions, and undoing flexibility provided to states to impose work requirements in Medicaid.

Another avenue to advance health reform incrementally is through the states. While the Trump administration encouraged states to use waivers in Medicaid and the ACA to restrict coverage (for example, by imposing work requirements on Medicaid beneficiaries), the Biden administration may look to give states greater flexibility to strengthen the health care safety net and improve affordability. President Biden could, in particular, make it easier for states to experiment with a public option through waivers.

Still, without action by Congress—including more federal funding—there will be limits to what states can do, especially during a period of constrained state revenues resulting from the coronavirus disease 2019 (COVID-19) pandemic. Medicaid now covers more than 75 million people and costs more than \$600 billion annually, with states responsible for more than one-third of the spending.

### Reforming Reform

The ACA, now more than a decade old, significantly expanded the health care safety net and guaranteed insurance for people with preexisting conditions.<sup>7</sup> Despite such efforts, US health care costs are the highest in the world and are nearly double on a per-person basis than what the average high-income country spends.<sup>8</sup> Even before the COVID-19 pandemic and resulting economic crisis, 29 million individuals in the US were uninsured. The nation's health care problems are far from solved, yet there is no clear political consensus on how to do so.

Looking ahead, there will inevitably be another major health reform debate, because health care is too important an issue and consumes too big a share of family income, employer balance sheets, and state and federal budgets. Most likely, the nation will always be reforming reform, pushing the health care system to the left or the right, depending on which direction the political leaders in power are leaning. How far the Biden administration will be able to go in expanding coverage, improving affordability, and containing costs remains to be seen.

#### ARTICLE INFORMATION

**Conflict of Interest Disclosures:** None reported.

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