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A Government Sponsored High-Deductible Consumer-Driven (HDCD) National Health Plan Could Provide Universal Health Coverage and Simultaneously Reduce the National Health Expenditures (NHE) in the United States of America

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ABSTRACT

Rather than a tweaking of an inefficient system, why not rethink entirely how the United States (US) Government allocated the $1.155 trillion ($1,815 - $660) spent on non-Medicare healthcare funding in 2016. The US Government could allocate $325 billion to provide every family in the country with a high-deductible consumer-driven (HDCD) health plan limiting each family to an annual out-of-pocket maximum of $14,300. The US Government could then use the remaining $830 billion to provide each family with a $12,205 contribution to a Health Savings Account (HSA). This would leave each family with an annual total out-of-pocket maximum of $2,095 which is about a twelfth of the combined amount that employers and employees are currently paying for health insurance. The portable HSA managed by the employee would incentivize employees to control costs since unused HSA funds, in any given year, could be rolled and available for use in future years. This would reduce administrative costs, likely reduce overall demand for healthcare, and subsequently reduce the cost of care.

KEYWORDS: ***Health Savings Accounts, High-deductible Consumer-Driven Health Plans, National Health Expenditures, Medicaid, Medicare, National Health Plan***

INTRODUCTION

Between 1960 and 2014, United States (US) National Healthcare Expenditure (NHE) increased from anInflation adjusted average of $1,176 per-capita to $9,237 per-capita, almost 8 times the inflation rate (1). According to a 2016 Kaiser Family Foundation report, the US, despite spending more than twice as much ($9,237 vs. $3,749) on healthcare as the United Kingdom, (UK) had a lower life expectancy than those living in the UK. The life expectancy is 79.1 years in the US and 80.9 years in the UK. The US spends more on healthcare than any country, yet ranks 12 in life expectancy (2).

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The total amount that the entire country spends on healthcare is about the same as the amount the US Federal Government receives in tax revenue. According to the Congressional Budget Office (CBO) the US Federal government received about $3.3 trillion in tax revenue in 2016 and the Centres for Medicare and Medicaid Services (CMS) reported that the total US NHE IN 2016 was about $3.3 trillion (3). The percentage breakdown of the $3.3 trillion US NHE in 2016 is as follows: Private insurance represented 34%, Medicare 20%, Medicaid (federal) was 11%, Out-of-pocket (co-payments, deductibles, and any amounts not covered by health insurance) was 11%, Medicaid (state and local) was 6%, the Veterans Administration Medical Centre, Department of Defence, and the Children's Health Insurance Program was 4% and other government funding was 16% (see table I.)

I. TABLE – NHE Expenditures and percentage

Program	NHE Expenditures	Percent of NHE
Private Insurance	$1,122 billion	34%
Medicare	$0,660 billion	20%
Medicaid (federal)	$0,363 billion	11%
Patient Out-of-pocket	$0,363 billion	11%
Medicaid (state/local)	$0,198 billion	06%
VAMC, DOD, CHIP	$0,132 billion	04%
Government Programs	$0,462 billion	16%
Total	$3,300 billion	100%

In 2016, the US Government spent $1.815 trillion for health services and programs: $660 billion on Medicare, $561 billion on Medicaid (federal & state), $132 billion on the Children's Health Insurance Program (CHIP), Department of Defense (DOD) and Veterans' Administration Medical Care (VAMC). There was an additional $462 billion spent at the federal, state and local government level on programs such as Indian Health Services, Centers for Disease Control, National Institutes for Health, Substance Abuse and Mental Health Services Administration, Maternal Child Health, School Health, subsidies for the Affordable Care Act's health insurance exchanges, etc. (4). There was also $260 billion in tax expenditures, most of this came from the exclusion from taxable income of employer's contributions for medical insurance premiums and medical care (3).

II. TABLE – US Government Health Expenditures

Program	Expenditures
Medicare	$0,660 billion
Medicaid (federal)	$0,363 billion
Medicaid (state & local)	$0,198 billion
VAMC, DOD, CHIP	$0,132 billion
Other Government Programs	$0,462 billion
Total	$1.815 trillion

APPROACH

Rather than a tweaking the budget of an inefficient system, why not rethink entirely how the US Government allocated the $1.155 trillion ($1,815 - $660) spent in 2016 on non-Medicare healthcare funding. One idea that has yet to be seriously considered would be for the US Government to provide a high-deductible consumer-driven (HDCD) national health plan that would include everyone.The price range of a typical HDCD ranges from $100-$200 per month per person. The total number of people enrolled and deductible, not on age, gender, race, etc. determines the cost of the monthly premium. The monthly cost should be around $100 since everyone in the country would be included in the proposed plan and the deductible would be at the maximum. There are IRS limits on plan features that would qualify a plan for government funding, but the main component is that the annual out-of-pocket maximum would be $7,350 / $14,300 (Individual / Family).

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It would cost the US Government $325 billion (272 million non-Medicare members * annual cost of $1,200) to provide every family in the country with a HDCD health plan limiting each family to an annual out-of-pocket maximum of $14,300. The US Government could then use the remaining $830 billion ($1,115 billion - $325 billion) to provide each family with a $12,205 ($830 billion / 68 million families) contribution to a Health Savings Account (HSA) leaving each family with an annual total out-of-pocket maximum of $2,095 ($14,300 - $12,205).

A 2016 Kaiser Family Foundation Employer Health Benefits Survey reported that employer-sponsored family healthcare insurance premiums averaged $17,545 annually - employees contributed $4,955, while employers paid out $12,590 (5). The total family out-of-pocket maximum of $2,095 is a fraction of the amount ($17,545) that employers and employees are currently paying for employer-sponsored family healthcare insurance. Employers and employees would only have to contribute about a twelfth ($2,095 / $17,545) of what they are currently paying. Unused funds would not be lost each year, but applied to a portable HSA that would be managed by the employee. There would be a strong incentive for employees to control costs since unused HSA funds in any given year could be rolled and available for use in future years. This could reduce overall demand for unnecessary care and subsequently reduce the cost of care.

Why are HDCD health plans so much less expensive than traditional health insurance plans? Traditional health insurance plans typically have much lower deductibles, lower co-payments, higher levels of coinsurance and lower out-of-pocket maximums so most of the cost of paying for healthcare claims is borne by the insurance company. Insurance companies issuing these types of plans charge dearly for them in the form of larger premiums since most of the financial burden has been shifted towards the insurer. In contrast, HDCD shifts more of the financial burden towards the consumer of the healthcare services – that is, the patient. With these types of plans, individuals that depend upon them for healthcare coverage will typically be responsible for paying increased co-payments, deductibles and out-of-pocket maximums. Since the insurance companies issuing these types of policies are exposed to much less financial risk, they typically charge much smaller premiums for these types of plans.

Individuals insulated from the cost of care often access as much care as possible whether it is medically necessary or not. Imagine what parking lots would look like if employers paid for 90% of the cost for an employee's car. Employees that are not insulated from the cost of care are financially incentivized to control costs. As a result, those who are uninsulated are more likely to use over-the-counter medications instead of visiting their doctor, use generic medications, improve their health status and postpone or opt out of treatments and procedures that may not be medically necessary.

CONCLUSIONS

HDCD health plans typically keep more of the dollars that were spent on healthcare services in the pockets of consumers since these consumers retain the healthcare dollars they don't spend. Consumers of these plans have a financial incentive to spend only what they deem necessary to ensure their health. One individual may deem a $5 bottle of Nyquil as an adequate treatment for a cold, whereas another individual may see a $150 trip to their primary care physician as an adequate treatment for a cold. In these two

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scenarios, two individuals chose to treat their colds differently, but one walked away with a $145 savings. If the two cold-burdened individuals had traditional health insurance plans, as mentioned above, neither would have had a financial incentive to use healthcare services more wisely and therefore, would not have sought a way to spend less money.

A government sponsored HDCD national health plan could provide universal coverage, reduce the US NHE and most employers as well as employees would financially benefit. Why then the lack of interest in a government sponsored HDCD national health plan? There are many entities that financially benefit from the current system and continually challenge healthcare reform initiatives. Health insurance companies are not interested in revenues decreasing by up to 80%, healthcare providers are not interested in a significant decrease in patient demand and drug companies are not interested seeing a large decrease in the number of prescriptions for expensive drugs. There is also the issue of politics. Many Republicans are not interested in the government becoming more involved in healthcare, many Democrats are not interested in a potential increase in out-of-pocket costs for the poor and government employees are resistant to change that could result in a substantial number of government employees losing their jobs.

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