CHAPTER ONE

US Health Care Today: Setting the Record Straight

America is facing its greatest health care challenges in history. Unprecedented demand for medical care is a certainty. According to the Department of Health and Human Services' Administration on Aging and US Census Bureau statistics, the number of Americans sixty-five and older has increased by a full six million in the past decade alone, to more than 13 percent of the overall population, while those age eighty-five and older have increased by a factor of ten from the 1950s to today's six million (Figure 1.1).

Older people tend to have the most disabling diseases, including heart disease, cancer, stroke, and dementia—the diseases that depend most on specialists and complex technology for diagnosis and treatment. Simultaneously, obesity, America's most serious health problem, has increased to crisis levels, already affecting more adults and children in the United States than in any other nation (Figure 1.2); given the known lag time for such risk factors to impact health, the next decades promise to reveal obesity's massive cumulative health and economic harms.

These daunting demographic realities combine with serious fiscal challenges in US health care that promise to worsen over the near future in the absence of change. America's national health expenditures now total more than $3.1 trillion per year, or more than 17.4 percent of gross domestic product (GDP), and they are projected to reach 19.6 percent of GDP by 2024.[1] Medicaid, originally covering 250,000 beneficiaries, has expanded to cover more than seventy million people[2] at a cost of $500 billion per year. Medicare spent less than $1 billion in its first year, but today it spends more than $260 billion annually on hospital benefits alone and $615 billion in total. With the aging of the baby boomer generation,

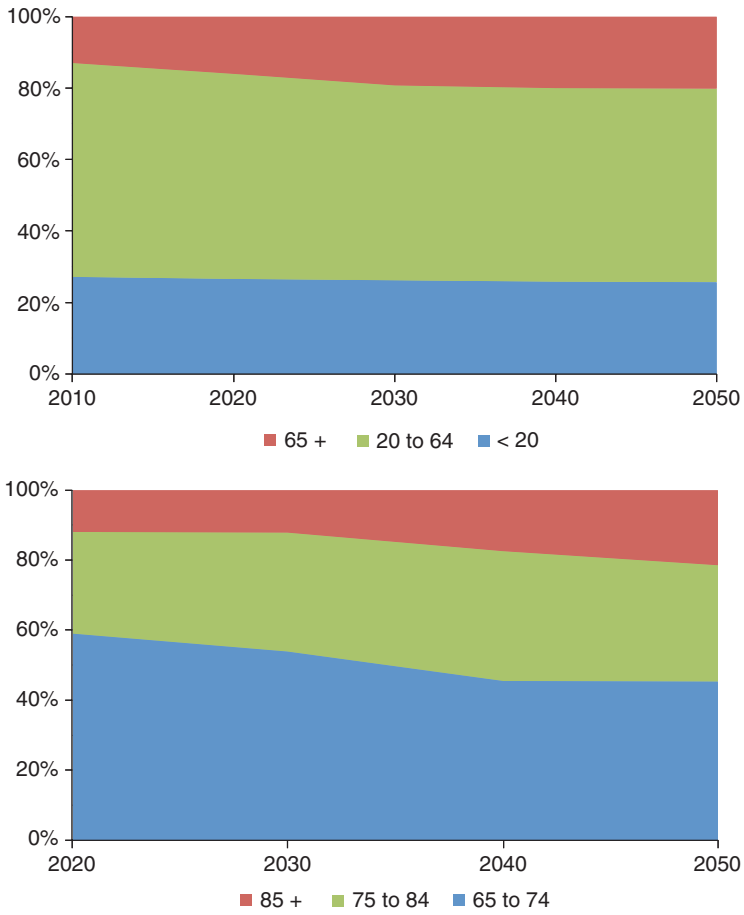

FIGURE 1.1. (*top*) Relative Age Distribution of Total US Population, 2010–2050; (*bottom*) Relative Age Distribution of Senior US Population, 2020–2050.
The population of seniors is rapidly growing. For those over sixty-five years of age, the proportions of seniors over seventy-five and over eighty-five are rapidly growing.
Source: US Census Bureau, "The Next Four Decades: The Older Population in the United States: 2010 to 2050" (based on 2008 data), https://www.census.gov/prod/2010pubs/p25-1138.pdf.

the program's costs in its current form appear unsustainable when one understands that in 1965, at the start of Medicare, workers paying taxes for the program numbered 4.6 per beneficiary, whereas that number will decline to 2.3 in 2030[3] (Figure 1.3).

The 2014 annual Medicare trustees report projects that the Hospitalization Insurance trust fund will face depletion in 2030.[4]

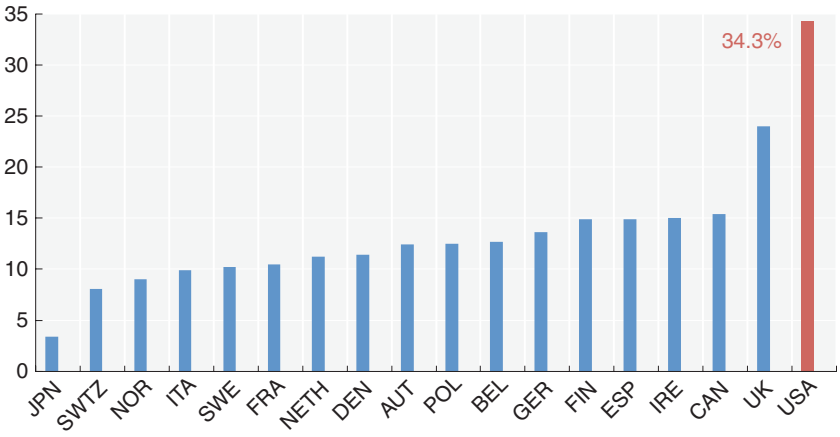

FIGURE 1.2. Obese Population (BMI > 30 Percent), Aged Fifteen and Above, Percentage of Population.
Prevalence of obesity (body mass index [BMI] of 30 percent or more) in United States and selected nations in the Organisation for Economic Co-operation and Development (OECD). The United States has more obese people than any other nation.
Source: Organisation for Economic Co-operation and Development, *OECD Fact Book 2010* (Paris, France: OECD, 2010), http://www.oecd-ilibrary.org/economics/oecd-factbook-2010_factbook-2010-en.

Regardless of trust fund depletion, Medicare and Medicaid must compete with other spending in the federal budget. With the current system, and barring new taxes and benefit cuts, federal expenditures for health care and social security are projected to consume all federal revenues by 2049, eliminating the capacity for national defense, interest on the debt, or any other domestic program.[5]

At the same time, we have entered an extraordinary era in medical diagnosis and therapy. Innovative applications of molecular biology, advanced medical technologies, new drug discoveries, and minimally invasive treatments promise earlier diagnoses and safer, more effective cures. The possibilities of improving health through medical advances have never been greater.

Before we consider reforms designed to reach the promise of twenty-first-century health care for all Americans, we need to understand the state of US health care prior to the Affordable Care Act. Whether defined by preventive screening tests;[6] waiting times for diagnosis or specialist appointments;[7] access to treatment for the

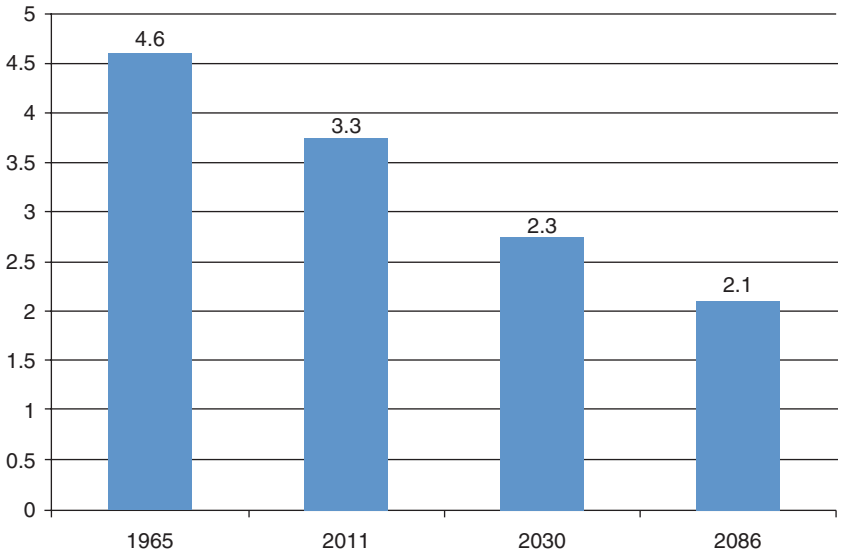

FIGURE 1.3. Workers Funding Medicare per Medicare Beneficiary, Historical and Projections. The number of workers per beneficiary supporting Medicare is far less than at the beginning of the program and is rapidly declining.
Source: Centers for Medicare and Medicaid Services, Office of the Actuary, 2014 Annual "Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds," July 2014, https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/reportstrustfunds/downloads/tr2014.pdf.

major chronic diseases;[8] timeliness of biopsies for cancer;[9] waits for life-saving and life-changing surgeries;[10] or availability of safer medical technology[11] and the newest drugs[12] that save lives, Americans enjoyed unrivaled access to care.[13] And, just as important, the objective data from the world's leading medical journals prove that American medical care already delivered exceptional results for virtually all of the most serious diseases.[14] Those results include superior survival for major and rare cancers,[15] better outcomes from heart disease and stroke treatment,[16] and more successful treatment of chronic diseases such as hypertension and diabetes[17] than in those countries with centralized health systems heavily controlled by governments. The inescapable conclusion on the basis of the facts is that both quality of medical care and the access to it have been superior in the United States as compared with those nationalized systems heralded as models for change by ACA supporters (Figures 1.4 and 1.5).

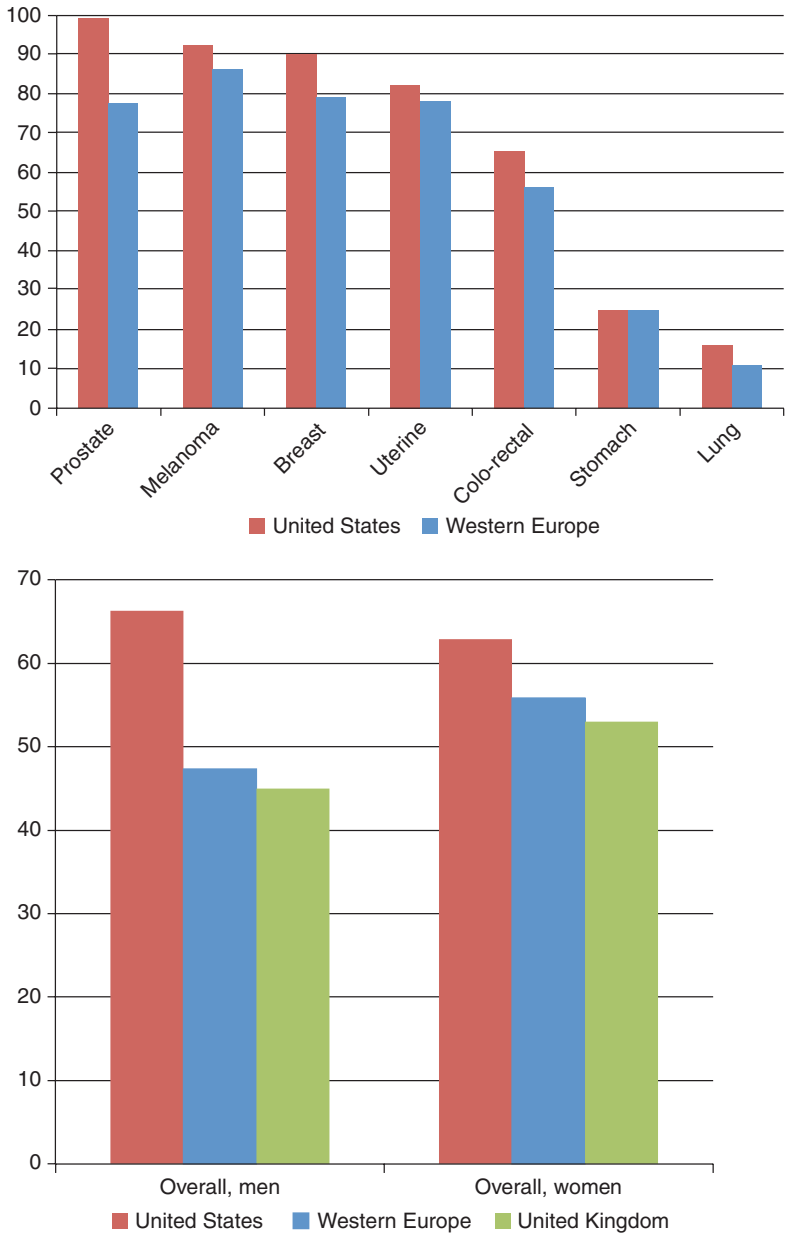

FIGURE 1.4. Five-Year Cancer Survival Rates (%).
(*top*) A comparison of five-year survival rate, United States versus western Europe, 2000–2002, seven common cancers. The United States has superior survival rates from all common cancers compared to western European nations. (*bottom*) Comparison of five-year survival rates for men and women, United States versus western European nations. Note a statistically significant increased survival rate for American men and women compared to the average western European nations and even more advantage over the United Kingdom.
Source: A. Verdecchia et al., "Recent Cancer Survival in Europe: A 2000–02 Period Analysis of EUROCARE-4 Data," *Lancet Oncology* 8 (2007): 784–96.

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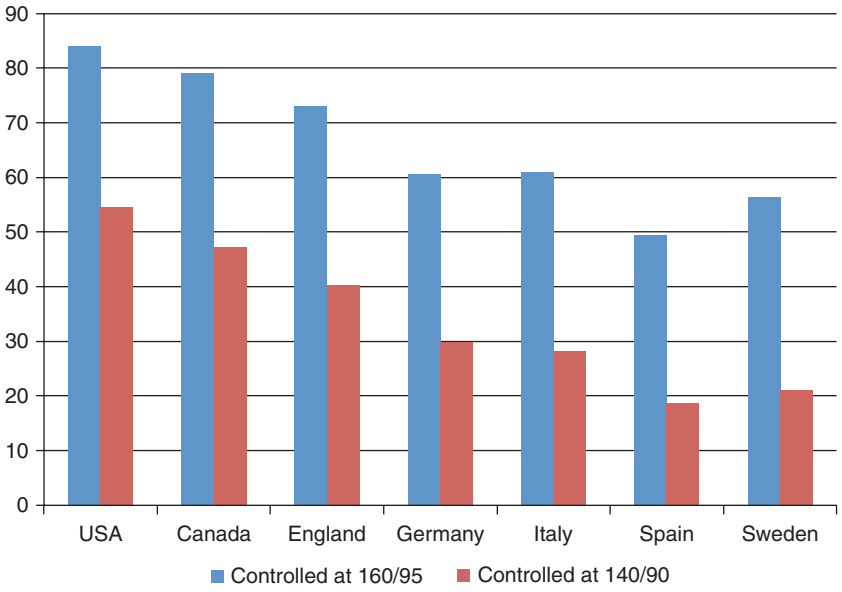

FIGURE 1.5. Successful Control of High Blood Pressure, Percentage of Treated Patients by Country, Ages Thirty-Five to Sixty-Four Years.
The United States has more effective medical care for high blood pressure compared to other developed countries, including those held as models for the ACA.
Source: From K. Wolf-Maier et al., "Hypertension Treatment and Control in Five European Countries, Canada, and the United States," *Hypertension* 43 (2004): 10–17.

Partly based on now-discredited studies alleging the poor quality of America's health care,[18] the ACA was enacted. Its two core elements, a significant Medicaid expansion and subsidies for exchange-based private insurance, will each cost about $850 billion over the next decade.[19] Fundamentally, the ACA consists of a huge centralization of health care and health insurance to the federal government, driving government centralization of health insurance to unprecedented levels while dramatically pushing up private insurance premiums. During the first three quarters of 2014, 89 percent of the newly insured under Obamacare were enrollees into Medicaid, not private insurance.[20] Together with population aging, the Centers for Medicare and Medicaid Services (CMS) projects that the 107 million people under Medicaid or Medicare in 2013 will rapidly increase to 135 million just five years

later, a growth rate tripling that of private insurance.[21] At the same time, we are witnessing increasing consolidation under Obamacare in several areas of health care, including insurers, doctors, hospitals, and pharmaceutical companies. This ongoing consolidation is going to reduce competition and therefore hurt consumers.

But the goals of health reform demand quite the opposite. Facts show that private insurance is superior to government insurance for both access and quality of medical care (see chapter 2). History shows that the best way to control prices is through competition for empowered, value-seeking consumers. Instead of shunting more people into insurance and care provided by the government, heavily subsidized by the government, or massively regulated by the government, reforms should focus on how to produce competition-driven markets that will deliver innovation and cost savings, thereby maximizing the availability and affordability of the best care for everyone. The key is to move away from centralized models based on misguided incentives necessitating more and more taxation to one of individual empowerment with personal responsibility.