



FINANCIALLY *Speaking* SM

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U.S. Healthcare

On March 23, 2010, U.S. President Barack Obama signed the Patient Protection and Affordable Care Act, sometimes referred to as ACA or Obamacare, into law. The law passed the Senate without a single Republican vote. Now, with a Republican-controlled Congress and Whitehouse in place (with less of a majority than the Democrats in 2009) the move is on to undo Obamacare and replace it with...something. In this edition of Financially Speaking, I will take a closer look at the U.S. Healthcare system, some interesting statistics, and how Obamacare has more policy involved than many people realize. As always, comments and opposing views are welcome.

Best Regards,

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What do you think?

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Many Plans, Shaky Results

The U.S. healthcare system has numerous insurance plans with very different coverages and costs. Based on census data from 2015, only 6.8% of Americans get their insurance through a private, non-group plan. The majority, 49%, receive their insurance through private, employer group plans. Another 35.2% are covered via a Government plan such as Medicare, Medicaid or Veteran benefits. The remaining 9% of Americans are uninsured. That 9% uninsured compares favorably with the pre-Obamacare uninsured population of 15%. Almost everyone attached to a private insurance plan, individual or group, was affected by Obamacare because the law set stricter coverage standards in place. As insurance companies adopted the new coverage standards, costs rose, causing premiums to rise and/or deductibles to increase. Hold that thought and let's shift gears to a bigger picture. Looking at global healthcare data from 2014, the U.S. is an outlier in that it is the only developed country with a very noticeable trend towards higher healthcare costs and smaller gains in life expectancy. For example, the data shows the average annual cost of healthcare per U.S. citizen was \$9,000 with a life expectancy of age 79. In Norway, the average annual cost was \$6,000, with a life expectancy just under age 82. In Japan, the annual cost was \$4,200 with a life expectancy over age 83. No other developed country, from the data I reviewed, had life expectancy under age 80. This is surprising considering the U.S. has what many consider the world's foremost medical technology and training. Getting back to the topic of greater insurance coverage, it is not often reported that a majority of the newly insured under Obamacare received their coverage through Medicaid. Unfortunately, most academic literature suggests that patients on Medicaid experience poorer care access and health outcomes. This seems in-line with the overall U.S. healthcare ranking.

Private vs. Public?

Obamacare has some basic intentions from a policy view. First and second is an expansion of private health insurance and Medicare. Done. As noted above, 6% of the population gained health insurance through Obamacare. The third policy goal was stricter coverage rules, such as allowance of pre-existing conditions. Done, also as described above. Another policy intention is breaking the connection between health insurance and employment. From a policy view, the logic is that health insurance should not be a factor when making employment decisions. This break will begin in 2020 with the implementation of the "Cadillac Tax" associated with employer-provided insurance. The process will take time, but the math suggests over 40% of employer plans will be affected by 2028, with more affected each year thereafter. The Tax is expected to make individual private insurance more similar in cost and coverage to employer group insurance, allowing workers more freedom in choosing employment. I'll spare you my thoughts on this policy. The bigger issue, as I see it, is that the private health insurance market appears to be a problem. Looking at the 34 countries associated with the Organization for Economic Co-operation and Development (OECD) only two countries incorporate private health insurance. The other country is Germany with approximately 11% of its population covered compared to over 50% for the U.S. No other developed nation relies so heavily on private insurance, and all other developed nations have lower healthcare costs and longer life expectancies. Coincidence?

I am not a fan of socialism. But looking at the statistics, and personally living through the cost increases, makes me wonder about the "single payer" option. I don't know if that is the best solution, but I find it hard to believe that the U.S. fixation on private insurance isn't part of the problem.





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