

**PMO526**  
**Financing Health Services Module**

**Team Diverseline**

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**Introduction.** In the United States, a debate has arisen over methods of financing the U.S. healthcare system. This is due to the fact that, by the late 1990s, healthcare spending rose to nearly 14% of the national income. When compared to other industrialized nations, they have also shown an increase in this proportion, but to a lesser extent, and with greater overall benefit. This leads one to ask the question of why we are spending so much, yet healthcare systems of other countries are better than ours? It also leads to the question of how this country can reduce the amount of money spent on healthcare and provide better care and access for all, including the poor and the ever-increasing number of uninsured citizens? In this essay, Team Diverseline will define and discuss the advantages and disadvantages of three proposed methods of healthcare financing, and will attempt to determine which proposal is best and most likely to be adopted.

**Medical Savings Accounts.** First, we will discuss a very interesting concept; that of medical savings accounts (MSAs), which can be compared to Individual Retirement Accounts. In this plan, people would save money in tax-exempt accounts, and the money would be used to pay for routine medical expenses. It is proposed that the government and employers would also contribute to these accounts. As pointed out in our discussion, many people do not recognize what they get for the price they pay. Having a MSA would allow them more decision-making power in their healthcare process. It was also discussed that a MSA would allow for more competition in the insurance arena as the consumer would be looking to purchase catastrophic insurance, thus keeping insurance costs on the low end of the spectrum.

When evaluating a MSA further, we see that the proposal calls for both employer and government contributions to the account. We mentioned earlier that a large portion of the U.S. population (nearly 16%) is uninsured. The question was posed asking how the MSA would benefit the uninsured. Many of these people are near the poverty level, and would have difficulty contributing out of pocket, and still others are unemployed, and therefore it would be impossible for the employer to contribute, since no employer exists. This then implies that the government would have to pick up a larger share of those contributions, and that money would ultimately come from those who are able to pay.

**Employer-Based Insurance.** The second proposal is the notion of employer-based insurance. As the name implies, the employer predominantly pays this insurance, and it is very similar to what is already in place in the U.S. We all agreed that this is a good idea in theory, but it is good only for the employed. Employer-based insurance creates competition among insurers, thus keeping prices down, and it also has minimal out-of-pocket costs. The coverage is wide, relatively inexpensive, and many companies even provide some ancillary services such as dental care. The employer could also go for the best option of limiting the premium to assure that the employee is only seeking what care is necessary, thus anything unnecessary would be paid for out-of-pocket, either directly or by the purchasing additional coverage. The employee could also be asked by the employer to pay a slightly larger portion of the co-payment, forcing them to be more diligent in healthcare decisions, but not affecting them too much financially. The plan

would also benefit the employer, as the employee would most likely appreciate a good health plan, and morale would be increased, contributing to a more stable workforce.

Another advantage is that this plan would allow for a significant savings in tax dollars for individuals, because of the money's exclusion from income taxes and federal healthcare programs. On the other hand, we discussed the notion that tax rates would be higher for society.

Employer-based insurance once again leads us to ask how to cover the unemployed and self-employed, or those people who work for small businesses that may not be able to afford insurance plans for its employees. One member made an interesting proposal that would benefit the self-employed under the employer based proposal: the creation of group insurance for people with similar vocations/occupations. As pointed out in the readings, insurance becomes less expensive for larger groups of people. With this part of the proposal, barbers, for example, could have some type of national barbers insurance plan in which each participating business makes a contribution, and the plan covers the shop employees. This would be a cheaper alternative than having each barbershop having its own plan. We would still, however, be faced with the question of the unemployed.

Another issue raised is how much should the employer pay and what services should be covered? Should only essential services, like preventive medicine and emergency care be covered? If this were the case, then people would still have to purchase supplemental insurance to cover other costs.

**National Health Insurance.** The government currently plays a large role in financing healthcare. This theme was seen throughout our discussion. When questioning the shortfalls of MSAs and employment-based insurance, we realized that the government would have to be involved in order to assist with the poor, uninsured, and elderly, and one member mentioned the military health system, which is obviously government-regulated.

The proposal for a government-regulated national healthcare system involves the government providing regulations and funding for essential healthcare for all citizens. This would be very similar to the Canadian system of national healthcare, which as pointed out in discussion, may not be considered perfect, as no system is, for that matter. It does however, allow for everyone, regardless of socioeconomic status, to be seen for primary care, and it would allow those who want coverage for nonessential care, such as cosmetic surgery, laser eye surgery, certain nonessential dental care, etc. to pay for those services out-of-pocket through a supplemental insurance plan.

Other advantages of one national system are first, that one system could allow for better cost controls, as costs would be regulated by one entity, and that should therefore eliminate competition among private insurers, HMOs, PPOs, etc. Second, one national system would allow for a better needs assessment of where money should go and where bodies (i.e. physicians, nurses, etc.) should go, and would most likely reduce the number

of individual administrators needed. That is good financially because administrators have to be paid, and if there's less of them, then there's less money going to that purpose.

So, the question remains, what are the disadvantages of such a system? The major obstacle to a government-based system is the American public itself. We may be too foregone to adopt such a system. Why? Taxes! One member brought up the fact that a very large portion of Canadian salaries go to taxes, a concept that would not be looked upon too well by Americans. The government runs on taxpayer dollars, and whenever lawmakers speak of tax increases, it is usually welcomed with a big public outcry, often costing some political figures elections. Also, generally speaking, people seem to not trust the government when it comes to issues like health and environment. It would take a while for the public to grasp the idea of a government system.

**The Major Issues.** Each of our proposals has advantages and disadvantages. In discussing the three options, two themes tended to dominate the discussion: risk and coverage.

First, we will address risk. Part of the problem with choosing a proposed plan is determining who should bear the most risk in paying for the system. With MSAs, it is the individual; with employment-based, the employer; and with a national system, the government. Or is it? At first glance of the proposals as presented above, one may think so, but if we look deeper, we see that it is not the case. One member pointed out that no matter what, the consumer ultimately bears the financial risk. How can this be? Let's analyze.

With MSAs people would put money into an account, with government and employer contributions as well. Where does government money come from? Who supports businesses? The consumer. With the employment-based system, again the government would still be asked to step up and help cover unemployed and self-employed citizens. The same questions apply here as with MSAs. With the government system, again, taxpayer support is the underlying finance tool. Therefore, whether it's direct payment, Medicare, the "Blues," private insurers, HMOs, are whatever payment option one can think of; the consumer is the one who is really footing the bill, specifically, those of us who are comfortably above the poverty line.

The issue of coverage was also a major topic of discussion. The overwhelming question asked during the discussion process was, "what about the uninsured and the poor?" MSAs would help to reduce the number of uninsured, but probably not very significantly; employment-based is good if one is employed by a company that can afford the insurance; and a national system has the big advantage of being able to take everyone into account.

**The Best Choice.** After careful thought and discussion, the group decided that the most likely proposal to be accepted is a national health system. A large portion of our system is already employment-based system, which as one member pointed out, does play the major role in insuring the employed population, but as others pointed out, does nothing for the unemployed. MSAs have a similar disadvantage. Based on the two major issues of risk and coverage, a national system is the one that best accomplishes our ultimate goal:

coverage for all and reduced healthcare costs. The government already has its hand in the insurance arena, and it already provides funding for the less fortunate.

Why would the proposal be adopted? The process would not be easy, and it would take a lot of debate in Congress and in society, but if everyone realized that no matter what, the consumer is paying, and how our current system of chaos is not working well, then it should not take long to realize that one universal system is ideal. It would not be easy, but neither would the other two proposals.

As far as regulatory changes go, many would have to be made. There would have to be legislation to determine what would happen to private insurance companies, HMOs, etc. There would also be major changes to cost and payment structures, what services are covered, and where services are provided. Also, regulations would have to specify what role state governments would play in the system. Would the federal government make the regulations, and state governments carry them out at the individual state level?

One member also brought up the question of what would happen to the military healthcare system? This would also have to be considered. Options would include leaving it in place because of the military's missions and the training of military medical personnel require for those missions. Another would be to allow civilian access to military facilities, or allow military personnel to work in civilian facilities for clinical training, and continue to wear the uniform and be trained for mission readiness.

The proposal would have little effect on financing healthcare programs for federal employees, elderly, and economically disadvantaged, because the federal and state governments already cover these groups. As explained earlier, the major rationale for the national system is to provide essential care for all.

**Conclusion.** The American healthcare system is at a crossroads. The amount of money spent on healthcare does not equate to the quality of the system, and in fact, the U.S. is not considered to have the best healthcare system in the world. However, we should, and we can. No matter what proposal is adopted to correct this problem, it will cause major debates, many people will be unhappy and voice their opinions, and lawmakers will have to work overtime to get the system into place.

A national healthcare system appears to be the most viable option for the U.S. While it will not be perfect, its benefits outweigh those of any other proposals. And while met with resistance in the beginning, it will ultimately prove to place the U.S. in position to one day truly be one of the best systems in the world. But let's not forget, best does not necessarily mean great, and as one member correctly stated, our proposal is basically the "lesser of the evils." At this time though, we are in no position to accept a more evil option.