

The Deepening US Health Care Affordability and Coverage Crisis

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The current pandemic is wreaking havoc with the US and global economy, accelerating and deepening the general economic crisis—and threatening to provoke a global financial crisis that will exacerbate the decline and usher in a great depression no doubt even worse than the 1930s. We are now somewhere between the Great Recession of 2008-09 and the depression in the 1930s in depth of contraction and duration. Today's Great Recession 2.0 is no doubt already worse than 2008-09 and approaching (and in some already exceeding) the depression of the 1930s.

As 40 million plus of US workers find themselves unemployed and barely able to cover their rents, food and other bills, their ability to afford or even secure fundamental health care services is a growing problem. Most of the 40 million will lose their employer health insurance coverage. Millions more will be unable to afford it, or to acquire even minimal ACA or Medicaid health services.

This writer was asked the following questions by an International News Agency about what happens to health care services in the near future, given not only the health but the economic crisis.

Here's the questions, followed by my commentary and analysis where US health care is likely going in the foreseeable future:

Question

"We're discussing the US health insurance crisis. Millions of Americans have been hit by a double blow, being out of work and without health insurance if they get sick. Prior to the pandemic, 160 million Americans received their medical insurance through their job. The wave of layoffs triggered by quarantine measures now threatens that coverage for millions. Up to 7 million of those people are unlikely to find new insurance as poor economic conditions drag on, researchers at the Urban Institute and Robert Wood Johnson Foundation think tanks predict. Such enormous insurance losses could dramatically alter America's healthcare landscape, and will probably result in more deaths as people avoid unaffordable healthcare.

In this respect, we'd be happy if you could share your opinion in a short commentary on the pros and cons of Obamacare: 1. why the system failed to cope with multiple healthcare issues, 2. what prevented it from being as successful as was expected and 3. what do you think could have been an alternative, especially now, when the pandemic is ruining the already fragile healthcare system."

My reply and commentary

Obamacare should be understood as a program that attempted to resolve the decades-long growing health care system crisis in America by means of privatization. In the early 1990s Bill Clinton's effort to pass legislation to correct a national insurance program was defeated by massive lobbying by the healthcare industry (insurance companies, hospital chains, clinics, physicians, pharmaceutical companies, medical device manufacturers, etc.). Clinton's response was to pass what was called Health Maintenance organizations, or HMOs. But also part of his market solution was to allow insurance companies to merge with other financial institutions (previously prevented) and allow hospitals to acquire each other without anti-trust liabilities, which were exempted in this industry. A concentration of insurance and hospital chains followed. Concentration led to oligopoly and higher prices. In order to buy up each other, hospitals and insurers went to Wall St. for financing of the deals. Wall St. demanded higher profit margins, at least 22% of revenues, in order to provide the merger financing. That led to still further price increases after the mid-1990s, and insurers dropping from coverage households with pre-existing conditions. Prices rose and coverage (costs) fell. As insurance prices rose, companies providing health insurance shifted more and more of the rising cost burden to its workers in the form of higher monthly premiums, more co-pays, more deductibles. Big companies that used to provide retirement health care benefits to their workers (e.g. AT&T, IBM, etc.) began dropping those benefits. The courts supported them. Millions of retirees lost benefits, while for the still employed prices rose, as insurers expanded price increases while reducing coverage. BY 2000, 50m workers were without health insurance coverage; and those that still had it were paying higher prices for less coverage. In 2000, Clinton arbitrarily redefined what it meant to not have insurance coverage, reducing the total without health insurance from 50m to 40m. This was a repeat of what he had done to reduce poverty: he simply defined it lower, if not away.

The dynamic of health insurers and hospital chain concentration—driving oligopoly and inflation higher as coverage declined—continued in the 2000s decade under George W. Bush. More and more were dropped from coverage by insurance companies for dubious reasons like pre-existing conditions, in order to satisfy Wall St. they were attaining 22% margins as a qualification for getting loans to buy up their competitors. As insurers gouged the public and got away with it, other sectors of the health industry followed suit “to get their share” as they said. Hospitals raised prices. So then did doctors and clinics and medical device manufacturers and pharmaceutical companies.

In 2005 the big pharma companies got a second boost from government policy. George W. Bush passed the addition to Medicare called 'Part D' that meant the government provided drug prescriptions in part to seniors on Medicare. The problem, however, was that the politicians, Republican and Democrat alike, did not pass any funding for Part D. The cost of the program was paid out of general tax revenues, not a specific addition to the payroll tax earmarked just for Part D. That would add \$50b a year to the US budget deficit and debt every year thereafter. Big Pharma got \$50B a year more customers. Big Pharma and health insurance companies are among the top 3 or 4 biggest campaign contributors and lobbyist spenders in Washington. Part D became a big subsidy program to the industry.

The economic crash of 2008-09 then exacerbated the problem of ever escalating health care costs amid falling affordability by households. On top the above secular trends driving up prices and the uninsured, cyclical collapse of the economy drove tens of millions more households into the ranks of the uninsured. A major healthcare reform package was

proposed in 2010 to try to rectify this. It was called Obamacare, or officially the Affordable Care Act, or ACA.

It should be noted that the historic Democrat Party proposal for health care reform and accessibility to all since the 1930s, which was called Medicare, was not allowed even for discussion in the then Democrat controlled US House of Representatives and Senate. Medicare for seniors was passed in 1965 and the party's platform always called for extending it to all, but when the opportunity came in 2010, Obama and his business advisers prevented it from even being discussed. Instead, Obama offered what was called the 'public option' in lieu of Medicare for All. The public option was simply to have the federal government offer its own competing health insurance to the private insurance companies. But the private insurance industry demanded Obama pull it from proposed legislation as a condition for their support for the legislation. Obama quickly then pulled the public option. There would be no government competitive offering—even if in the form of an insurance solution and not a Medicare for All solution. What resulted was an ACA (Obamacare) that was in effect a proposal to subsidize the health insurance industry to the tune of nearly \$1 trillion a year more revenue by having the US government and states manage private health insurance offerings with certain restrictions concerning price changes and health coverage minima and guarantees. Under the ACA, pre-existing conditions requirements were ended. Students up to age 26 could now also get coverage under parents' insurance plans. The big improvement under the ACA was expanded coverage for the working and non-working poor under the Medicaid (not Medicare) program. This is a bare bones minimal doctor and hospital access provided to the poor who could not afford an insurance plan. There are few doctors who will provide services to Medicaid patients (who are mostly single mothers with children, minorities households earning less than \$20k a year, and homeless, and some students). Typically only one hospital in a county accepts Medicaid patients. But it was better than nothing. However, more than a dozen states, run by Republican governors or legislatures, refused to participate in the expansion of Medicaid benefits to the poor, mostly for ideological reasons. These were Trump 'red states' predominantly.

In terms of uninsured, the ACA was able to add fewer than 17m to the health coverage rolls, out of the 50 million previously uninsured. It cost the government \$900B a year to add these. Not a very cost efficient solution, but one which the health insurance companies liked. As one nurse I spoke to described it, the ACA was not a health insurance reform program; it was a health insurance industry subsidy program.

The ACA was financed by an amalgam of measures that raised the money for the \$900b. Among these included a tax on medical devices, a tax on private high cost and often union-negotiated health insurance plans with their employers, a 3.8% surtax on investors income, a mandate that non-insurance companies had to buy into the program if they didn't have equivalent coverage already, a mandate that individuals had to buy into the government managed plans if they didn't have employer coverage, and dozens of other money raising measures. Immediately, business interests opposed the taxation and mandates and organized against the ACA, not just lobbying but directly as well, including in the streets demonstrations, protests, etc. The growing right wing media, led by Fox News and right wing social media, launched a constant attack against the ACA. This was encouraged by the fact that Obama and the Democrats allowed four years of 'commentary' before the ACA actually took effect. Passed in 2010, the law would not become effective until 2014. In the meantime, a window was allowed for opposition to grow. Lobbyists also picked away and reduced the law as well. Over time, even after 2014, court challenges chipped away at the

funding and financing of the ACA. Mandates disappeared, taxes were reduced or eliminated, and only half or so of the states actually joined up.

By the time Trump entered office, Obamacare was a shell of its even limited intent. Without a public option, private insurers could, and did, 'game the system'. Health care coverage was reduced and, most importantly, the costs of monthly premia, co-pays, and deductibles were allowed to rise significantly. What exists today is high unaffordable private industry offerings, with extremely high deductibles. It amounts for most to only extreme disaster insurance. Those covered amount to no more than 10-15 million at best who were previously uninsured. There therefore remain at least 30 million still uninsured in the US, while the health insurance companies continue to reap at least a half trillion dollars in new revenues a year from the program.

The big failure of the ACA, as this writer forewarned back in 2010-11, was it would fail to control health care rising costs and declining coverage. And that is true as well to this day. The other problem was the willingness of Obama and corporate Democrats to scuttle the public option, and prevent any discussion of Medicare for All being far more cost efficient and beneficial to households.

Now in the wake of the near collapse and deep failure of Obamacare—which repeated the failure of all prior health care privatization solutions—overlaid on the US health care affordability and coverage (and quality of health care for most) crises is the Covid-19 health crisis. Now tens of millions more are losing their health coverage, as poor as it has proven. Mass industry layoffs will result in mass decline in health care services. And re-employment will not occur rapidly, as Trump and other media declare a V-Shape quick recovery. Job losses will continue for years. Only some will come back in 2020-21. Most won't. Health coverage crisis will continue.

The left wing of the Democrat party has been proposing Medicare for All as the only cost effective and moral alternative solution. But corporate wing Democrats refuse to consider it. And Trumppublicans consider Medicare for All anathema and will vigorously oppose it, labeling all you advocate it as 'socialists'. And soon the massive budget deficits now being run up to bail out businesses and investors (\$3.7T this year and another \$2.2T in i2021) will no doubt result after the November 2020 elections in a major drive b y business interests to cut Medicare and Medicaid in order to reduce the deficits caused by business bail outs and America's current 2nd Great Recession underway at present.

In short, it is clear that US elites since Clinton have only envisioned private, market based solutions to the US growing and continuing health care affordability crisis. All such have failed to date, as will those that may come. Whomever wins in November—Trump or Biden—there will be no Medicare for All solution considered. (Biden, like Trump, has publicly rejected it). That means that tens of millions more American workers and families will be uninsured and do without fundamental health services as the pandemic continues in inevitable second and third waves in the coming months. Those disproportionately affected by loss of medical services, insured and not, are the working poor, single female heads of households, and black and Latino households. The ranks of the uninsured will almost certainly surge once again, and quickly, above 50m and most likely much higher. That means nothing has changed or improved for the last 25 years since Clinton's abysmal failure at health care reform, through Obama's failed ACA, through Trump's virtual disregard for doing anything except to continue to ensure insurance companies are taken care of first and foremost.

Private market solutions to the healthcare crisis, past present and future, have not only failed. They are in effect a central cause of the crisis. The US spent more than \$3.5 trillion a year on health care services even prior to the current pandemic. It's now spending well over \$4 trillion ! More than a \$1 trillion a year was being paid to paper pushers and middlemen call the health insurance industry. Today at least \$1.5T will be paid to the paper pushers who provide not one iota of health care services. The health insurance industry is giant rentier profits industry sucking money out of the economy on a massive scale. The big pharmaceuticals are a close second. They continue to do so because they continue to buy elected politicians and lobby them and the rest in between elections, in the era in America where Citizens United and other court decisions mean corporations are first class citizens and the rest of households are second class (and minority households third class). And nothing will change except for the worse after the November 2020 elections, regardless which candidate of either wing of the Corporate Party of America prevails in the election.

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