

A New Health-Care System for America: Free Basic Health Care

Joseph George Caldwell

15 August 2017

Copyright © 2017 by Joseph George Caldwell. All Rights Reserved. Posted at Internet website

<http://www.foundationwebsite.org/ANewHealthCareSystemForAmericaSlidePresentation.pdf>

This is a slide presentation to the paper of the same title posted at Internet website

<http://www.foundationwebsite.org/ANewHealthCareSystemForAmerica.htm>

A video presentation is posted at Internet website

<http://www.foundationwebsite.org/ANewHealthCareSystemForAmericaVideoPresentation.wmv>

Outline

- Introduction and summary
- Background on the present US health-care system
- Proposal for a new national health-care system
- Discussion of key features of the new system

The Present US Health-Care System Is a Disaster

- The overall level of quality is comparable to that of other developed countries, but
- The cost is very high – the per-capita cost in US is 2-1/2 times that of other developed countries (i.e., 60% of the total cost is wasted)
- Total cost = \$3.2 trillion per year (2015 data)
- Wasted cost = \$1.9 trillion per year

Where Is the Wasted Money Going?

- Inflated incomes for the medical establishment
- Profits for the insurance industry

The Present System Has Operated for Decades – Why?

- Congress pretends to work on fixing the system, but is incapable of doing so
- Why? Because it is beholden to the medical establishment and the insurance industry, and cannot do anything to lower costs.

The Current System Is Profit-Driven

- The primary purpose, structure and function of the present system are to generate high income for the medical establishment and profit for insurance companies.
- They are not to provide high-quality health care at low cost.

How Can High Quality Be Achieved at Low Cost?

- For each case (treatment episode), compare benefits to costs, and select treatments for which the benefit-to-cost ratios are high.
- The present system does not do this; if it did, profits would plummet.

The Present System Is Beyond Repair

- The present system is designed to generate profits, not deliver high-quality health care at low cost.
- It is not a question of efficiency: the current system is very efficient at producing high incomes for the medical establishment and profits for the insurance industry.
- It cannot be “tweaked” to fix the problem: the system must be scrapped, and an improved system developed.

Proposal: A National Health-Care System Based on Free Basic Health Care

Key features:

1. Establish free basic-health-care clinics in all neighborhoods.
2. Establish free basic-health-care hospitals in all cities.
3. The health-care staff are employees, just as in education and national defense.
4. Remove private health insurance from the public health-care system: provide direct access to health-care *services*, not health-care *insurance*.
5. Set a budget level for total national health-care cost, such as 5% of GDP – the cost is fixed, no longer open-ended.

Who Pays, Who Benefits?

- Patients receive care free of charge.
- Based on other developed countries, high quality health care can be provided to all citizens for about 5 percent of gross domestic product (GDP).
- Cost of new system to government / taxpayer will be less than the present system (i.e., 5% of GDP vs. 17% of GDP).

Equity in the New System

- All Americans will receive, from the public health system, exactly the same level of care, for exactly the same cost (zero).
- Under the present system, people with higher incomes receive good care, but people with low to moderate incomes may receive inadequate or inappropriate care, and they may experience severe financial distress because of the cost of the care.
- Under the new system, public health will be a free public service, like public education and national defense.
- If wealthy people desire a higher level of care, they are free to purchase it from the private health-care system. Free basic care is provided by the public system, not the private system.

How Can This New System Be Realized?

- The present system funnels two trillion dollars of unnecessary cost to the medical establishment and insurance companies, every year.
- They will not relinquish this entitlement readily, and will fight changing the system.
- In this fight, the US government will side with them, not the American people (as evidenced by its actions in the economic meltdown of 2007).

Why Has a New System Not Been Accomplished Earlier?

- American people have been brainwashed to believe that if we depart from the insurance-based system, quality will decrease.
- The experiences of other developed countries prove that this is not true.

What, Specifically, Should the American People Demand?

- Direct access to health-care *services*, not to health-care *insurance*.
- Optimized (managed, rational) care, for which benefits are high compared to cost.
- Health care that is free to the individual: free public health, just like free public education and national defense.

Remainder of the Presentation

- The preceding slides have summarized the key points of the presentation.
- The remaining slides discuss the points made in additional detail.
- In general, the following slides contain more information per slide. This shows up well on a computer screen or a large projection screen, but not in the video presentation.
- All of the material presented here is presented in detail in the paper on which this presentation is based.

How the US Compares to Other Countries (data for last three years)

- Data from OECD (Organisation for Economic Cooperation and Development – 35 developed countries of the world):
 - annual per-capita health-care cost
 - total health-care cost as a percentage of gross domestic product (GDP)
 - OECD annual per-capita health-care cost = \$3,997 (2016)
 - US annual per-capita health-care cost = \$9,892
 - OECD health-care cost as percentage of GDP = 9.5%
 - US health-care cost as percentage of GDP = 17.2%
- Either way you look at it, per capita or percentage of GDP, the US spending is about twice that of other developed countries.
- US total health-care cost = \$3.2 trillion, which is \$1.93 trillion more than if US were spending at the OECD per-capita rate.

Where Health-Care Dollars Are Spent

- Major categories of health-care spending:
 - Hospital care (32%)
 - Physician and clinical services (20%)
 - Prescription drugs (10%)
- Physician salaries 50%-100% higher than in many OECD countries.
- Hospital services 85% higher than OECD average.
- \$1,000 per person per year on pharmaceuticals, twice that of other OECD countries.

Some Reasons for High US Health Care

1. Hospitals, physicians, and pharmaceuticals cost much more
2. Other gov'ts exercise more control on cost containment
3. Lower use of information and communications technologies (ICT)
4. More expensive diagnostic procedures
5. More testing
6. More litigation
7. Financial incentive to do more interventions, regardless of medical necessity

Some Reasons for High US Health Care (cont'd.)

8. Many services are covered by insurance, so immediate cost of treatment is zero or low
9. Waiting times for elective surgery less in US than in other OECD countries
10. US spends more on health-care research than other OECD countries
11. US has less-healthy lifestyles than other OECD countries
12. Opportunities for fraud and abuse are substantially greater than in other countries

The Oft-Cited Reasons for the High Cost of US Health Care Are a Red Herring

- The oft-cited reasons for the high cost of US health care address the efficiency of various aspects of the US health-care system.
- Collectively, they do not add up to explain why the present system is so expensive.
- *The present system is so expensive because its function and purpose is to make money for its controllers, not to deliver high-quality, low-cost health care to all Americans.*

A Major Health-Care Cost Factor: Insurance

Health insurance increases costs in three ways:

1. The insurance processing cost: about 20% of the total.
2. The incentive to increase costs, because the immediate cost of additional services is zero or low.
3. The separation of consideration of the relationship of benefits to costs from health-care decisions

These factors have caused the system to grow to a very large part of the economy (17.2% of GDP).

US health care is now very costly for reasons other than insurance (which is about 20% of the cost).

Private Health-Care Insurance Is Much Costlier than Public Health-Care Insurance

- Many nations use public health insurance (“social insurance”) as a means of providing access to health services.
- A few countries use highly regulated private insurers to conduct insurance processing.
- No developed country uses private insurers to the extent that the US does, with such disastrous results (low coverage, very high cost).

How Did the Present System Evolve?

- Up to the 1930s, US health care was not insurance-based.
- The move to an insurance-based system started in the 1930s, as part of the nation's expanding social insurance programs, and was largely completed by 1960.
- How did the system get so costly: the story of the frog in the cooking pot.

The Present System Is Costly, but No Longer just because of Insurance

- The adoption of a private insurance-based model explains how the cost of US health care rose to such extremely high levels.
- It does not explain why the system is so much more costly than insurance-based systems of other countries.
- Insurance is now just one of many factors affecting the cost of US health care.
- What is the real reason why US health care is so costly?

The Fundamental Reason for the High Cost of US Health Care: A Misguided Purpose

- The fundamental reason for the high cost of health care in the US is that the function and purpose of the system are no longer to provide high-quality health care at low cost, but instead to generate wealth for the system controllers – insurers and medical providers and suppliers.
- The system is structured and optimized to generate high income for the medical establishment and high profit for insurance companies, not to provide high-quality care at low cost.

The US Health-Care System Has Been Hijacked by Wall Street

- The controllers of the present system are the medical establishment and the insurance industry.
- This arrangement has been enabled by the US government.
- The present system is a collusion, a conspiracy, to charge the US public far more than the true value of the delivered health care (17.2% of GDP vs. about 5% of GDP). The conspirators are the medical establishment, the insurance companies and the US government.

How to Achieve High Quality at Low Cost?

- At the level of the individual health-care-treatment episode, quality is high.
- Treatment cost at this level may be high, but often not unreasonably so (high efficiency).
- Total system cost is high because too much treatment has little effect on outcome (low effectiveness (“benefit”)).
- High quality for low cost is achieved by making treatment decisions, at the episodic (case) level, for which the ratio of benefit to cost is high.
- *The decision must take into account the characteristics of the individual case.*

The Time Is Nigh for Transition to a New Health-Care-System Paradigm

- The fee-for-service and private insurance business models served us well for a time, but they are not serving us well any longer.
- Every year, the US economy transfers about two trillion dollars to the medical establishment and insurance companies. This money is wasted since the quality of care delivered can be provided at much less cost. This waste continues, year after year.
- The current system is so bad that it is nigh time to move to a new system.

Proposal for a New US Health-Care System: Free Basic Health Care

A new National Health Service, having the following key features:

1. A nationwide system of basic-health-care clinics, within walking distance of most US homes. The clinics will provide free basic-health-care services to all US residents. (For remote areas, “The Flying Doctor / Flying Nurse,” as in Australia.)
2. Clinics will refer out-of-scope cases to regional (city) hospitals. The hospitals will provide basic hospital care, free of charge.
3. The employees of the clinics and hospitals will be government employees, just as government employees in public education and national defense.
4. Insurance is not part of the public health-care system: direct access to health-care *services*, not to health-care *insurance*.
5. Set a budget level for the total national health-care cost, such as 5% of GDP – the total cost is no longer open-ended

The New System Will Offer Greater Choice for Health-Care Services

Free basic health care: basic health care, not exotic health care

- The current system of private providers and private insurance will continue. It will operate independently of the free system.
- Allocation of health-care services will be determined by quality management, to provide quality care at low cost, not to generate profits for insurance companies or high income for the medical establishment.
- It will not include exotic, high-cost procedures such as heart-and-lung transplants; or treatment for cancer in low-hope cases; or chemotherapy that results in “chemo brain,” rendering a person unable do meaningful work for the rest of his life; or continuation of life as a vegetable, simply to provide income to physicians and hospitals and profits for insurers.

Health-Care Decisions Will Be Based on Rational Decision Making, Not on Financial Incentives

- Health-care decisions will be based on rational decision making, not on private financial incentives.
- Allocation of limited resources will be determined by considering the relationship of benefits to costs (Lagrangian optimization).

Base Health-Care Decisions on Health-Care Indicators

- Benefits are measured by a number of performance indicators, such as quality-adjusted life-years. Benefits relate to all significant aspects of outcome, not just to efficiency. (For the present system, the principal system performance indicator is profit for insurance companies, and a secondary one is high income for the medical establishment.)
- “What gets measured gets done.”
- High quality for low cost (“value for cost”) is achieved by making decisions about health care (at the case level) by comparing the benefits to the cost, and choosing treatments having a high ratio of benefits to costs (Lagrangian optimization).

The New System Will Be Based on the Methodologies of Modern Management

A number of scientific methodologies are available to assist the development and operation of a high-quality low-cost health-care system:

- Systems Engineering (design and development)
- Optimization (Optimal allocation of constrained resources: Lagrangian optimization)
- Operations Research / Management Science (OR/MS)
- Quality Management (International Organization for Standard (ISO) Quality Management Standard ISO 9000)

Who Pays, Who Benefits?

Cost to government / taxpayer and to the individual (apart from taxes) under the present health-care system and the new health-care system						
	Present system	New system				
Total cost of health care (% of GDP)	17.2%	5%	6%	7%	7.9%	8%
Cost to government/ taxpayer (% of GDP)	7.9%	5%	6%	7%	7.9%	8%
Cost to individual (apart from taxes, % of GDP)	4.8-8.3%	0	0	0	0	0
Cost to business (apart from taxes, % of GDP)	0-3.4%	0	0	0	0	0

Observation: For total national health-care budgets up to 7.9% of GDP, the cost of the new system to the taxpayer / government is less than the present system.

Note: Experience of other developed countries shows that universal high-quality health care can be provided at a total cost of 5% of GDP.

Key assumptions: Under present system,
 Cost to government / taxpayer = 46% of total
 Cost to individual = 28-48% of total
 Cost to business = 0 -20% of total

Corruption, Waste, Efficiency and Effectiveness in the New System

- Competent studies reveal a certain level of wasteful spending in all large national health-care systems.
- The approach of quality management will keep wasteful spending to a low level, and promote effectiveness and efficiency relative to health goals.
- The opportunities for fraud will be very limited, since the system reimburses via salaries to service providers, not payments to financial intermediaries.

Two Impediments to Reform of US Health Care: The Fixation on Insurance, and the Reluctance to Employ Rational Decision Making

Fixation on insurance:

- Private health insurance is the major factor driving US health-care costs high, but Congress is determined to keep that approach, no matter what the cost. The insurance model has worked well for the medical establishment. The medical establishment and the insurance industry have a stranglehold on Congress, and will fight hard to retain this lucrative business model.

Two Impediments to Reform of US Health Care: The Fixation on Insurance, and the Reluctance to Employ Rational Decision Making (cont'd.)

Reluctance to employ rational decision making:

- The medical establishment opposes the approach of rational decision making, because it generates less income for physicians and hospitals.
- To achieve high-quality care for low cost, it is necessary to limit costs, and to compare benefits to costs, and to select treatments having a high ratio of benefit to cost.
- To achieve a good system, it is necessary to consider a wide range of alternatives, not to arbitrarily limit consideration to a limited set of choices (e.g., insurance-based).

The Establishment Will Resist a Move to the New System

- The present system is a “cash cow,” a “Golden Goose” for the medical establishment and the insurance companies. They will do whatever they can to perpetuate this lucrative system.
- They cannot cite a desire to continue the system because of its profitability, so they will fault it on any other ground.
- They will rail against the use of rational decision making in making health-care decisions (“un-American,” “socialism,” “death panels,” “government bureaucrats making personal health-care decisions, instead of you and your doctor,” “if you want your doctor, you can keep your doctor”).
- The essential fact is that the profit-based approach has been tried for half a century, and has been found severely deficient.

If Americans Want a High-Quality, Low-Cost Health-Care System, They Will Have to Fight for It

- Under the US Constitution, the US government is to promote the general welfare.
- In view of this, it may be argued that Americans are entitled to a decent health-care system.
- The present system does not provide quality care to all Americans at reasonable cost. A better system is available, that would provide high-quality health care at low cost. The present system should be scrapped, and replaced with the proposed new system.
- Although Americans may be entitled to good health care at reasonable cost, they have been denied that option by the current health-care system, controlled by the medical establishment, insurance companies, and the US government.
- While the present system may serve the public poorly, it serves Wall Street and the medical establishment very well. They will not give up this system without a fight.
- If Americans want a better health care system, they are going to have to fight for it.

In the Fight for an Improved Health-Care System, Congress Will Side with Wall Street and the Medical Establishment, Not with the American People

- To see why this is so, consider the role of the US government in the economic meltdown of 2007.
 - Brooksley Born (head of the Commodity Futures Trading Commission (CFTC), 1996-1999) warned of the danger of unregulated financial derivatives to the US financial system. The spectacular failures of Orange Country, California, Barings Bank, and the Long-Term Capital Management (LTCM) hedge fund showed the wisdom of her viewpoint and efforts.
 - Government officials (Alan Greenspan, Robert Rubin, and Larry Summers) suppressed Born's efforts, and directly caused the economic meltdown of 2007. As a direct result, millions of Americans lost their homes and financial security.
 - Although the meltdown was willfully and knowingly caused by Wall Street and the US government, no leader of government or the private finance industry was punished for this massive economic crime against the American people.

The Likelihood of Implementing the New System

- Implementing the new system will be difficult, because it will face strong opposition from the medical establishment, insurance companies, and Congress.
- My assessment is that the present system will be replaced with the new system, for several reasons.
 - The present system is now so large and costly that it can no longer be ignored, or justified by any reasonable argument. (The system is so large because of the spectacular success of the private insurance model, not because Americans receive higher-quality care or greater coverage.)
 - The new system is financially attractive: less cost to the government / taxpayer, and zero cost to the individual.
- If the American people want a better system, they can have it. All they have to do is decide that that is what they want, and fight for it.

The Next Step – Detailed Design

- This presentation has been concerned only with top-level design of a new health-care system.
- The next step in the process of establishing a new system will be to develop a detailed system design.
- The detailed design will be accomplished by means of the established methodology of systems engineering.
- The final step in the process will be construction and operation of the completed system. Successful operation will be accomplished using the methodologies of operations research / management science (in particular, decision science and Lagrangian optimization) and quality management (ISO 9000).

The End

- Thank you!
- More information at <http://www.foundationwebsite.org>