

Exploring Pathways to Affordable, Universal Health Coverage

United States House of Representatives

Committee on Education and Labor
Subcommittee on Health, Employment, Labor and Pensions

February 17, 2022

Mr. Chairman and members of the Committee,

My name is Robert Reich. I am Chancellor's Professor of Public Policy at the University of California at Berkeley. Thank you for giving me this opportunity to testify before the Committee on how we move to affordable and universal healthcare coverage.

The typical American family spends¹ more than [\\$6,000 a year](#)² on health insurance premiums. Add in the copayments and deductibles that doctors, hospitals, and drug companies also charge, and that sum rises [to \\$6,400](#).³ Add in the typical out-of-pocket expenses for pharmaceuticals, and it's at least \$6,800.

But that's not all, because some of the taxes the typical family pays are for health insurance, too — for Medicare and Medicaid and for the Affordable Care Act. Add *them* in, and the typical household pays a whopping [\\$8,975](#)⁴ a year for health insurance. And [this number is expected to rise](#)⁵ in the coming years. Oh, and this number doesn't even include what typical workers' *employers* spend on their health insurance – which might otherwise go to their wages.

¹ In order that data are not distorted by unique health needs and challenges during the pandemic, all data on private and public health expenditures predate the pandemic.

² <https://www.bloomberg.com/news/articles/2019-09-25/why-is-health-insurance-so-expensive-20-000-a-year-for-coverage?sref=0KUfhQHv>

³ <https://www.commonwealthfund.org/publications/issue-briefs/2019/may/how-much-us-households-employer-insurance-spend-premiums-out-of-pocket>

⁴ <https://www.fool.com/taxes/2018/04/22/how-much-does-the-average-american-pay-in-taxes.aspx>

⁵ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet>

Not a pretty picture. If you're a typical American, [you're paying far more for health insurance than people in any other advanced country](#) ⁶

And you're not getting your money's worth. American spending on healthcare per person is more than *twice* the average in the world's thirty-five advanced economies. (See Charts 2 through 4 below). Yet the United States ranks near the bottom among those advanced economies for life span and infant mortality. (See Chart 1, below). Americans are sicker, our lives are shorter, and we have more chronic illnesses than in any other advanced nation. Canadians, for example, can expect to live on average [almost four and a half years longer](#) ⁷ than Americans, even though health care spending per person is [only about half](#) ⁸ as high as in the U.S.

That's largely because medical care is so expensive for the typical American that many put off seeing a doctor until their health has seriously deteriorated. Some [30 million Americans have no health insurance coverage at all](#).⁹

The Affordable Care Act is not perfect, but it has proven to be a major step in the right direction. Over [20 million](#)¹⁰ Americans have gained coverage because of it. The Biden administration has strengthened it by [increasing outreach](#) ¹¹ to potential enrollees, and the American Rescue Plan expanded subsidies for Americans buying insurance on health care exchanges. But the Rescue Plan provided only two years of enhanced subsidies; unless Congress passes an extension, the subsidies will soon be gone.

Congress's first priority should be to strengthen the Affordable Care Act. The next should be to move toward universal health insurance.

A big reason Americans pay so much for health insurance are the [administrative costs involved in private for-profit insurance](#).¹²

[About a third of what the typical American pays for health insurance goes to the people who oversee billing and collections](#). ¹³ And then of course there are the [marketing and advertising expenses](#), ¹⁴ and the [profits that go to shareholders or private-equity managers](#).¹⁵

⁶ <https://jamanetwork.com/journals/jama/article-abstract/2674671>

⁷ <https://data.oecd.org/healthstat/life-expectancy-at-birth.htm>

⁸ <https://data.oecd.org/healthres/health-spending.htm>

⁹ <https://www.kff.org/uninsured/issue-brief/key-facts-about-the-uninsured-population/>

¹⁰ https://archive-it.org/collections/3926?fc=meta_Date:2016

¹¹ <https://www.cnbc.com/2022/01/18/obamacare-enrollment-hits-record-high-after-biden-makes-changes.html>

¹² <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2013.1327>

¹³ <https://www.nejm.org/doi/full/10.1056/nejmsa022033>

¹⁴ <https://www.reuters.com/article/us-health-medical-marketing/us-health-care-industry-spends-30-billion-a-year-on-marketing-idUSKCN1P22GG>

¹⁵ <https://www.ibtimes.com/obamacare-effect-top-us-insurers-reward-shareholders-healthcare-costs-climb-2032391>

With a limited version of Medicare for All that kept private insurance, the insurance costs would of course remain the same (it's the same private insurers and the same co-payments and deductibles). But more of it would be paid through peoples' taxes rather than by individuals directly, because the government would reimburse the insurance companies.

This could help bring down costs by giving the government more bargaining leverage to get better prices.

A more ambitious version of Medicare for All would replace private for-profit health insurance. This would lead to far lower total costs — including premiums, co-payments, deductibles, *and* taxes.

The main reason this option is [far cheaper is because it wouldn't have all the administrative expenses](#).¹⁶ Public insurance that reimburses hospitals, doctors, and pharmaceutical companies directly eliminates the bloat of private insurance companies.

Economists at the [University of Massachusetts-Amherst](#)¹⁷ have calculated that Medicare for All -- which replaced private for-profit insurance -- would reduce costs by about 10 percent, mostly from lower administrative and drug costs. The [Urban Institute](#)¹⁸ estimates that households and businesses would save about \$21.9 trillion over ten years, and state and local governments would save \$4.1 trillion.

Even though individuals would still be paying for it — through a combination of premiums, fees, and taxes — their *overall* expenses would go way down. So they would come out ahead. And everyone would be covered.

They'd keep your same doctor or other health-care provider. And they could still buy private insurance to supplement Medicare for All, just like how some people now buy private insurance to supplement Medicare and Social Security. The only thing that would change is they would no longer be paying private for-profit insurers.

Like Medicare and Social Security, this system would be based on the simple and proven idea that we shouldn't be paying private for-profit insurers boatloads of money to get the insurance we need.

I have no illusions that we will move anytime soon to this form of Medicare for All, but I believe it should be our aspiration. The costs of private for-profit health insurance, along with copayments and deductibles, are rising too quickly, and the nation's overall health is too poor. This is not sustainable over the long term.

¹⁶ <https://www.nytimes.com/2018/10/15/upshot/is-medicare-for-all-the-answer-to-sky-high-administrative-costs.html#targetText=Putting%20them%20together%20for%20the,11%20percent%20of%20their%20spending>.

¹⁷ https://peri.umass.edu/publication/item/1127-economic-analysis-of-medicare-for-all?mod=article_inline

¹⁸ <https://www.urban.org/sites/default/files/publication/80486/200785-The-Sanders-Single-Payer-Health-Care-Plan.pdf>

The Affordable Care Act has taken the United States closer to universal coverage than ever before, and has functioned well -- but it has still left millions uninsured. Americans continue to pay more for health insurance than the citizens of any other advanced country. And Americans have the worst health.

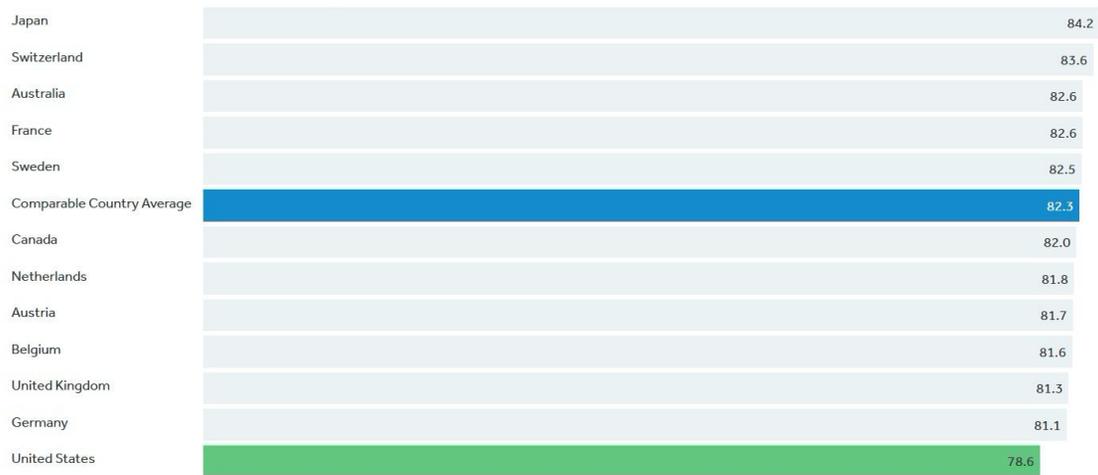
Surely, we can do better.

CHART 1

Comparative Life Expectancy at Birth (Total Population)

The U.S. has the lowest life expectancy at birth among comparable countries

Life expectancy at birth in years, 2017



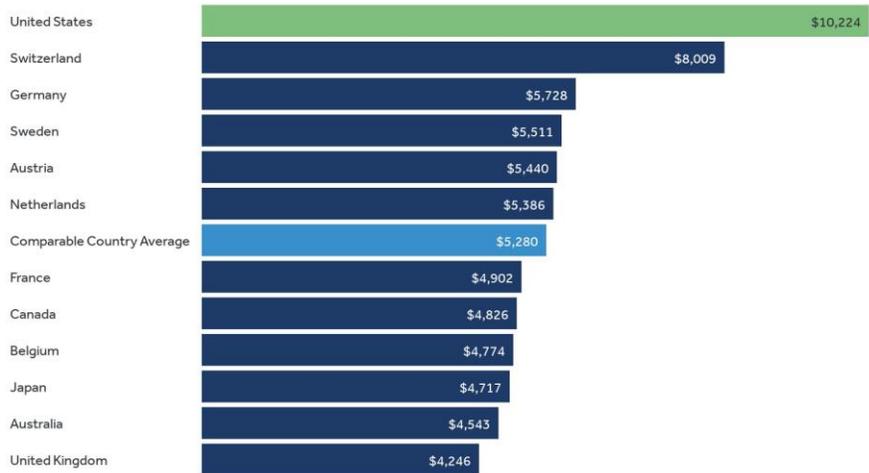
Source: KFF analysis of OECD data • Get the data • PNG

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CHART 2

Comparative Health Spending, per capita

Health consumption expenditures per capita, U.S. dollars, PPP adjusted, 2017



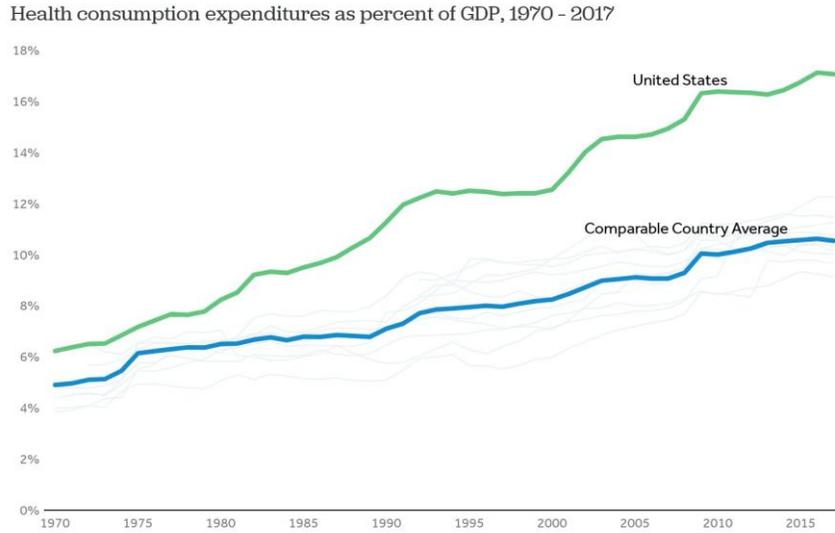
Notes: U.S. value obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: KFF analysis of OECD and National Health Expenditure (NHE) data • [Get the data](#) • PNG

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CHART 3

U.S. comparative health care spending over time, as percentage of GDP



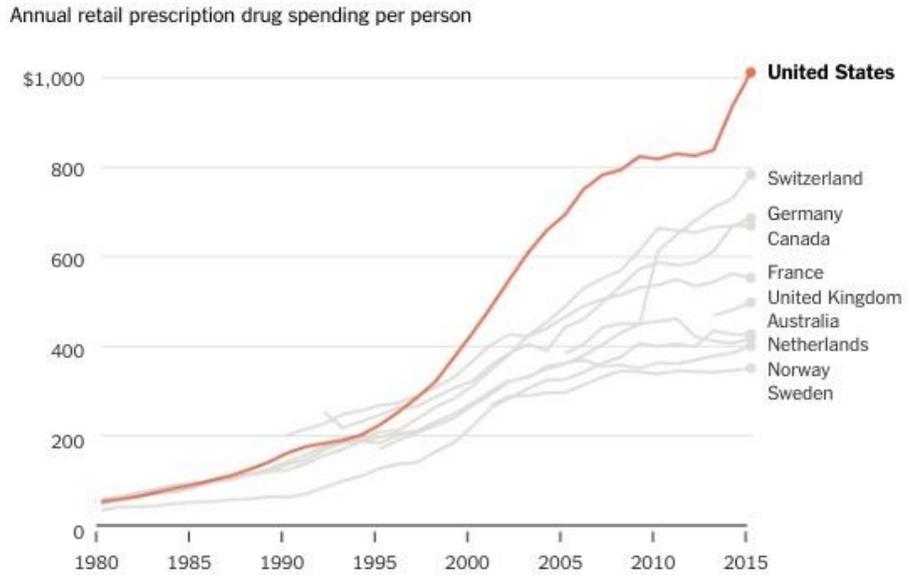
Notes: U.S. value obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: KFF analysis of OECD and National Health Expenditure (NHE) data • [Get the data](#) • PNG

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CHART 4

Retail prescription drug spending per-capita, by country



Source: The Commonwealth Fund. Graphics by NY Times