Public Policy Position

The Appropriate Role of Government in Health Care

ISSUE

Although more than 80 percent of Americans are insured, consistent increases of the ranks of the uninsured and unsustainable health care cost increases have sparked much discussion and legislative activity regarding the role of government regarding these issues and health care generally. The rate of the uninsured in Florida is worse than the national rate, and there are some acute gaps regarding access to care in parts of the state. The essential issues are what roles the government should fill regarding health care and what approach should it take to filling those roles?

BACKGROUND

Over the years there have been various proposals and initiatives dealing with the government’s role in health care. The debate regarding a national health insurance system has spanned a century. Such proposals have ranged from a health care system completely run and managed by the private sector, to extremely tight governmental regulatory control over all health care processes, to universal health care coverage provided entirely by the government. As a presidential candidate in 1912, Theodore Roosevelt proposed a national health care system, but it was not enacted. Despite passage of the Patient Protection and Affordable Care Act (PPACA) in 2010, substantive and fervent debate over the reform law continues more than two years later. Other landmark legislation impacting access to health care includes Medicare and Medicaid passed in 1965; the Emergency Medical Treatment and Labor Act (EMTALA) passed in 1986; and the Children’s Health Insurance Program (CHIP) passed in 1997.

Few people would argue that one of the roles of government is to finance care for the poor. Although programs that provide health care to the poor are effective at providing care to that population, mainly Medicaid and CHIP, they face and present some formidable challenges. First, many who are eligible for Medicaid and CHIP are not enrolled. Second, these programs tend to reimburse providers at lower rates than the private market – in many cases at rates that are below cost. The result is the shifting of costs to the private market in the form of higher reimbursement rates. These lower reimbursement rates lead to insufficient access for the Medicaid and CHIP populations due to an insufficient number of providers willing to take patients covered by these programs. Third, many people who are not eligible for Medicaid cannot afford health insurance in the private market. This is especially true in Florida where per-capita income is below the national average.

Provisions in PPACA that temporarily increase Medicaid reimbursement rates, expand income eligibility of Medicaid, and provide subsidies for the purchase of private health insurance seek to address these issues. However, these provisions increase concerns regarding cost. Medicare and Medicaid are currently financially unsustainable, even with
Public Policy Position

The Appropriate Role of Government in Health Care

lower reimbursement rates. The bottom line is that containment of health care costs is essential to the viability and effectiveness of public programs.

Some believe that there is little or no role for the private market in health care. Others believe that the private market serves a vital role in health care, particularly through the provision of consumer choice and innovation. However, a more acute debate typically concerns how government should regulate the private market and to what extent. The Federal Trade Commission’s mission requires it to “prevent business practices that are anticompetitive or deceptive or unfair to consumers … enhance informed consumer choice … without unduly burdening legitimate business activity.” Thus, the issue, specific to health care, is: how can government promote an environment that motivates participation in a vibrant and competitive market that adequately protects consumers and results in innovative care-process change. Innovative care-process change occurs when: 1) consumers are actively engaged; 2) safer and more effective drugs or devices are developed and adopted; 3) clinicians deliver more rapid, appropriate and reliable care; 4) unnecessary tests and therapies are eliminated; or 5) supply chain costs are systematically lowered. This can be a difficult balance to strike in fields such as health care and insurance which are both complex and there is generally wide gaps between the knowledge of the suppliers of the products and services and the consumers.

Over the years, there have been various proposals and initiatives dealing with the government’s role in health care. Such proposals have ranged from a health care system completely run and managed by the private sector, to extremely tight governmental regulatory control over all health care processes, to universal health care coverage provided entirely by the government. Currently, the government is involved with health care in five general ways:

1. Setting and enforcing standards for health care organizations, professionals, and the environment
2. Creating health programs or purchasing services for poor people;
3. Administering federal programs;
4. Funding health research; and
5. Creating laws, rules, and regulations that prescribe industry behavior.

Some point to the large population of uninsured as a chief reason that the government should have a greater role in the health care system. Others say that there are some uninsured individuals for whom health insurance is not appropriate, and that there are some individuals who will never purchase health coverage irrespective of access, choice, or affordability. For uninsured persons who will never choose to buy coverage, society must determine how to educate and encourage responsible behavior from these individuals. Many believe that private market solutions ensure the availability of a wide range of health
PUBLIC POLICY POSITION

Florida Blue believes that the containment of health care costs is crucial to the sustainability of public programs and the entire health care system. Private market solutions must be encouraged over increased regulation and government intervention. While the private market has gone through turbulent changes over the last few years, it still remains the best method for ensuring choice, affordability, and access to health coverage.

The appropriate role of government in health care should be to:

1. **Finance care for the poor** – The government should focus on funding coverage for people with income below the federal poverty level and do not have access to other (e.g. employer sponsored) coverage due to eligibility or cost. Increased outreach efforts are needed to enroll those who are eligible for public programs but are not participating. Existing government programs should not be modified in ways that shift costs to the private market, or result in Floridians dropping private coverage in favor of government programs.

2. **Subsidize the cost of care for the low-income uninsured** – Prospective tax credits directly address the main issue facing the uninsured population, affordability of health insurance coverage.

3. **Establish and enforce rules which assure all players in the health care system provide the greatest value and stability to the public** – The government should help to establish and enforce fair and limited rules of competition among health care plans and providers. These rules should assure that successful health plans and providers are those that most effectively deliver value to the individual and society. Government should also continue to work with insurers and managed care companies to detect and punish fraudulent behavior.

4. **Finance medical research, health services research, and medical education** – The government should finance research and treatment outcomes, and the development of scientifically based parameters for the practice of medicine. The government should encourage private industry’s use of a self-regulatory organization focused on information development, and encourage the organization’s use of research results to improve the quality and cost of care.
Public Policy Position

The Appropriate Role of Government in Health Care

5. Provide medical benefits to those who are Medicare-eligible – Medicare is an important social program that ensures access to basic medical services for retirees meeting certain requirements.

6. Support a robust public health system that strategically addresses population health issues – Public health is a critical tool in preventing and mitigating adverse health consequences at the population level. Governmental entities are uniquely situated to perform this function through tools ranging from epidemiology to prevent or arrest food born or environmental threats to awareness and prevention campaigns to encourage healthy behavior.

7. Engage in sound policymaking that allows for responsible market innovation – Policymakers should support long-range innovation and development of new health financing structures. Public policy must balance the need to protect consumers, facilitate price and quality transparency, and maintain an environment that encourages investment in the development of products and services that produces innovative care-process change.

REFERENCES

External References

5 Feldstein, p. 114
6 Will Fox and John Pickering, “Hospital & Physician Cost Shift: Payment Level Comparison of Medicare, Medicaid, and Commercial Payers” Milliman, December 2008. This client report was produced at the request of America’s Health Insurance Plans (AHIP), the American Hospital Association (AHA), the Blue Cross Blue Shield Association (BCBSA), and Premera Blue Cross.
7 Feldstein, p. 117