A PRESCRIPTION FOR CHANGE: REIMAGINING THE US HEALTHCARE SYSTEM

Background: A Healthcare System in Crisis

The American healthcare system is an outlier among peer nations. The US spends the most both per person and as a percentage of GDP and has worse health outcomes. The US healthcare system is characterized by insufficient competition and supply, persistent inequity, an upside-down incentive structure, and uneven quality. The COVID-19 crisis revealed extent of underlying inequities of this system and has left the healthcare system with a deficit in workers, making now a crucial time for a transformational change. The US should implement a revised incentive structure that reduces unnecessary costs and promotes high-quality health insurance options.

Policy Recommendations

Equity-Focused Policy: Fiscal Savings

In 2022, the U.S. spent at least $320 billion due to the consistent inequities in the healthcare system. The annual cost of avoidable financial waste due to inequity will continue this trajectory to $1 trillion by 2040 if inequities persist. Experts estimate that eliminating racial/ethnic health disparities would result in an annual economic gain of $93 billion to $313 billion. To mitigate these effects, key stakeholders must address the issue strategically. Cross-sector partnerships at the state and local level will be imperative, as they allow the formation of efficient collaboration with other critical public health partners, such as the housing sector.

Revise Incentive Structure: Pay for Performance

Another way to reform the existing healthcare system is to focus on the current incentive structure. The National Center for Biotechnology Information supports a pay-for-performance structure to decrease inequities and increase the quality of care. The US should transition from the fee-for-service model and use a pay-for-performance strategy. This would financially reward physicians not for the number of patients and services but for the quality of care instead. Getting ACOs and other healthcare providers to adopt this model is needed. We recommend federal incentives which would continue to bend the healthcare cost curve, using replication of already successful and cost-effective ACO models that lower the high cost of care for patients, while increasing the quality.

Increase Competition

Hospital mergers limit patients' freedom of choice and lead to unexpected and harmful out-of-network bills. Therefore, expanding the FTC's hospital antitrust staff and removing the ACA's physician-owned hospital ban would promote greater healthcare competition. Increased generic drug supply is another method for improving healthcare quality in underserved communities. Name-brand drug manufacturers monopolize the market through settlements to generic manufacturers, costing consumers an extra $3.5 billion per year. Congress should pass the Protecting Consumer Access to Generic Drugs Act to combat this.

Reign in Health Care Prices

Additionally, annual hospital spending is anticipated to increase to over $1.8 trillion by 2026. Maryland is currently the only state that controls hospital charges and spending growth. The "all-payer rate setting" system establishes a set amount for each hospital in the state and limits the per capita hospital cost increase. A nationwide shift to this system would be beneficial due to the Maryland program's maintained lower cost and saving of around $365 million for Medicare in 2019. A fixed budget would limit out-of-pocket spending and provide an incentive for better outpatient care.

Address Provider Supply Crisis

The COVID-19 crisis has accelerated the shortage of healthcare workers, which experts had predicted before the pandemic. The aging workforce and limited training spots, such as in medical residency and nursing programs, present an enormous challenge to the US. Immediate action is needed to prepare for this labor shortage, especially in underserved areas. An estimated 80% increase in total state and local health employees is required to maintain public health services. The length and cost of medical training are substantial barriers for prospective physicians. Many European countries combat this issue through a continuous six-year medical program, rather than the 10-14 years required in the US.

Fiscal Savings

It is difficult to predict the budgetary impact of these initiatives since it depends on the speed with which these innovations percolate through the medical community, but the equity initiatives alone have the promise of delivering over $3 trillion in savings in the next ten years if the equity outcomes are fully realized.