SB1046 Hearing Testimony
A Health System that Cares for All Oregonians, Now More than Ever

A statement as part of the testimony to support HCAO Senate Bill 1046

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As a social institution in our society, our health care system serves multiple purposes in promoting population health and well-being. In modern society, there are many social and environmental factors that affect our health beyond an individual's control. It is our collective responsibility to advance those social and environmental factors that contribute to our health, while preventing those that are detrimental to our health. When this fails, our health care system provides the safety net. Further, given the enormous costs of health care in modern days, a collectively financed health care system not only guarantees that no one will be denied needed health care, but also prevents anyone from financial catastrophe due to illness. It is in this regard that increasingly more Americans are seeing health care as a basic right rather than a privilege limited to those who can afford it. In his editorial in the January 3rd, 2017 issue of the Journal of the American Medical Association (JAMA), Dr. Howard Bauchner wrote that "…all physicians, including those who are members of Congress, other health care professionals, and professional societies would speak with a single voice and say that health care is a basic right for every person, and not a privilege to be available and affordable only for a majority." (Bauchner 2017). This is a dramatic change to the American Medical Association's (AMA) position. Further, AMA is not alone. In their editorial in National Catholic Reporter's latest issue, the Reporter's Editorial Staff also urged their readers to "Take the lead on health care as a right." (National Catholic Reporter 2017).

Never in recent decades has our health care system's function faced such grave trials as today. The current policies of the Administration and Congress are threatening our population health on two fronts: by contributing to greater environmental and social threats to our health and thus increasing our risk of illness, while also dramatically reducing our population's ability to access health care when our needs are increased. We now have an Administration and a Congress that are doing everything they can to dismantle government protection from negative environmental and social factors that threaten our health--protection on which we have been dependent and which we take

for granted. This ranges from deregulation of environmental pollution, food and drug safety, and defunding several safety net programs, to the plan to eliminate the Environmental Protection Agency altogether. With this trend, we can expect our population to be at a much greater risk from negative social and environmental factors that contribute to ill health, and consequently, in greater need ofhealth care services. Meanwhile, with the rising risk of illness due to our government's policies, our government is simultaneously trying to dismantle the Affordable Health Care Act (ACA) and dramatically reduce our ability to access health care, just when we will need it more than ever. Under ACA, our government effectively brought down the uninsured rate in the U.S. from 16.6% in 2013 to 10.0% in 2016. (Kaiser Family Foundation 2016). With the current Administration's policy, we can expect the uninsured rate to quickly rise again.

On May 4th of 2015, I gave my testimony in front of this committee to provide rationale for supporting SB631, a universal health care program for all Oregonians. In that testimony, I provided many empirical statistics showing how even with ACA, the private health insurance premium was still out of reach for Americans whose household incomes are at the bottom 40%, and a struggle for those whose household incomes are in the 40% to 60% range (the 3rd quintile). Back then we knew that, despite its achievements, the ACA was not a long-term solution to America's health care system problem, because it is not capable of controlling overall costs to make health insurance affordable, nor can it provide universal coverage. A long-term solution is to implement a publicly financed universal health care system.

A publicly financed universal health care system is the most sensible health care system in modern society for at least two major reasons: morality and economics. In the moral dimension, a health care system is an integral part of social institutions, and not merely an industry. It is an essential institution that not only serves as the guardian of population health, but also safeguards everyone's ability to achieve. Without this social safety net, the American dream would be a luxury for the few. Further, as a social institution, a health care system is the institution that intimately imparts its warmth or coldness when people are falling ill and become their most vulnerable.

In the economic dimension, a publicly financed universal health care system is most capable of providing not only universal coverage, but also high-quality health care in the most cost-effective way. Both theoretical analysis and empirical evidence support this argument. On the theoretical side, universal healthcare eliminates the greatest threat to health insurance: adverse selection, which all insurers are doing everything they can to avoid. At the same time, the strategies insurers implement to avoid adverse selection create social costs and burdens, in addition to causing Americans to go uninsured. What is rational for an individual insurer is irrational for a society. Further, with a system of multiple insurers such as the one we have now, there is no incentive, nor capability, for individual insurers to control the overall health care costs. Worse, an individual insurer's strategy to control its own costs often merely shifts those costs onto other parties; hence, no real costs are controlled when we

look at them collectively. It is a small wonder that the U.S. health care system is not only the world's most expensive one, but also a statistical outlier, which means we are an exception to the norm of the world's nations when it comes to health care costs.

All high-income countries have developed various types of collectively financed universal health care systems. As a result, they are able to not only provide universal health care coverage, but also at a much lower cost and with higher overall quality than the United States. For example, in a study by the Commonwealth Fund published in 2015 comparing health care spending among 13 high-income nations, the U.S. spent 17.1% of its GDP on healthcare in 2013, while the next-highest spender, France, spent 11.6% of its GDP on healthcare, and the lowest spender, the United Kingdom, spent 8.8%. (Squires and Anderson 2015). Note that in the same study, the U.S. was also the highest spender in per-capita annual spending among these 13 nations. While the U.S. spent $9,086 per person on health care annually, the second-highest spender, Switzerland, spent $6,325, and the lowest spender, the United Kingdom, spent $3,364. What was striking in this comparison was that the American public sector contributed $4,197 in health care per person per year, and this figure alone was higher than the total per-capita health care spending in Australia, New Zealand, Japan, or the United Kingdom. With this unusually high spending on healthcare, the U.S. bought far fewer outpatient visits (4.0 annual per-capita visits in the U.S. as compared with OECD median of 6.5) and fewer hospital admissions than most of these countries (126 annual admissions per 1,000 people in the U.S. as compared with OECD median of 164). What is worse is that, despite extremely high spending in health care, our overall quality and outcome are far from being the best. Japan spent less than half of what we spent per capita, yet their cancer mortality is much lower than the U.S.', and the mortality of ischemic heart disease in the U.S. is near the highest of the OECD nations. (Squires and Anderson 2015).

What these statistics tell us is that all other high-income nations are able to provide health care at a far lower cost and with equal or better quality than the U.S.', while also providing universal coverage for every resident of their nations. What is the deciding factor? It is because they all have a publicly financed universal health care system. Another piece of evidence for this argument is our neighbor Canada. Before 1972, Canada and the U.S. had very similar health care systems, with very similar health care costs and spending. After 1972, when all provinces in Canada implemented a comprehensive universal health care program, both health care costs and spending between these two countries began to separate. (Health Canada 2011, Kaiser Foundation 2011). One of the contributing factors to our high health care costs and spending is the high administrative costs that are inherent in a system with multiple insurers, because of diseconomy of scale. For example, in a recent study comparing hospital administrative costs among several high-income nations, the authors found that U.S. hospitals' administrative costs (25.32%) were more than twice Canada's (12.42%). (Himmelstein and Jun et. al. 2014).

Our system of private health insurance has the covert effect of "corrupting" people

away from collective thinking. Most people in the U.S. who are covered by private health insurance seldom bother to contemplate what's wrong with private health insurance, let alone envision the possibility of a universal health care system. Private health insurance induced us to be content with what we have, and deprived us of thinking of what could be a better system for all.

A publicly financed universal health care system, such as what SB1046 is proposing to establish for Oregon, is not only capable of providing true universal coverage for all Oregon residents, but also can effectively control the costs of health care while improving quality of health care for all Oregonians. Implementing a publicly financed universal health care system for Oregon is not only compelling morally, but also economically. Instead of asking, "Can we afford a universal health care system?" given the evidence, the right question to ask would be, "Can we afford our current health care system?"

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