**#8 – Healthcare Financing in 2039**

# *All Americans Receive Excellent Health within a Sustainable Single Payer System*

## Forecasts:

- **In 2039 health services for all Americans (including military and veteran beneficiaries) are financed by an Independent Health Financing Board funded by a value added tax on purchases. It pays for a robust package of preventive and therapeutic services selected to provide the most health for society within a global budget that doesn't grow faster than inflation (health care costs are capped at 14% of GDP). Individuals pay for extra services out-of-pocket or with supplemental insurance.**
- **In 2039 providers are paid a single global fee plus an incentive for achieving desired outcomes, both for the annual cost of comprehensive primary care and for complete episodes of specialty care services. Patients choose their providers and care systems compete on the basis of quality and value.**

The financial crisis of late first decade was the catalyst for dramatic change to health care financing as it became apparent that neither employers nor the government could afford to pay for accelerating health care costs. Attempts to control cost growth like pay for performance programs, electronic health records, and consumer driven health care made little difference and before long most employers chose to stop paying for health insurance.

The public demanded change when it realized that Americans were getting poor value, yet were spending twice as much as people in other countries. The biggest insight was that the $3 trillion we were spending annually was more than enough to give every American good health services if it was spent wisely. Strong leaders emerged and society came together to agree on basic principles for the future:

1. **All Americans will have access to comprehensive affordable health care**
2. **There will be a limit to third party payment obligations (agreed to index it to inflation)**
3. **A single payer prospective reimbursement system was agreed upon after the loss of most employer based insurance coverage**
4. **There will be a defined global budget for government financed care which will be wisely spent to achieve maximal societal health for the money available**
5. **Individuals will be able to choose their providers and care systems will compete on quality and value**
6. **There will be incentives for quality outcomes, efficiency and personal responsibility for maintaining health**
7. **The financing system will be flexible, adaptive and transparent with citizens having a say in how much money is spent**

The fundamental change in thinking involved a shift from just paying for every service performed to starting with a global budget and deciding how to effectively spend it to achieve the most health for society. The entire health care enterprise transformed when payment changed. A new entity, the Open

Source Network for Comparative Efficacy (ONCE) was established to do research into comparative effectiveness and value of therapies.

In 2016 the new President and Congress came together over legislation creating a single payer system that would dramatically reduce administrative costs and most effectively provide universal access. The Independent Health Financing Board (IHFB) was created to finance health care. One of IHFB's most important functions has been to annually assess all health care modalities and determine which ones are most valuable for public financing. The resulting comprehensive package of benefits must include available effective therapies for all diseases citizens are likely to encounter. Statisticians analyze expected population demand, the costs of various care options and the global budget cap using sophisticated information technologies to create the benefit package that should give the most health for the money available.

Reality is full of surprises and actual annual costs never quite meet expectations. So the system is designed to be very flexible and adaptive to new knowledge and experience. Annual adjustments have been successful in keeping health care costs – within about ½ percent of target over the 2030s. The IHFB is independent of political and market influences and uses a very transparent process with active participation by the public. The public can also vote to raise the amount of money proposed by the IHFB for the country's health. However, since the system is financed by a value added tax on consumption, it is the public that must pay for increased benefits.

Providers are reimbursed through a global fee for all costs associated with achieving a desired outcome. In the case of the "Health Home" for robust primary care services, the fee must cover all providers, tests, medicines and procedures concerned with the annual maintenance of health. Each prospective payment per patient is risk adjusted and there are incentive bonuses for both the care team and the patient for achieving health outcomes. The fee is high enough for providers to be creative and customize care to individual needs. Likewise specialty care is reimbursed with a global fee for the complete episode of care or operation.

Patients have a choice of providers and care options. They have an incentive for choosing wisely based on quality outcomes and value, often including extra competitive features that providers offer. Services not covered by the comprehensive benefit must be paid for out of pocket or through purchased supplemental insurance. There are many financial incentives in the system to encourage healthy behavior and penalties for those who refuse to take care of their health. Sophisticated infotech tools, public persuasion and role models have produced a marked shift in citizens taking responsibility for their health – the whole society benefits in the global economy because of this shift.

All Americans, including military and veteran beneficiaries are part of this financing system and much of their care is provided in integrated health systems with military staff providing the care at locations with large DoD beneficiary populations. The military services only directly pay for operational medical capabilities and missions.

## Further Reading:


- Institute for Alternative Futures, Healthcare That Works for All: Health Economics in 2019 and Healthcare Payment Systems in 2019. www.altfutures.com/2019_Healthcare_That_Works_For_All
- Mechanic, *The Truth about Health Care: Why Reform is not Working in America,* Rutgers University Press, 2006.
- Greg Poulsen, "The Third Path: Systemic change will focus on returning value," *Modern Healthcare, 4/21/08, pp 26-27.*