

## The Future Of U.S. Health Care: A Two-Tiered System

by Bradley H. Vernon

The current presidential administration and Congress, as well as those who will fill these positions in the future, have a daunting task. The United States public, due to the ever-increasing cost of health care and promises made during political campaigns, now expects revolutionary change to the health care system. This change will be slow and tedious and much of it will likely be met with opposition from various stakeholders. The change will likely come in baby steps, so that decades from now the U.S. health care system will look very different from the way it does today. The goals we strive to reach by introducing these changes are to make health care affordable and accessible to all, while improving quality of care and preserving as much of the autonomy and innovation we currently enjoy as possible. A view that many have for meeting these goals is one of a two-tiered system. The first tier in this system is a universal one controlled by the federal government, while the second tier is a private sector supplementing the first tier. The remainder of this paper will examine this two-tiered system and how various stakeholders in today's system will be affected.

### Tier One—Federally Operated

The first tier in this two-tiered system will be a federally run, universal system in which basic health care is provided to everyone living in our country; costs are controlled to an affordable level; and quality of care continues to improve. The first step might be a national health database which is already being discussed by the Obama Administration. Allowing currently uncovered persons to enroll into the system the first time they receive service, by the provider, will help prevent people from falling through the cracks. It will also eliminate the need for the large distribution market currently used by private insurance.

This first tier of health care will enjoy a substantial one-time cost cut due to the removal of numerous costs. The costs to be eliminated or greatly reduced include commissions, underwriting, marketing, profits and much of

the duplicated expenses, including management, associated with a competitive insurance market. In order to keep the first tier affordable on an ongoing basis, the plan will also involve rationing, restrictions and limits that we are not currently accustomed to in the United States. This means long wait times for many services, while other procedures that many believe to be helpful may be denied or strictly limited. The key to making and keeping this universal system affordable will be the government focusing on costs and benefits and not being clouded by emotion or politics. Focusing on the cost associated with extending a person's life by one year or alleviating pain for a day is not something we are accustomed to, but this will need to become the way of thinking in order to reach our conflicting goals. The third goal for our government will be to continue to improve the quality of care provided within this first tier of health care. This means using quality measures to evaluate and take action with health care providers, but it also means finding a way to continue the funding of research and development. One of the biggest fears around a universal system is that it will stifle the innovation and advancement we have seen in medicine. Government funding, as well as a clear understanding of how new procedures and prescription drugs can become a part of the government run plan, will be required to support continued medical advancement. One advantage we have in formulating this first tier of health care is that we have other countries to look to, and even states within our own country, for feedback regarding what does and does not work.

### Second Tier—Preservation Of Autonomy

The second tier in our future health care system is one that allows a person to buy his or her way out of the waiting times, restrictions and limitations of the first tier. This second tier is where autonomy is preserved and individuals and groups can purchase insurance that looks much like what some of us enjoy today. It is supplemental to the first tier with the focus being more on flexibility and individual

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choice. Those who do not want to succumb to rationing or the government, deciding that a year of their life is not worth the cost associated with a certain procedure, can purchase private insurance to cover these services. The second tier will be privately run but will continue to require government regulation similar to what we have today. This second tier will make up a much smaller portion of the health care pie than private insurance does today, but cost containment, accessibility and quality of care will remain the goals for this sector.

### Effects Of The Two-Tiered System

This two-tiered system is a drastic change from our health care system today and will affect the various stakeholders in different ways. Some Americans will receive health coverage for the first time; some will be paying more toward the health care of others; and many will be forced to find new careers as a result of this change. The most drastic effects of this change will be felt by the insurance industry. The government-run first tier would likely contract out to a few health insurance carriers to administer its plan. Certainly there will also be opportunity within the second tier, but the market for insurance carriers will surely shrink. That means fewer insurance companies and it also means many working in the insurance industry today will have to find new careers. Even more strongly impacted will be those involved in the distribution of health care products. Since the government will not need brokers, marketers or a sales force to distribute its plan, and since the private insurance sector will be much smaller, the jobs available in these areas will greatly decrease. In fact, this is where much of the savings associated with the first tier will come from. Other careers including insurance executives, underwriters and actuaries will also see a squeeze of the job market within this new system.

One other area greatly affected by this change will be providers themselves. Physicians and hospitals will have less control over charges for services that fall under the

universal plan. Physicians and hospitals will also have to make decisions regarding how much of their time they will contract with the government to provide first-tier services and how much they will leave for privately insured patients receiving second-tier benefits. The government will either have to place minimums on resources dedicated by each to the first-tier plan, or make it lucrative enough that physicians and hospitals will want to reserve most of their time for the government plan. Regardless, how physicians and hospitals work will be greatly changed.

Those paying for health care will also be affected by this change. Notably, employers will no longer be such a large part of health care funding. Since a large portion of this funding will now come from tax dollars used to pay for the first tier of the new system, much less of the burden will be placed on employers. Employees will expect something else from employers to replace these benefits. Employers will likely be very much involved in the second tier of the new health care system and will also now have capacity to increase other benefits such as retiree benefits, ancillary insurance benefits and monetary compensation. A major reason for this reform is to provide health care to those who cannot otherwise afford it. Individuals who do not receive health care benefits from their employers, and those who are unemployed, will be adequately covered, by most measures, with just the first tier of coverage.

### Change Is Imminent

The United States is likely going to see drastic changes to its health care system in the decades to come. The reform will be made in increments and may be a struggle to implement, but change is going to happen. A view that many have for the end result is a two-tiered system with the government funding the first tier; a universal program; and the second tier being privately funded and made up of plans that are supplemental to the universal plan. The goals we strive to reach by making these changes are affordability, accessibility and quality of care within the health care

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system. Preserving as much of the autonomy and advancement we currently enjoy is also important in reforming our health care system. To meet these goals, the current and future government will need to engage those with expertise in various fields in debate about each and every detail of the changes to be made. Systems such as those in Canada and the United Kingdom will lend much information to us in this building process. There is a lot of difficult work to be done to reach these goals, but clearly the time to start is upon us.

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