

Keynote Address



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Co-Founder and President



FREOPP.org

If You Don't Reduce Health Care Prices, The Government Will

AVIK ROY / @AVIK

THE FOUNDATION FOR RESEARCH ON EQUAL OPPORTUNITY

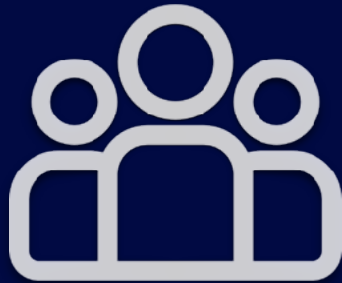
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FREOPP: A NEW MODEL FOR BIPARTISAN REFORM



Our Mission

A non-partisan, non-profit think tank focused on expanding economic opportunity to those who least have it



Our Values

We advance ideas that achieve progressive policy outcomes using the tools of free enterprise, individual liberty, technological innovation, and pluralism



Our Focus

Market-based reforms that help the private sector meaningfully improve the lives of Americans whose incomes or wealth is below the U.S. median

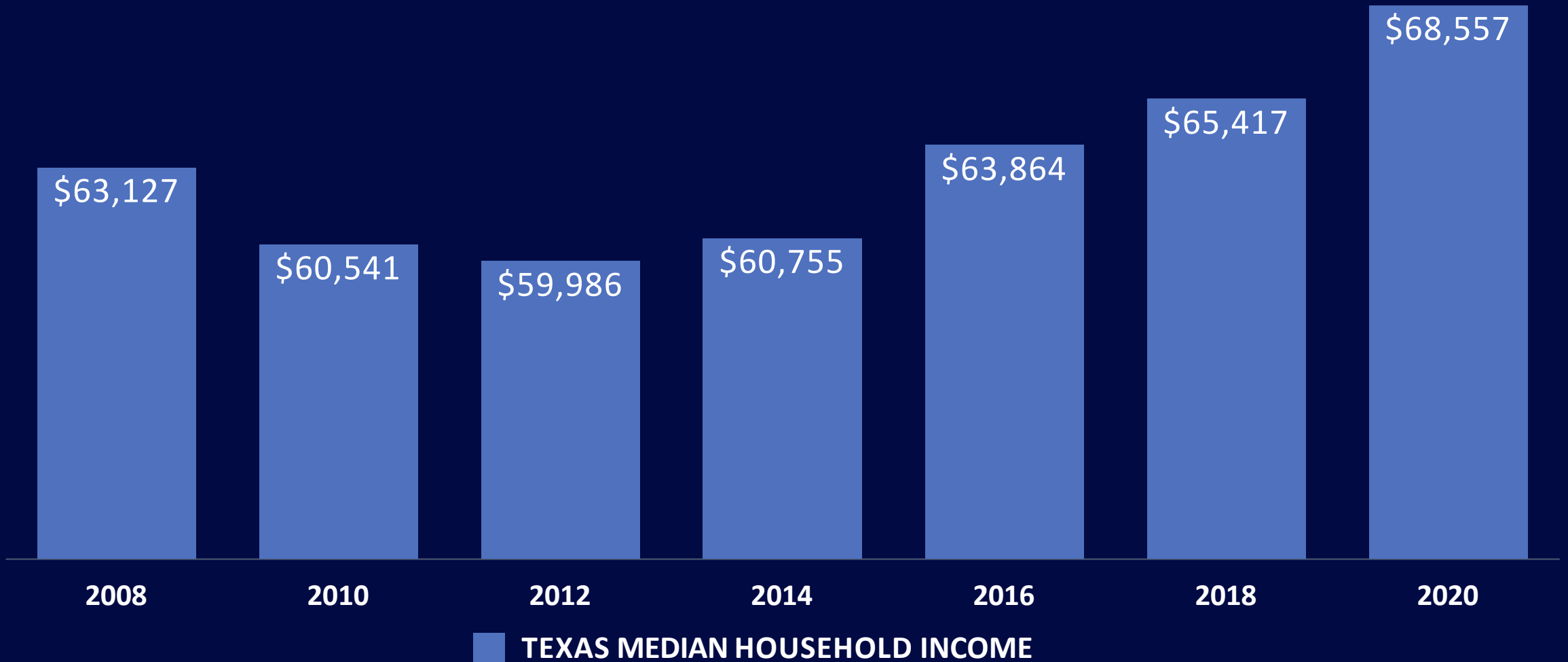


Our Structure

Traditional 501(c)(3) think tank; funded exclusively by charitable donations from people like you

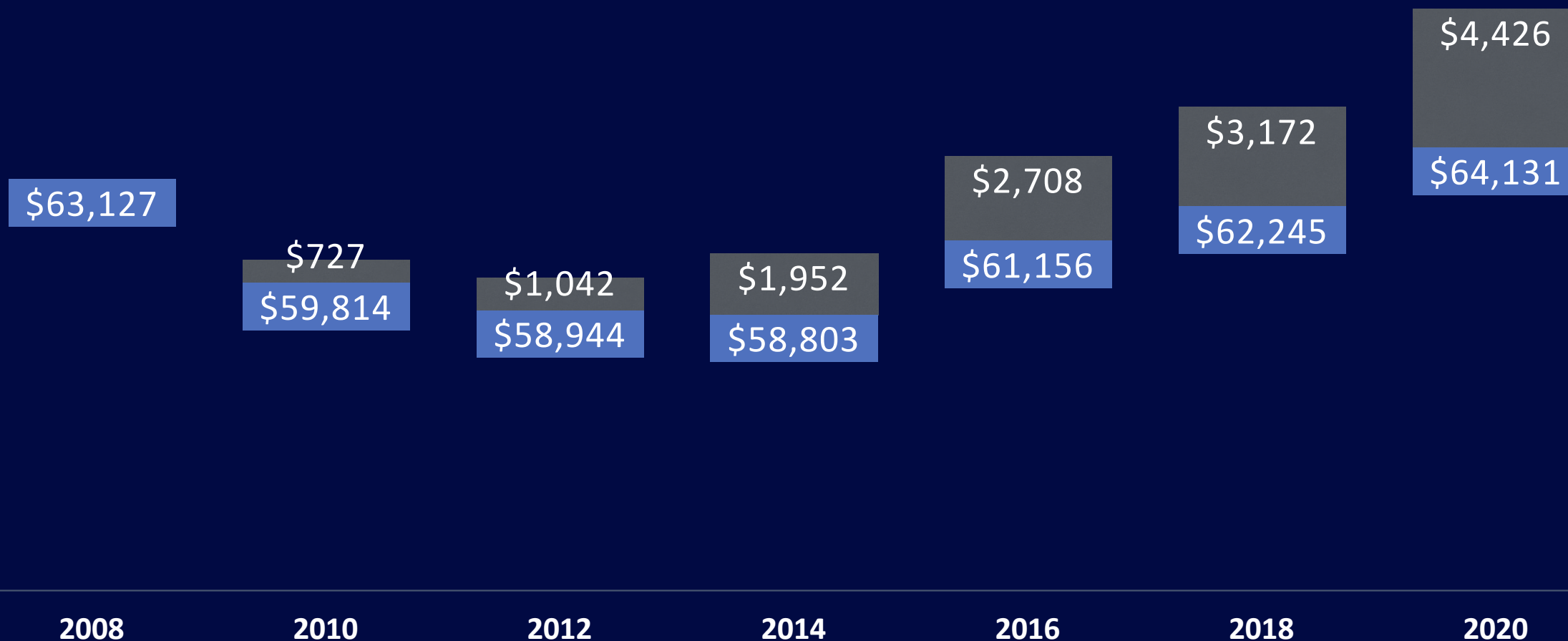
TEXAS: AN ECONOMIC SUCCESS STORY?

Texas median household income, 2008–2020 (nominal dollars)



HEALTH CARE IS ERODING TEXAS LIVING STANDARDS

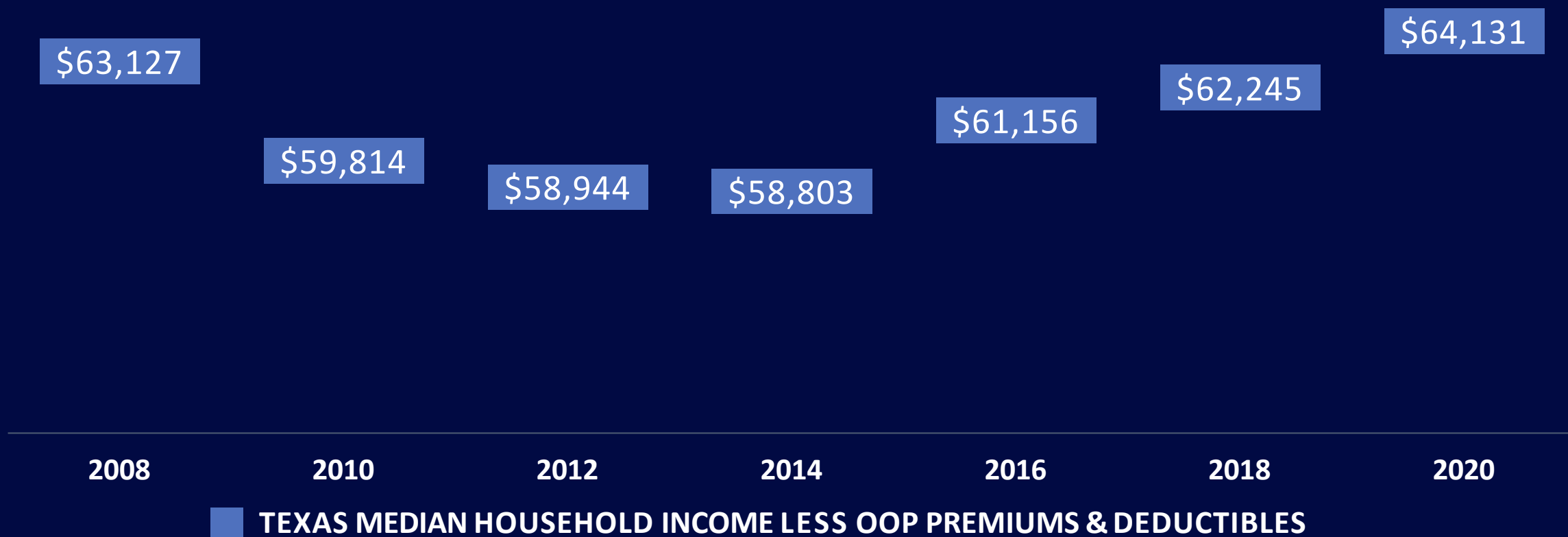
Texas median household income, 2008–2020 (nominal dollars)



 EFFECT OF RISING OOP COSTS
 TEXAS MEDIAN HOUSEHOLD INCOME LESS OOP PREMIUMS & DEDUCTIBLES

HEALTH CARE IS ERODING TEXAS LIVING STANDARDS

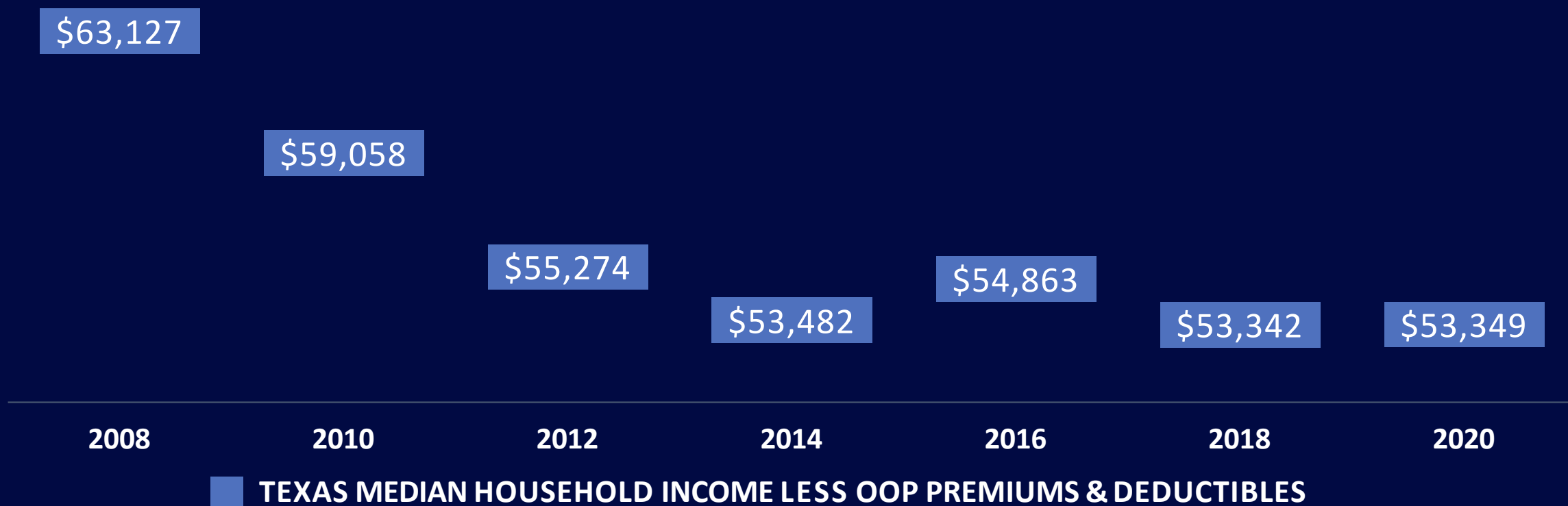
Texas median household income, 2008–2020 (nominal dollars)



HEALTH CARE IS ERODING TEXAS LIVING STANDARDS

Texas median household income, 2008–2020 (inflation-adjusted dollars)

Inflation-adjusted income growth, net of OOP health insurance costs: **-15.5% (-1.4% per annum)**



TEXANS ARE MORE EXPOSED TO RISING HEALTH COSTS

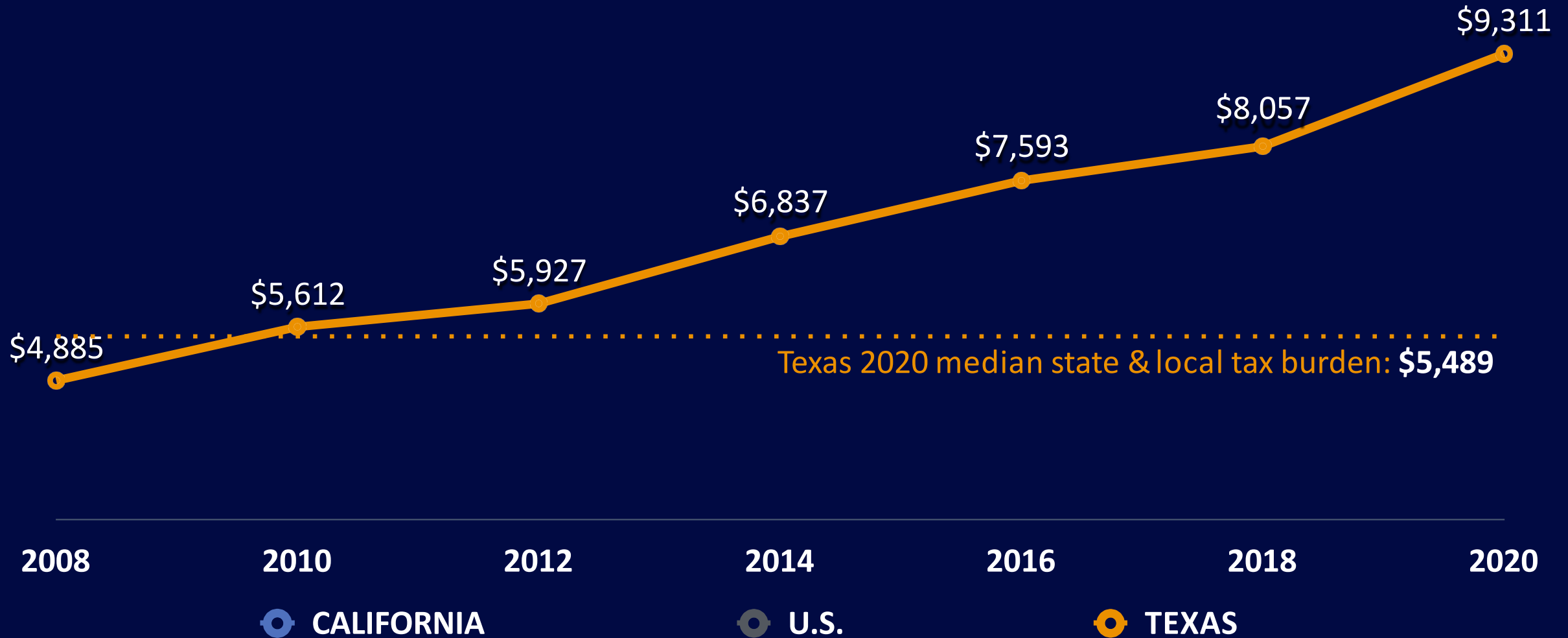
Average employee out-of-pocket premium contribution + deductible, family coverage



Source: Collins et al., Commonwealth Fund (analysis of Medical Expenditure Panel Survey data)

TEXANS ARE MORE EXPOSED TO RISING HEALTH COSTS

Average employee out-of-pocket premium contribution + deductible, family coverage

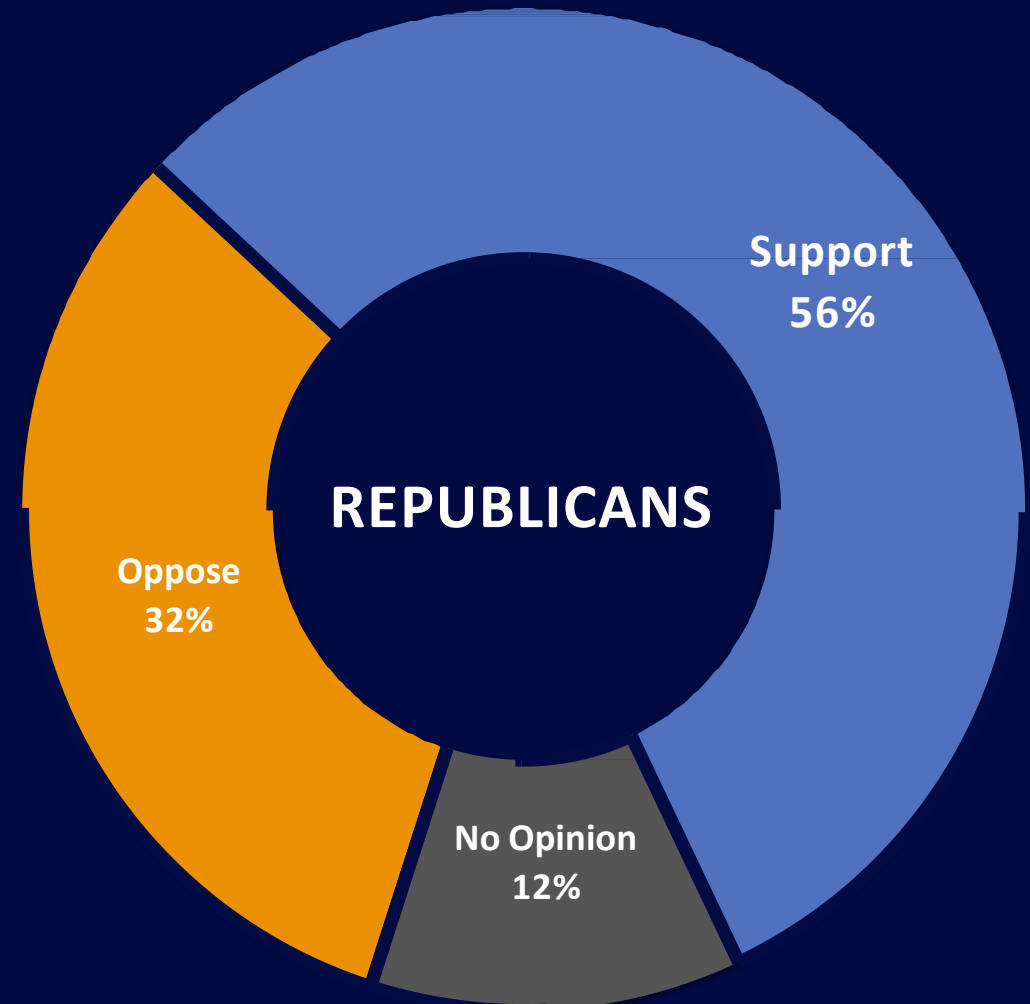
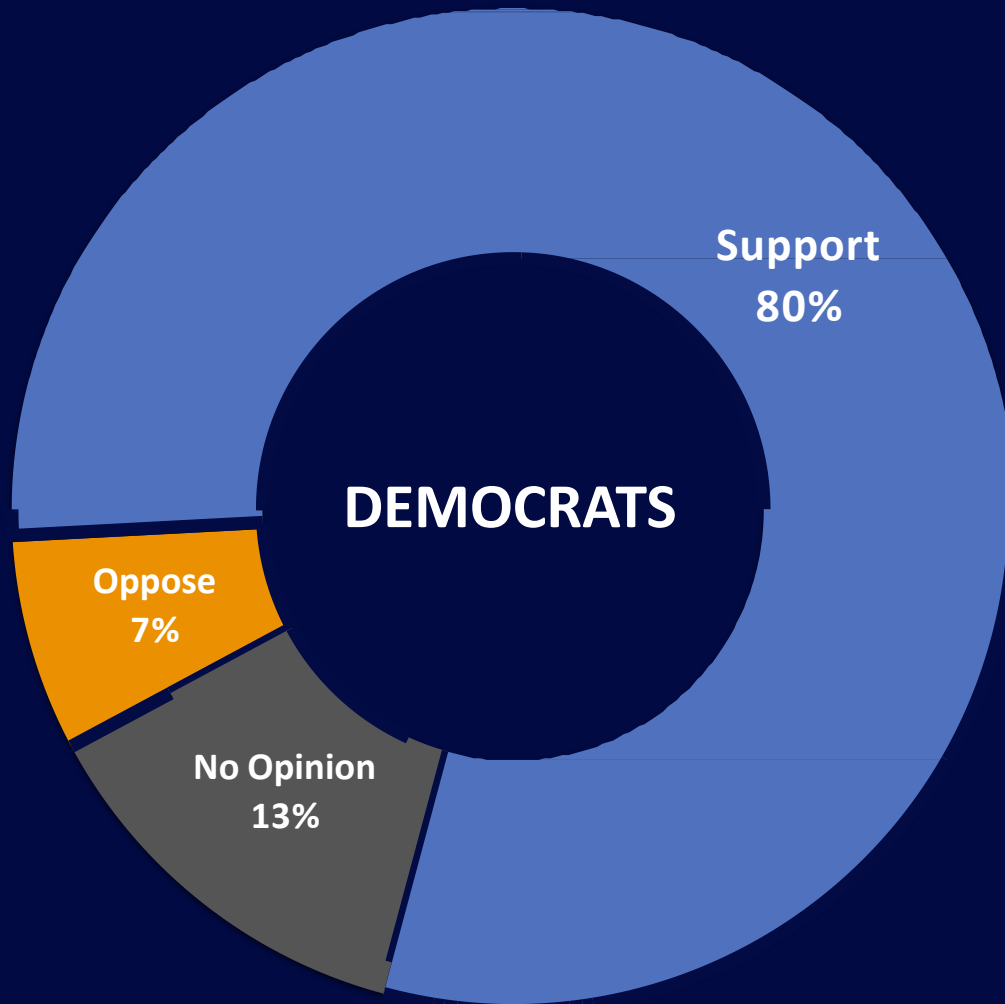


Source: Collins et al., Commonwealth Fund (analysis of Medical Expenditure Panel Survey data)

68% OF REGISTERED VOTERS SUPPORT A PUBLIC OPTION

Life Lessons

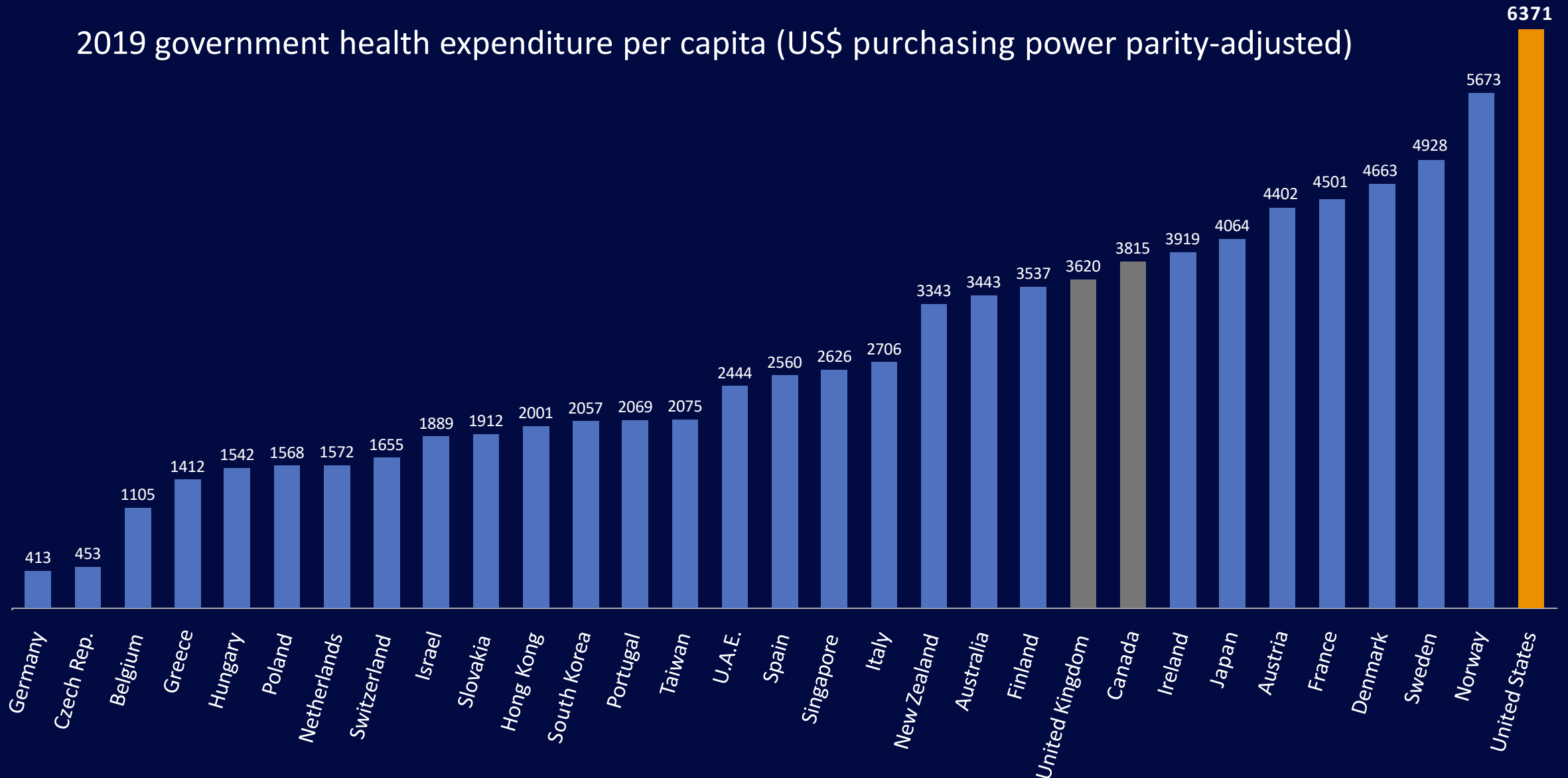
Support for a government-run health program to compete with private insurance



Source: Morning Consult; 1,994 registered voters surveyed March 19-22, 2021; margin of error $\pm 2\%$

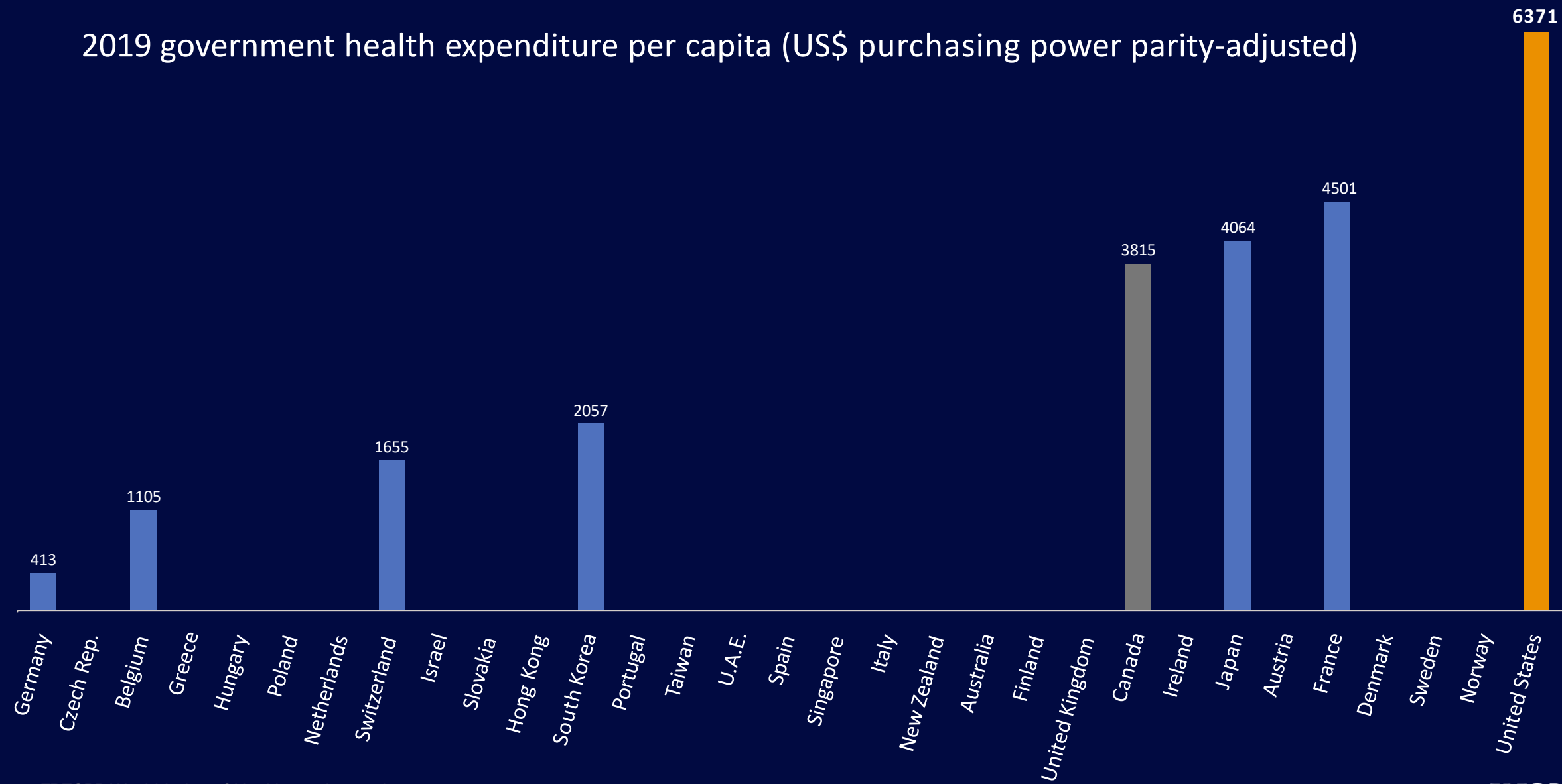
THE MYTH OF 'FREE-MARKET' U.S. HEALTH CARE

2019 government health expenditure per capita (US\$ purchasing power parity-adjusted)



FEE-FOR-SERVICE WORKS...JUST NOT IN THE U.S.

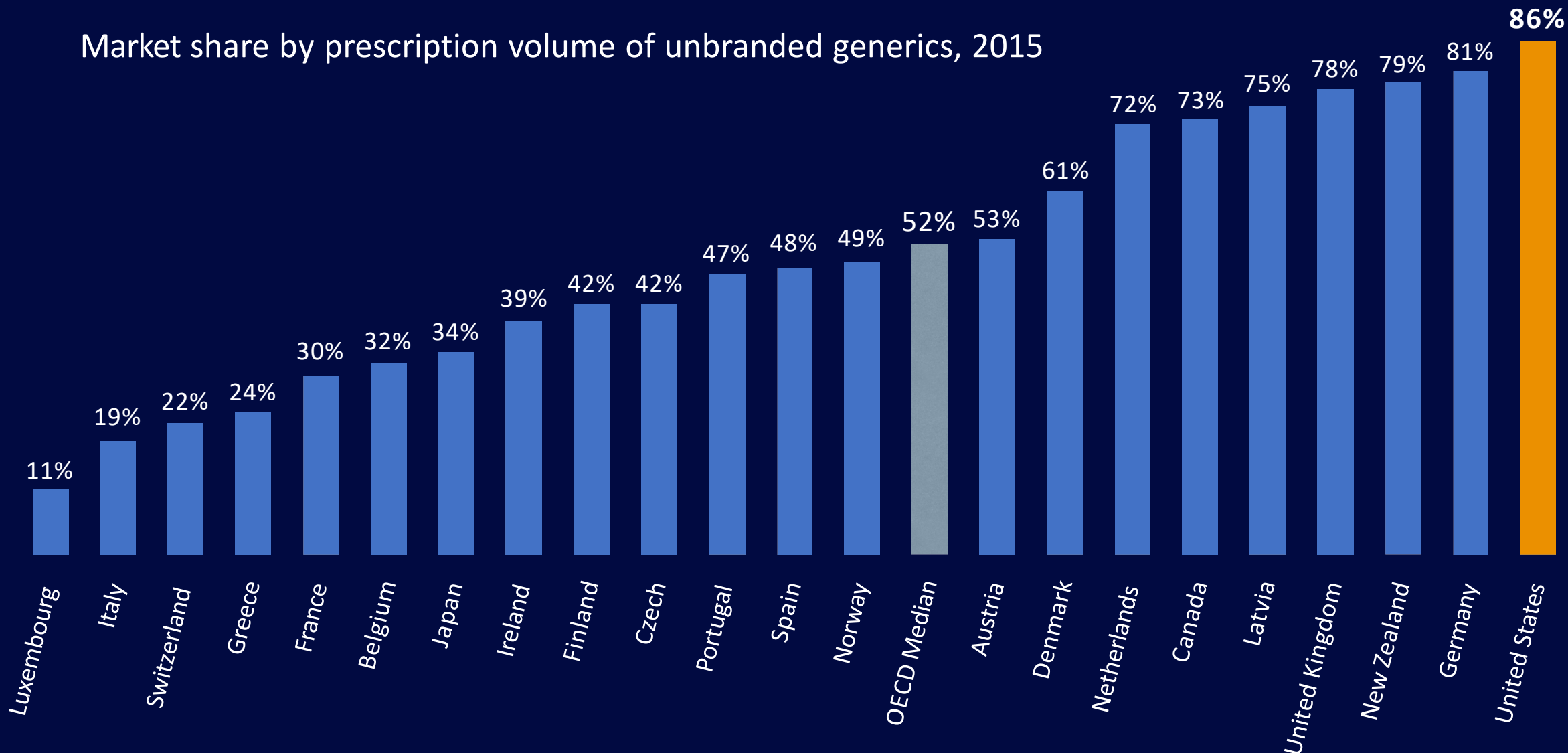
2019 government health expenditure per capita (US\$ purchasing power parity-adjusted)



Source: FREOPP World Index of Healthcare Innovation

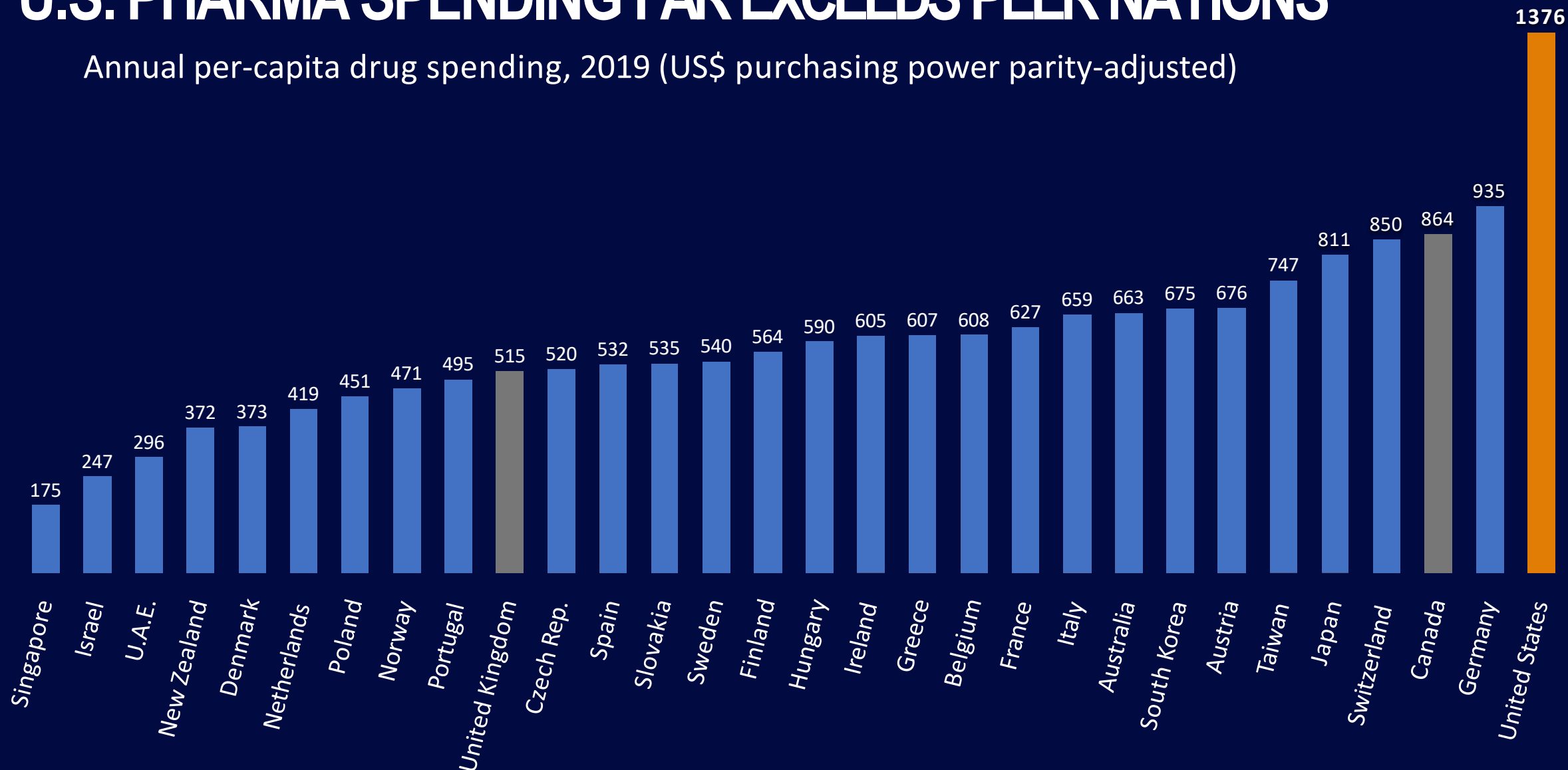
U.S. LEADS THE WORLD IN GENERIC DRUG UTILIZATION

Market share by prescription volume of unbranded generics, 2015



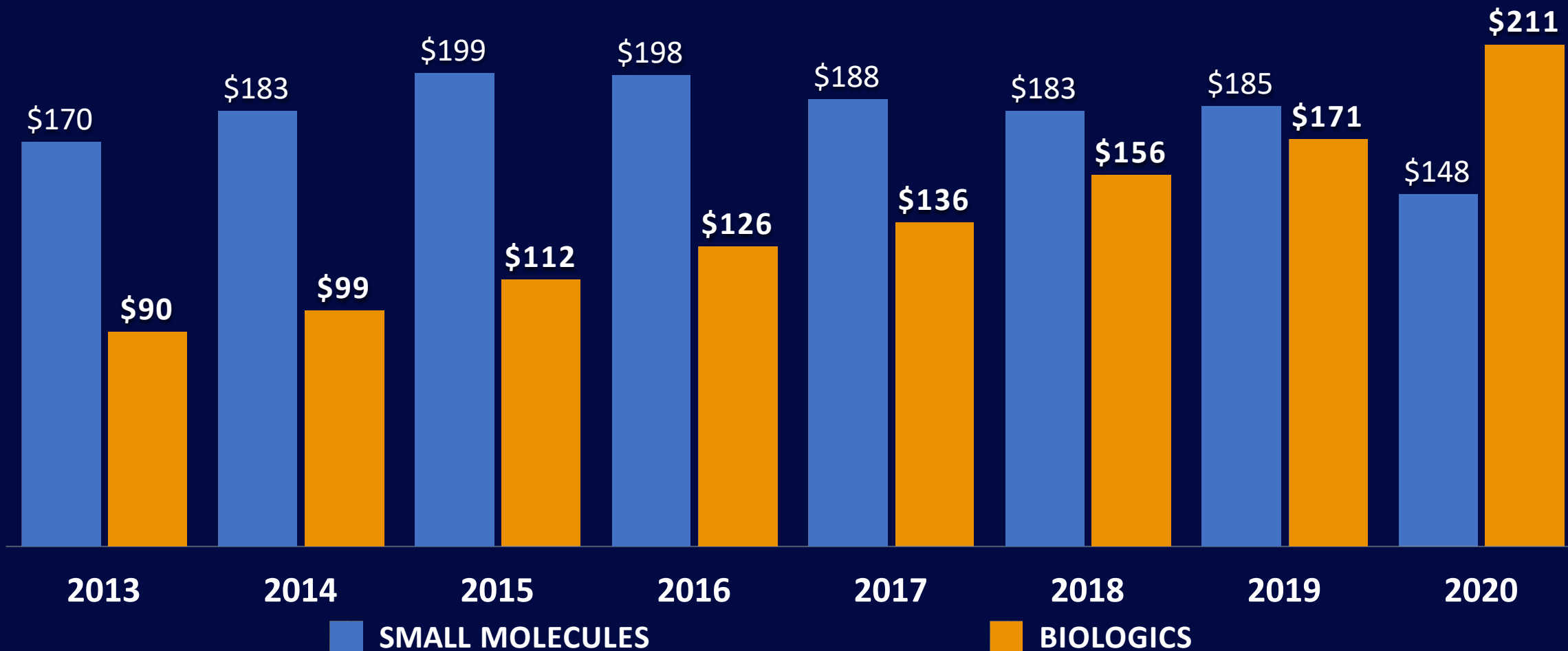
U.S. PHARMA SPENDING FAR EXCEEDS PEER NATIONS

Annual per-capita drug spending, 2019 (US\$ purchasing power parity-adjusted)



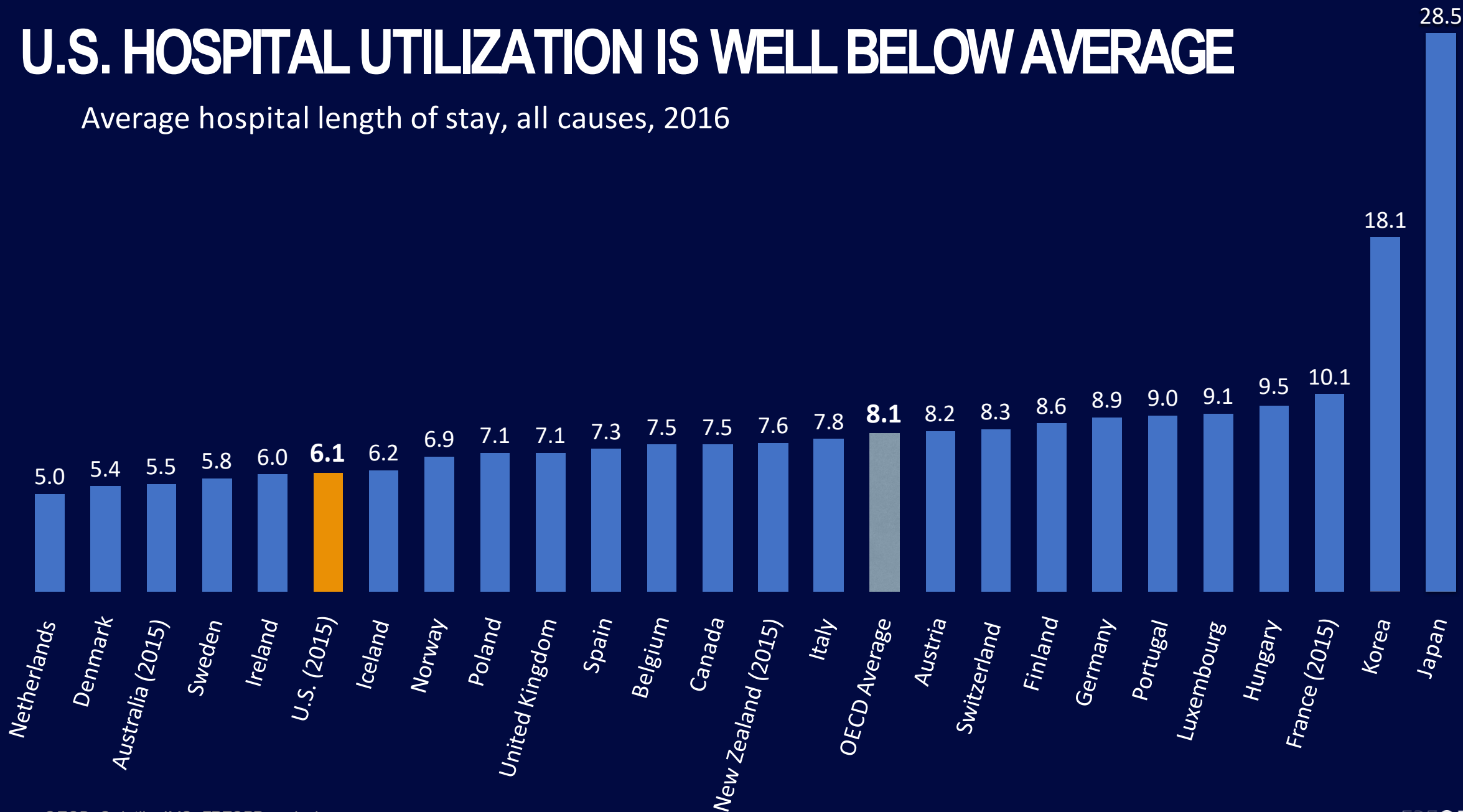
BIOLOGIC DRUGS: 59% OF NET DRUG SPENDING

U.S. net drug spending, biologics vs. small molecules, 2013–2020 (billions)



U.S. HOSPITAL UTILIZATION IS WELL BELOW AVERAGE

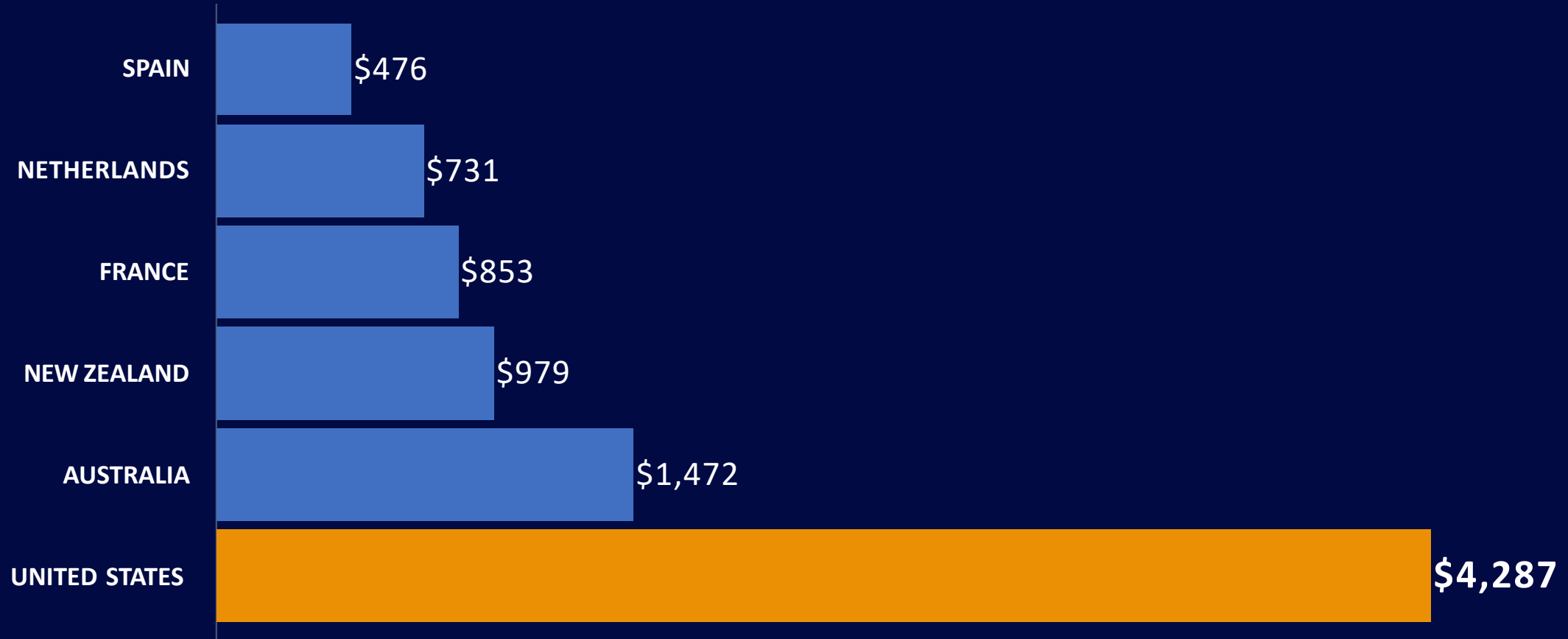
Average hospital length of stay, all causes, 2016



Source: OECD, QuintilesIMS, FREOPP analysis

HIGHER FEES FOR THE SAME SERVICE

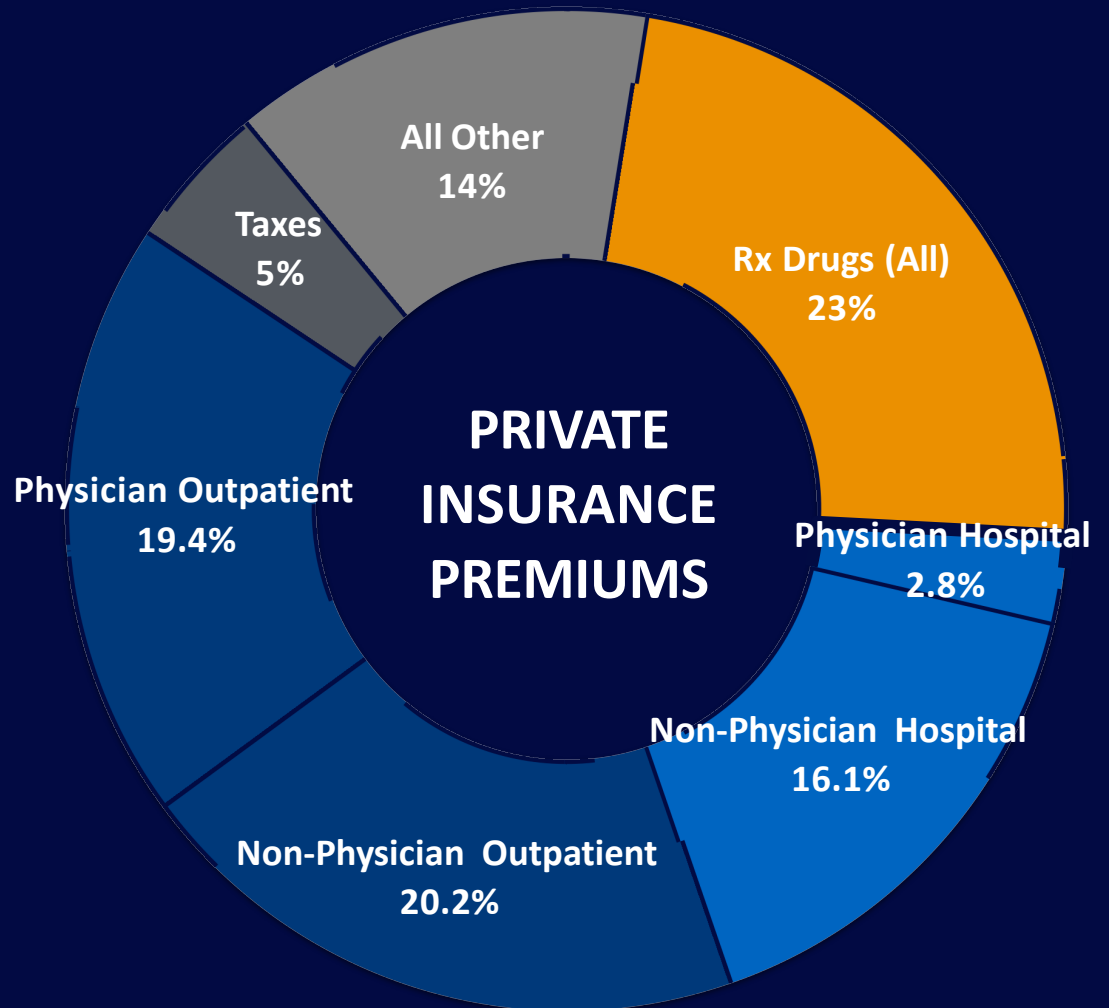
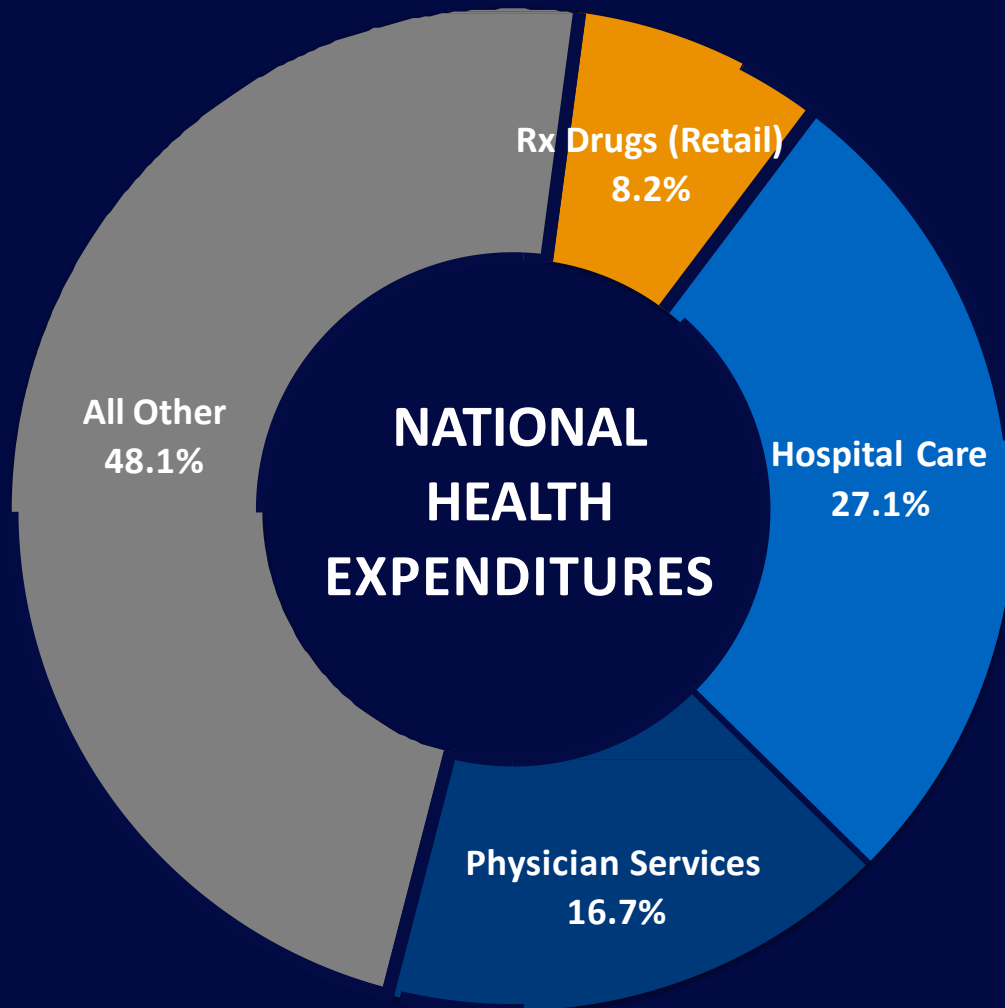
Despite lower avg. lengths of stay, U.S. per-diem hospital costs far exceed others



Median cost per hospital day, USD

OUTPATIENT CARE: 40% OF PRIVATE INSURANCE PREMIUMS

Prescription drugs as a share of national health expenditures vs. private insurance claims



BUT AT LEAST WE'RE INNOVATIVE?

In the 2021 FREOPP World Index of Healthcare Innovation, the U.S. dominated in Science & Technology, but ranked 29th out of 31 in Fiscal Sustainability, and only 20th on Choice

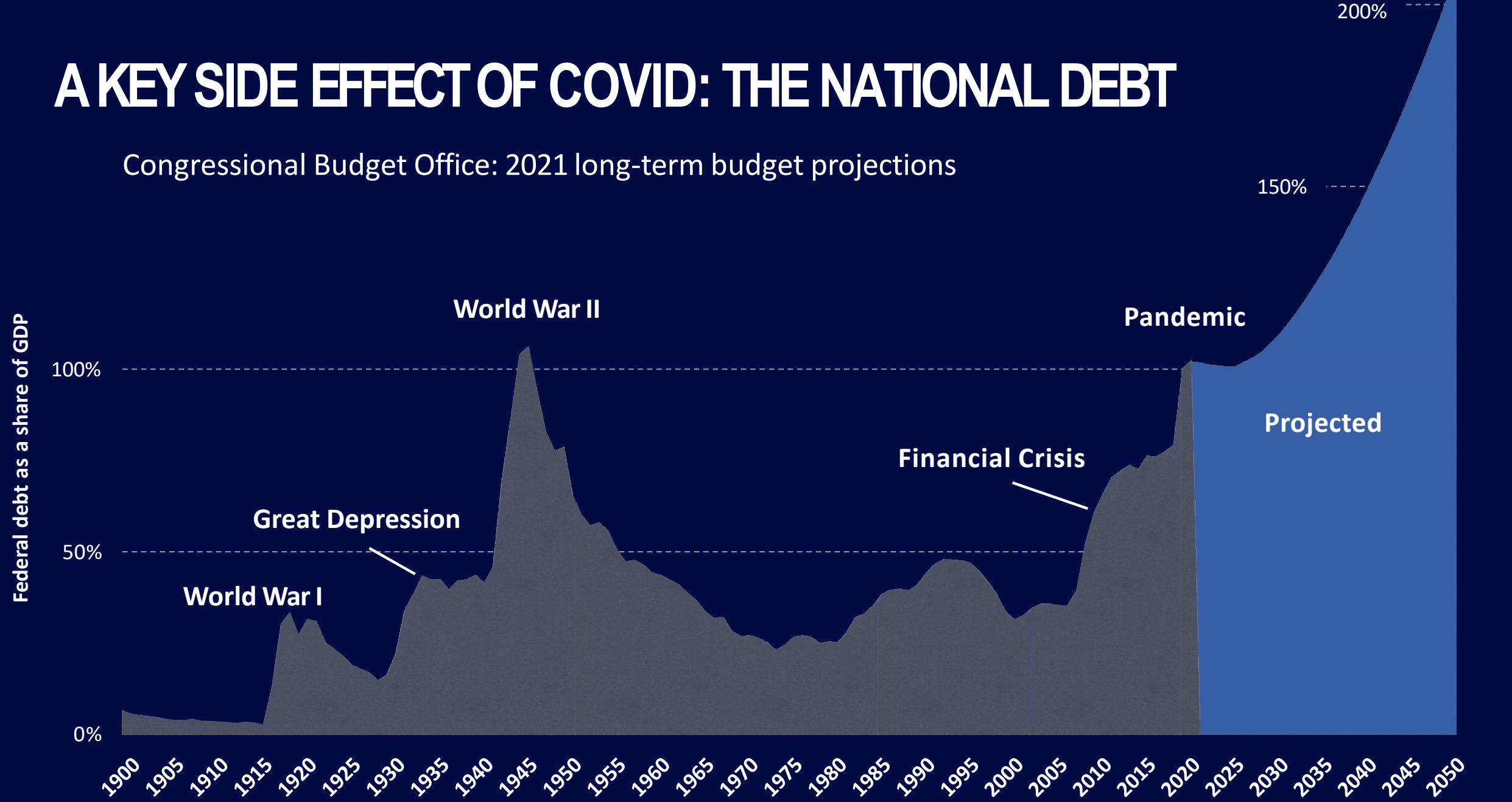
Why?

- #2 in access to new treatments, but last (#31) in affordability of coverage

Overall Rank	Country	Overall Tier	Overall Score	Quality	Choice	Science & Technology	Fiscal Sustainability
1	Switzerland	Excellent	65.15	65.39	68.25	53.92	73.05
2	Netherlands	Excellent	62.99	62.65	73.31	42.56	73.43
3	Germany	Excellent	59.79	52.73	70.25	37.69	78.48
4	Ireland	Excellent	56.67	58.16	61.48	32.52	74.50
5	Israel	Excellent	55.72	63.21	59.67	38.38	61.62
6	United States	Excellent	54.78	56.33	54.53	73.93	34.35
7	Australia	Good	50.76	60.07	65.44	25.27	52.25
8	Hong Kong	Good	50.72	40.56	61.58	24.96	75.77
9	Belgium	Good	50.51	48.84	56.23	35.43	61.53
10	United Kingdom	Good	50.21	52.15	57.04	47.18	44.46
11	Denmark	Good	49.87	49.20	52.20	45.37	52.70
12	Singapore	Good	49.71	46.83	66.44	32.63	52.95
13	Taiwan	Good	49.26	50.22	60.10	17.75	68.95
14	South Korea	Good	48.36	51.81	63.35	18.14	60.16
15	New Zealand	Good	48.28	58.47	54.61	25.47	54.55
16	Czech Republic	Good	47.58	38.84	56.84	15.58	79.05
17	Portugal	Good	46.92	63.15	58.83	15.78	49.93
18	Sweden	Moderate	45.35	48.72	53.87	40.99	37.82
19	Austria	Moderate	45.33	50.86	55.45	29.84	45.16
20	United Arab Emirates	Moderate	45.19	46.72	45.86	22.41	65.79
21	Finland	Moderate	44.64	50.45	42.34	36.99	48.78
22	Spain	Moderate	44.53	47.13	56.85	23.52	50.63
23	Canada	Moderate	44.31	53.26	54.05	27.63	42.29
24	Norway	Moderate	44.17	57.10	48.59	33.76	37.22
25	France	Moderate	42.60	53.25	54.04	32.79	30.34
26	Greece	Moderate	41.55	38.72	58.67	19.66	49.14
27	Hungary	Moderate	40.31	32.34	48.82	17.72	62.34
28	Italy	Poor	37.90	44.22	44.21	19.37	43.80
29	Slovakia	Poor	37.70	28.75	48.66	14.32	59.05
30	Japan	Poor	37.52	57.20	56.09	36.76	0.04
31	Poland	Poor	35.52	25.23	44.01	8.40	64.45

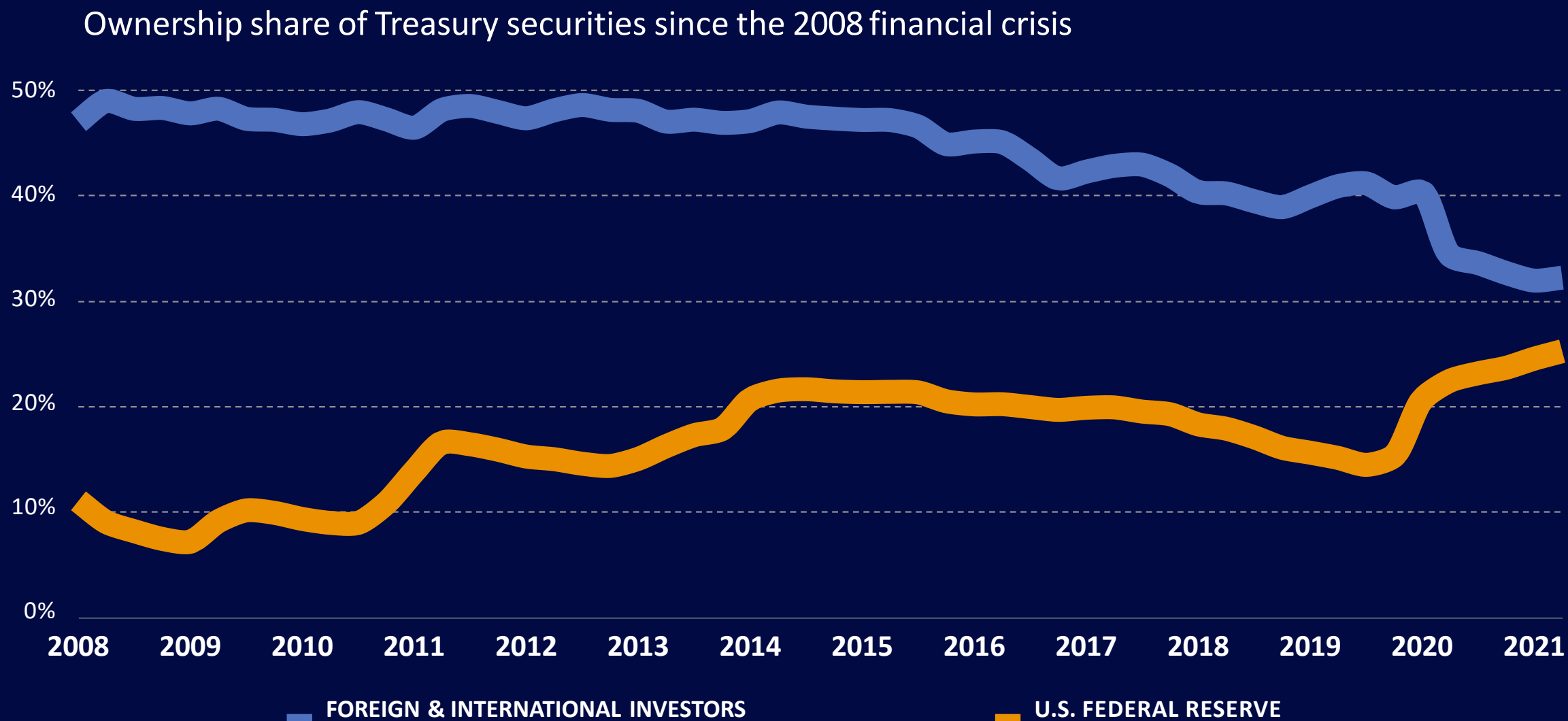
A KEY SIDE EFFECT OF COVID: THE NATIONAL DEBT

Congressional Budget Office: 2021 long-term budget projections



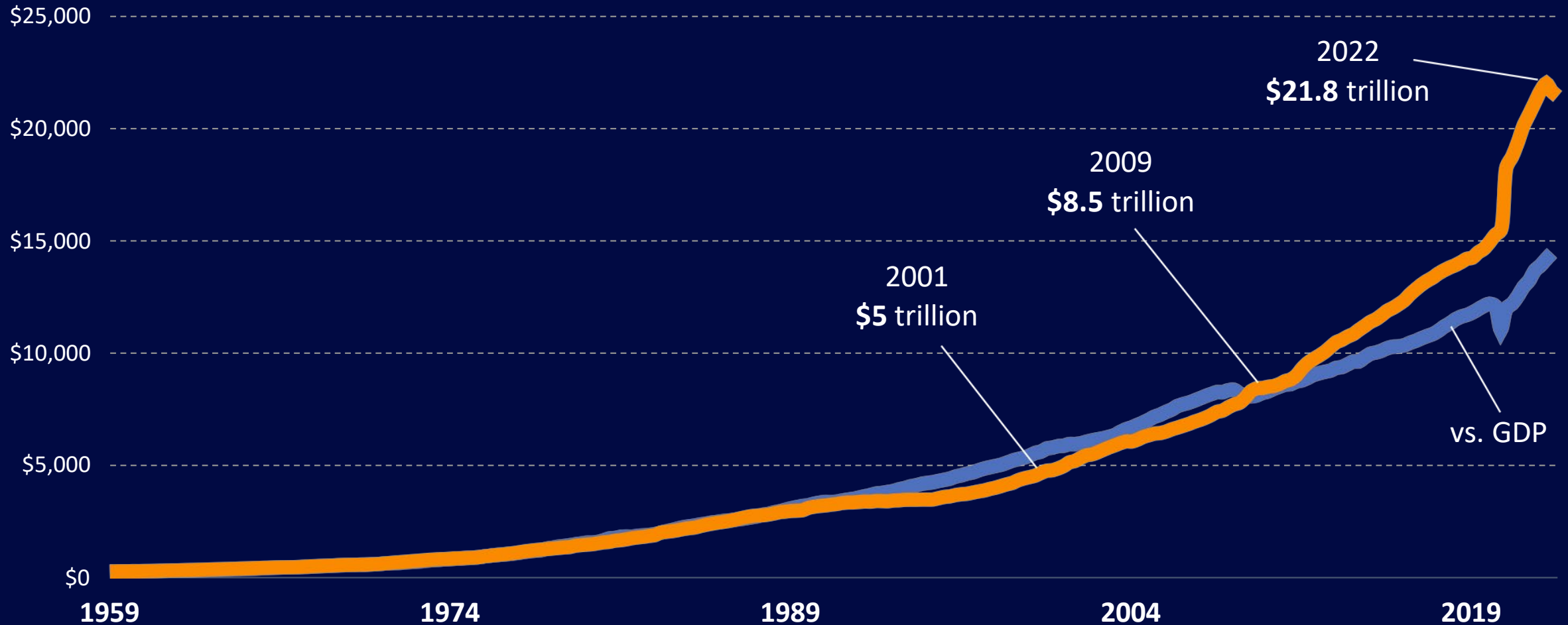
Source: Congressional Budget Office

FEDERAL DEBT INCREASINGLY OWNED BY...THE FED

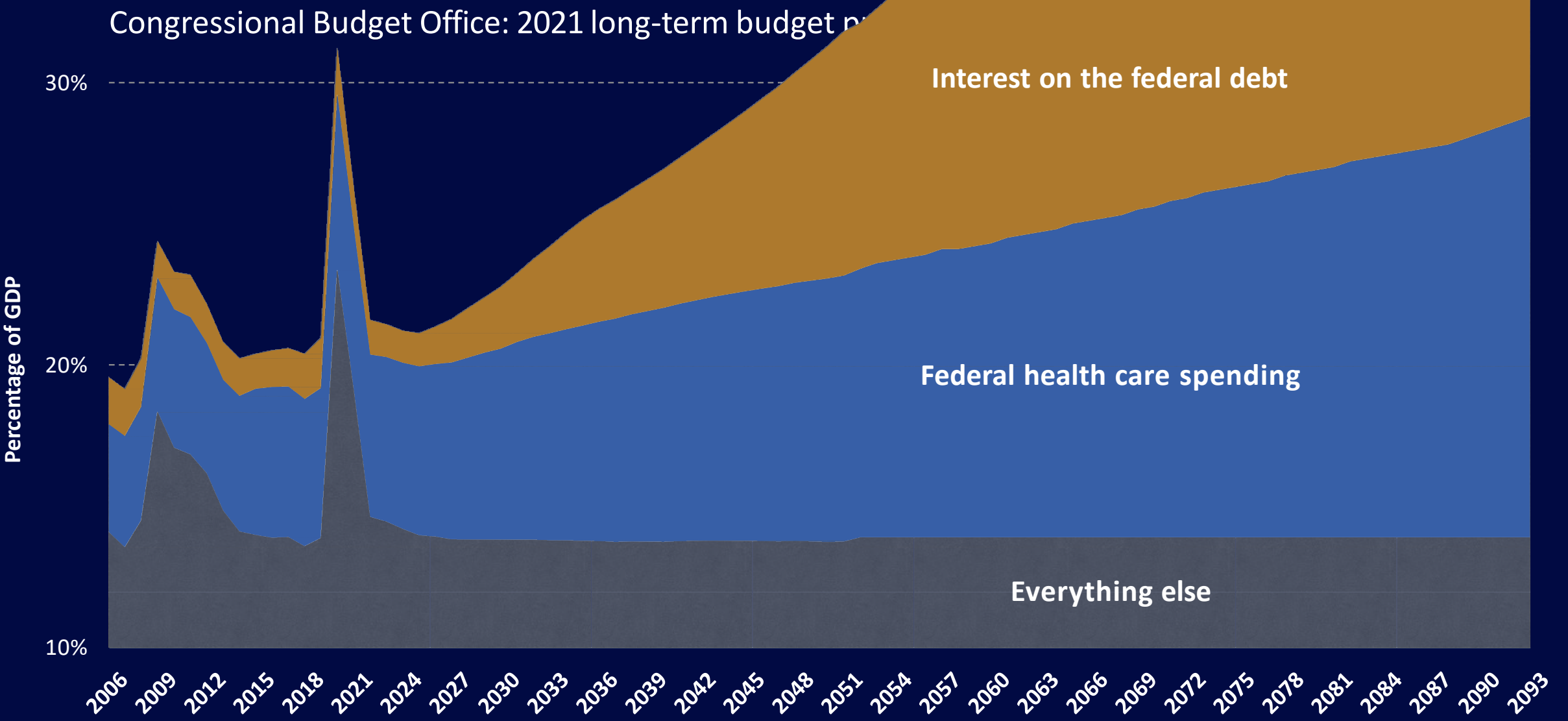


THE FED PRINTS MONEY OUT OF THIN AIR TO LEND TO U.S.

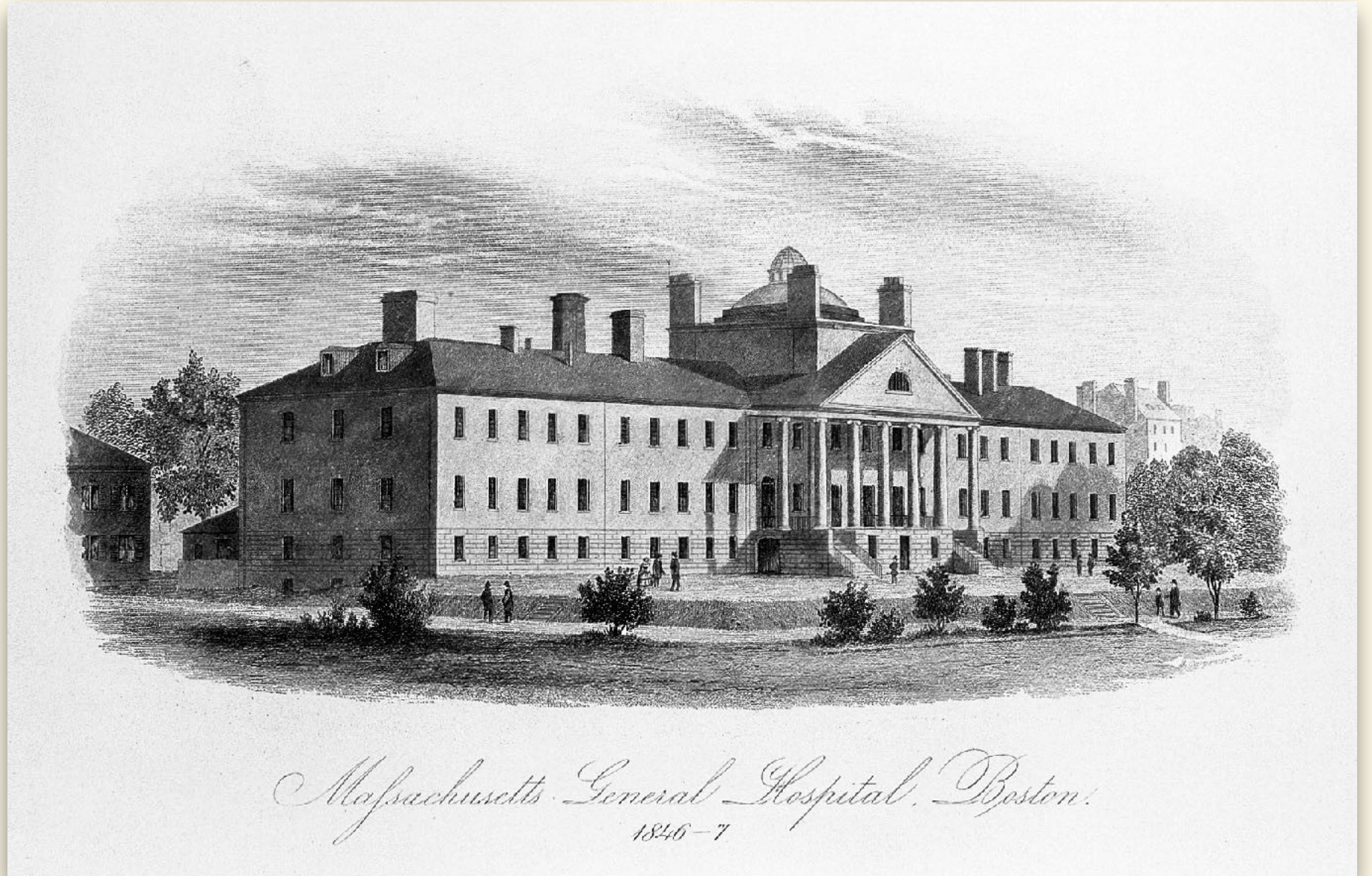
M2 money stock (savings deposits, money market funds deposits, etc.), billions



FEDERAL HEALTH SPENDING DRIVES OUT



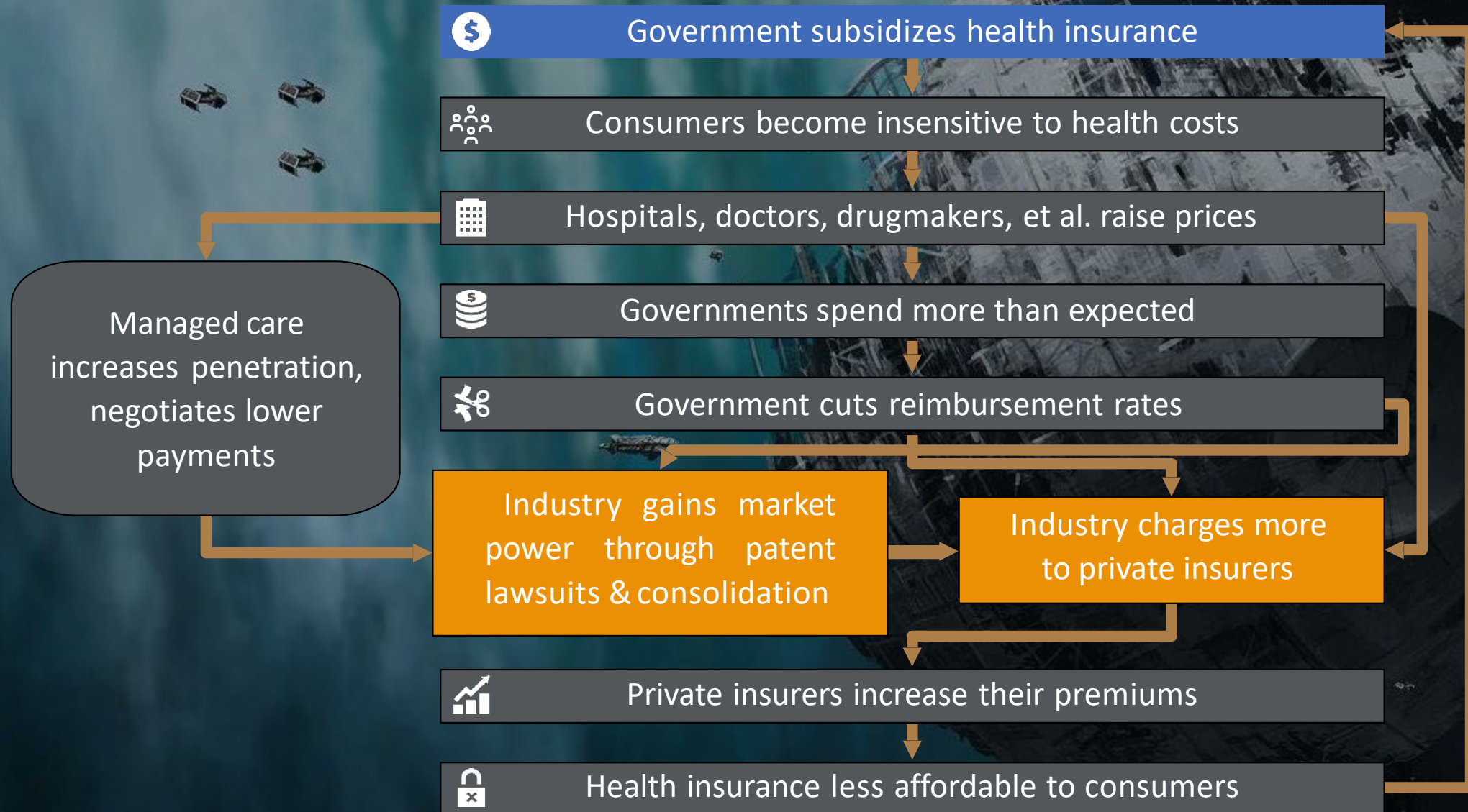
HOW DID U.S. HEALTH CARE GO FROM HERE...



HOW DID U.S. HEALTH CARE GO FROM HERE...TO HERE?



AMERICAN HEALTH CARE EXPLAINED—IN ONE CHART



A close-up portrait of Keanu Reeves as Neo from the movie The Matrix. He is wearing his signature black sunglasses and a black high-collared coat. The background is a dark, out-of-focus interior. The lighting is dramatic, highlighting his face and the texture of his hair.

SUBSIDIES. WHAT YOU'RE SAYING IS IT'S THE SUBSIDIES.

HOW FAR CAN PRIVATE-SECTOR SOLUTIONS TAKE US?



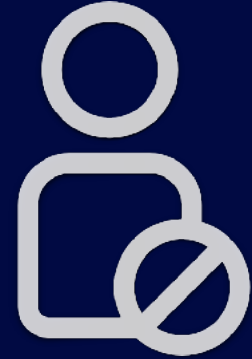
Price transparency

Because 80-90% of health care is paid out by insurers, and because few people shop for their own insurance, consumers need **transparency and choice for insurance** more than for individual health care services



Health insurance across state lines

It is nearly impossible for out-of-state insurers to build enough **market power** (covered lives) to negotiate better prices with monopoly providers or drug companies

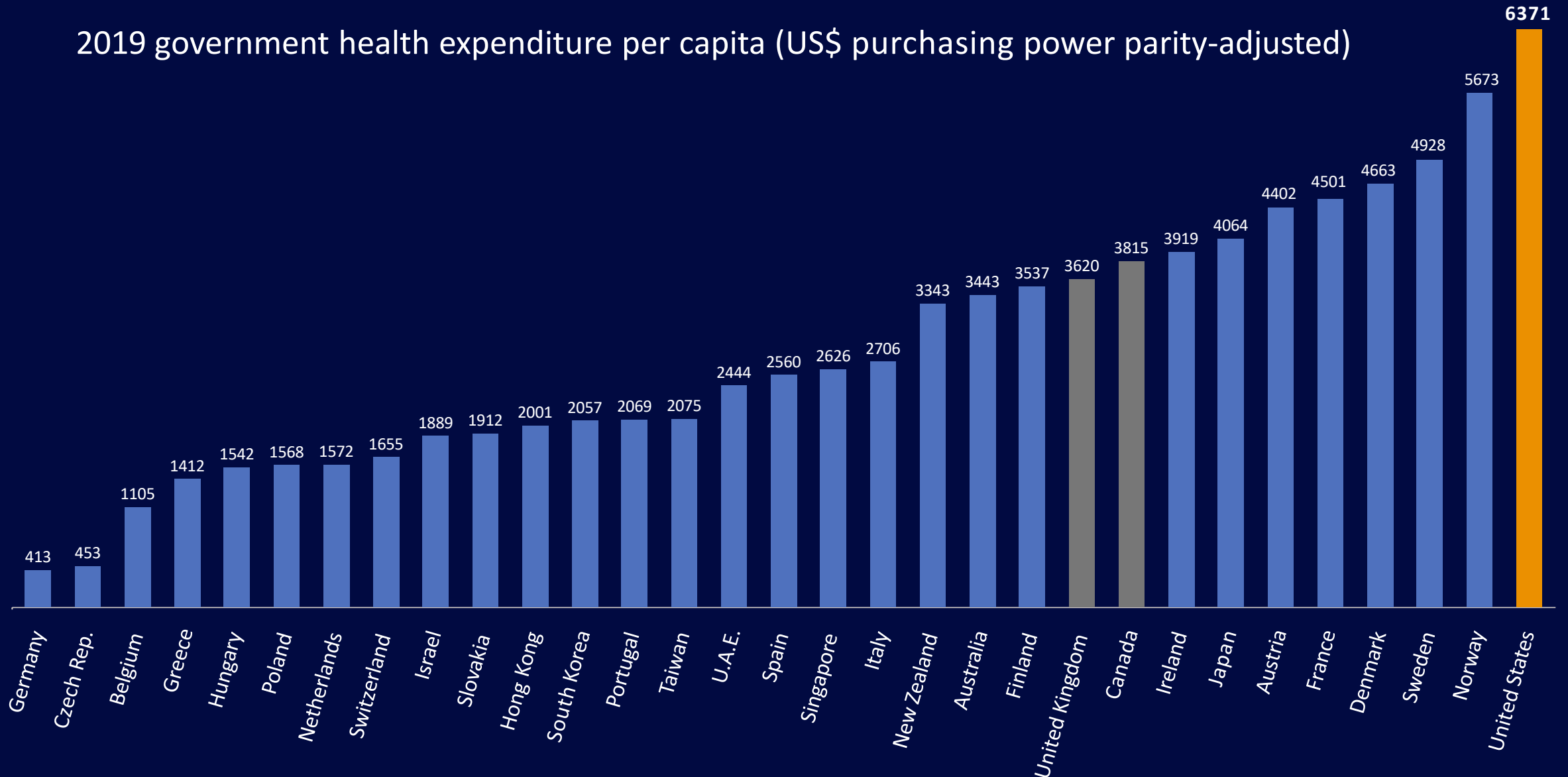


Advanced primary care

Innovative primary care models can improve health outcomes and reduce costly utilization, the **high unit cost** of hospital care, prescription drugs, and specialty physician care drives health spending

THE MYTH OF 'FREE-MARKET' U.S. HEALTH CARE

2019 government health expenditure per capita (US\$ purchasing power parity-adjusted)



THE WIHI TOP 5: UNIVERSAL PRIVATE HEALTH INSURANCE



#1

Switzerland

Maximum freedom of choice; #1 in producing medical advances

Quality: #1

Choice: #3

Science & Technology: #2

Fiscal Sustainability: #6



#2

Netherlands

Highly competitive insurance market; #1 in patient-centered care

Quality: #4

Choice: #1

Science & Technology: #5

Fiscal Sustainability: #5



#3

Germany

Perennial balanced budgets; #1 in access to new treatments

Quality: #13

Choice: #2

Science & Technology: #8

Fiscal Sustainability: #2



#4

Ireland

#1 in measures of preventable disease; global pharma hub

Quality: #7

Choice: #8

Science & Technology: #13

Fiscal Sustainability: #4



#5

Israel

#1 in Nobel prizes per capita; #2 in prevention & patient-centered care

Quality: #2

Choice: #10

Science & Technology: #7

Fiscal Sustainability: #11

WHAT THE U.S. CAN LEARN FROM SWITZERLAND



#1

Switzerland

Maximum freedom of choice; #1 in producing medical advances

Quality: #1

Choice: #3

Science & Technology: #2

Fiscal Sustainability: #6

- **Universal coverage through private insurance**
 - Regulated, transparently priced insurance products similar to Medicare Parts C & D, ACA exchanges, & Paul Ryan Medicare proposals
- **Heavily means-tested financial assistance**
 - Subsidized coverage only for vulnerable populations
- **Significantly lower health care prices**
 - Insurers at the cantonal level are allowed to band together to jointly negotiate drug & hospital reimbursement rates
- **73% less per-capita subsidies than the U.S.**

IN MEDICARE, PRIVATE INSURANCE WINS HEAD-TO-HEAD



#6

United States

Very strong in scientific innovation, but fiscally unsustainable & dead last in affordability

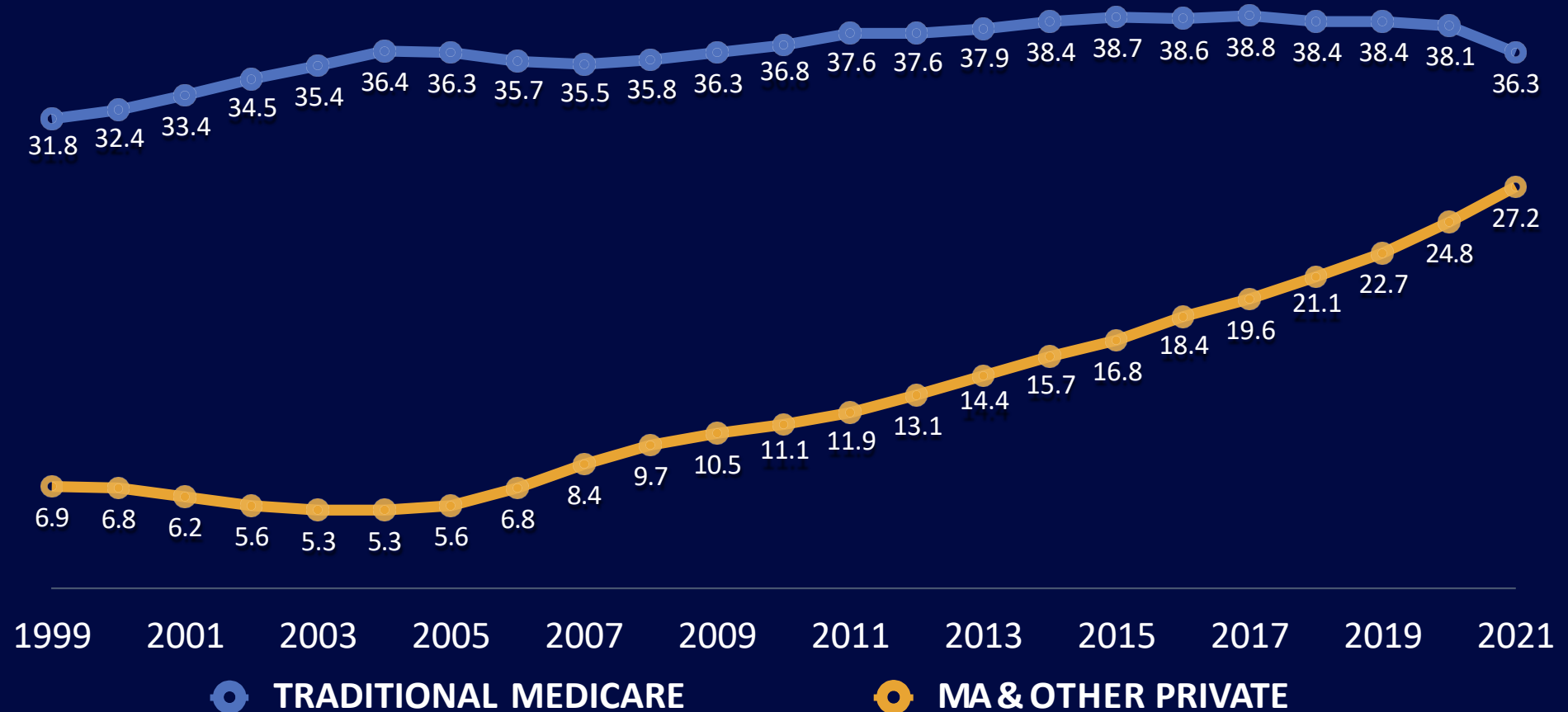
Quality: #10

Choice: #20

Science & Technology: #1

Fiscal Sustainability: #29

Medicare enrollment by payer type (millions)

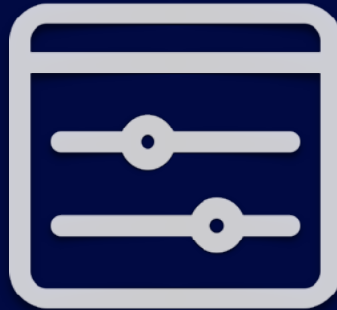


MEDICARE ADVANTAGE FOR ALL: 4 CORE PRINCIPLES



Affordable for Every Generation

Universal—and universally affordable—coverage for today’s Americans, and a fiscally sustainable system for the generations to come



Personalized Insurance

All Americans should have the freedom to choose among a wide variety of private plans that suit their needs



Fairness to Taxpayers

Taxpayer-funded subsidies should be reserved for the poor, the sick, and the vulnerable—not the wealthy



Innovation & Competition for Patients

Enabling competition and curtailing the power of health care monopolies will lower patients’ costs and increase innovation in patient care

HOW TO GET THERE FROM HERE: 4 BASIC STEPS



HOW TO GET THERE FROM HERE: 4 BASIC STEPS



- **Step 1:** Strengthen individual insurance

- Reinsurance reduces premiums & protects those w/pre-existing conditions
- Enable businesses to help their workers buy their own coverage
- Merge federal employees' health benefits into individual market

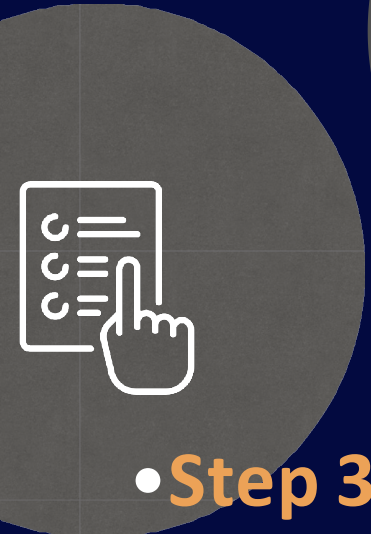


HOW TO GET THERE FROM HERE: 4 BASIC STEPS



- **Step 2:** Reduce health care prices
 - Prescription drug reform
 - Curtail the power of health care monopolies

HOW TO GET THERE FROM HERE: 4 BASIC STEPS



- **Step 3:** Medicare & Medicaid reform

- Improve Medicare Advantage
- Eliminate Medicare eligibility for wealthiest Americans
- Integrate able-bodied Medicaid enrollees into individual market

HOW TO GET THERE FROM HERE: 4 BASIC STEPS



- **Step 4:** Expand innovation

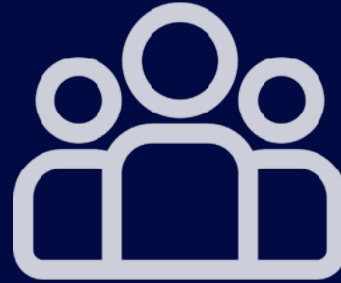
- Digital & telehealth reform (HIPAA, Stark)
- Enable veterans to obtain private coverage & care
- Reform medical malpractice
- And much more

THE FAIR CARE ACT: MARKET-BASED UNIVERSAL COVERAGE



Legislation introduced in the U.S. House & Senate

Lead sponsors:
Rep. Bruce Westerman (Ark.), Rep. Jim Banks (Ind.), Sen. Mike Braun (Ind.)



Anyone who wants insurance can afford it

Like Medicare Advantage, means-tested subsidies ensure that everyone can afford private coverage, increasing the number of insured by 9 million U.S. residents



Reduces the deficit & reduces taxes

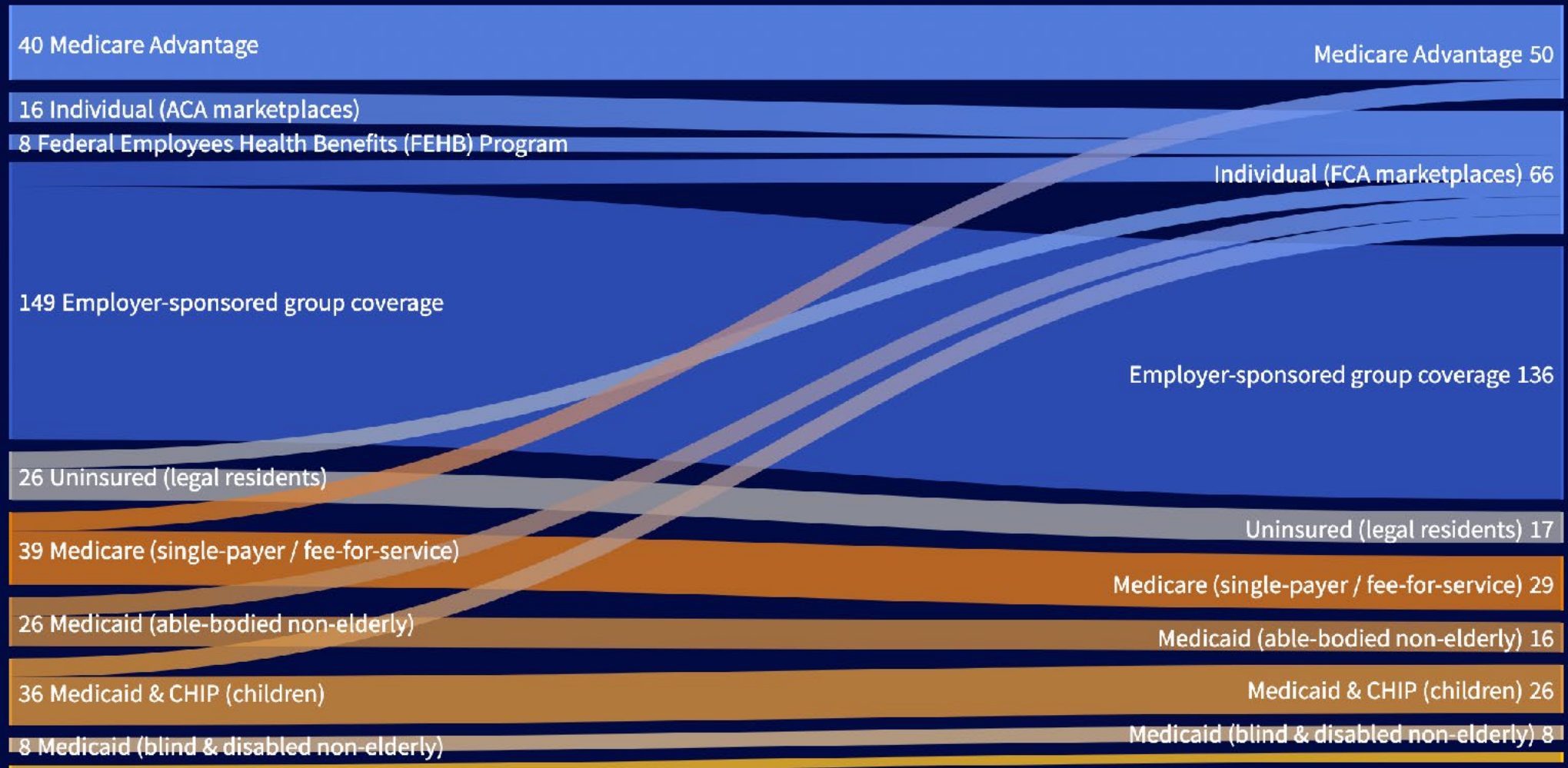
By means-testing health insurance subsidies, and reducing health care costs, the bill reduces the deficit by \$152 billion over 10 years

THE FAIR CARE ACT: HEALTH COVERAGE IN 2030

Under current law

(millions of U.S. residents)

Under the Fair Care Act



The Fair Care Act of 2020: Market-Based Universal Coverage

A new bill introduced in Congress would expand health insurance coverage while reducing costs and increasing innovation.



Avik Roy

Oct 12, 2020 · 29 min read

Medicare Advantage for All



Avik Roy

Apr 21, 2019 · 5 min read

Health Insurance For All, The American Way



Avik Roy

May 1, 2019 · 10 min read

Medicare Advantage: A Platform for Affordable Health Reform



Avik Roy

Apr 18, 2019 · 33 min read

Bringing Private Health Insurance Into the 21st Century



Avik Roy

Apr 21, 2019 · 38 min read

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Q & A

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THE FOUNDATION FOR RESEARCH ON EQUAL OPPORTUNITY

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