

US ELECTION ANALYSIS NO. 3

Healthcare Reform: The US Policy Debate

The ability of the next US president to rein in spending on healthcare and improve the productivity of the healthcare system is largely going to determine the country's fiscal future. That is one of the conclusions of the latest in a series of [US Election Analyses](#), published today by the Centre for Economic Performance (CEP).

Healthcare reform: key points

- The US spends substantially more on healthcare than any other country. Yet despite higher per capita spending, there is scant evidence that the US healthcare system delivers higher quality patient care.
- In 2011, about 16% of Americans (49 million people) did not have health insurance, the US ranked 38th in the world in life expectancy and preventable medical mistakes and infections were the sixth leading cause of death in the country. On the positive side, Americans have some of the most ready access to new medications and therapies and cancer survival rates are among the highest in the world.
- Healthcare is the leading cause of long-term US public debt. Between now and 2037, healthcare spending is forecast to grow from 25% to 40% of the US federal budget. The ability of the US to tackle healthcare spending will determine the extent to which it can tackle its long-term debt.
- The Affordable Care Act (ACA), which was passed in 2010, aims to expand access to healthcare and reduce the long-term deficit.
- The law mandates that nearly all US residents obtain health insurance. It creates insurance exchanges for individuals to purchase coverage and expands eligibility for Medicaid (insurance for the poor). It also introduces many measures to attempt to control healthcare spending, which primarily revolve around changes to how Medicare (insurance for the elderly) reimburses providers.
- President Obama has pledged to implement the ACA in full. The non-partisan Congressional Budget Office (CBO) estimates that the ACA will reduce the deficit by approximately \$100 billion by 2022 and expand insurance coverage by 35 million people. The CBO also estimates that because of the ACA, 92% of Americans will have insurance coverage by 2022.
- Governor Romney has promised to repeal the ACA and give states the lead on healthcare policy. He proposes to shift Medicaid to a block grant and turn Medicare into a program where seniors could use a portable voucher to purchase care from the government or private insurance companies. These changes shift the programs from 'defined benefits' to 'defined contributions'.
- Governor Romney's proposals would be likely to reduce federal healthcare spending significantly but at the cost of substantially increasing individual healthcare spending and leaving around 45 million fewer Americans insured.