Why Health Care Should Be Universal: Using the Principles of Public Welfare Economics to Make a Case for Universal Health Care Coverage

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Abstract

The debate over health care in America never seems to lose any steam. Even as we approach the fifth year that the Affordable Care Act (ACA) has been the law of the land, there are many politicians who still want to overturn the legislation. The biggest problem with this approach is that those who seek to repeal what has been labeled as "Obamacare" never seem to have a worthy alternative to offer. The biggest hurdle one must overcome in making an argument for health care reform that achieves universal coverage is political. If one were to settle the political question as to whether health care is a universal right that all citizens of a civilized society should have, the next greatest challenge is to show the logic for it economically. This paper attempts to settle both issues. By looking at the language of our founding fathers, I will show that access to health care for all is a universal right that should be provided by our federal government, as is the case in nearly every other industrialized nation in the world (Fisher, 2012). I will then use some basic principles of public welfare economics and readily available data to reveal how and why this can be accomplished in our country.

Introduction

The debate over health care in America never seems to lose any steam. Even as we approach the fifth year that the Affordable Care Act (ACA) has been the law of the land, there are many politicians who still want to overturn the legislation. The biggest problem with this approach is that those who seek to repeal what has been labeled as "Obamacare" never seem to have a worthy alternative to offer. The most heated health care debate in recent history, prior to the battle over the ACA, was the universal health care fight that President and Mrs. Clinton fought and lost in the early part of Mr. Clinton's first term circa 1993. "Besides universal coverage and a basic benefit package, provisions included health insurance reform, regional alliances for structuring competition among health insurance plans, consumer choice of health plans, and provisions for Medicaid beneficiaries" (Plaut & Arons, 1994). The main difference between the Clinton plan and the ACA is the universal coverage provision (The Henry J. Kaiser Family Foundation, 2012). Even the Clinton plan didn't go so far as to offer a single-payer option. The biggest hurdle one must overcome in making an argument for health care reform that achieves universal coverage is political. If one were to settle the political question as to whether health care is a universal right that all citizens of a civilized society should have, the next greatest challenge is to show the logic for it economically. This paper attempts to settle both issues. By looking at the language of our founding fathers, I will show that access to health care for all is a universal right that should be provided by our federal government, as is the case in nearly every other industrialized nation in the world (Fisher, 2012). I will then use some basic principles of public welfare economics to reveal how and why this can be accomplished in our country. The main questions that will be answered in this paper are:

- Is health care a right?
- Does health care qualify as a Public Good?
- Do Public Welfare Economic principles support Universal Health Care coverage?

- How can we achieve Universal coverage?
- Does the current system solve the problems associated with health care in America?
- Why is a single-payer health care plan the most efficient approach?

Is health care a right?

As I stated in my introduction, any argument made in favor of reforming the health care system in our country is going to run up against political opposition. "Talk of health care in terms of consumer choice and accompanying rights tends to eclipse talk of health care as a universal right" (Lee, 2015, p. 137). Thomas Jefferson wrote in The Declaration of Independence, "We hold these truths to be self-evident, that all men are created equal; that they are endowed by their Creator with inherent and inalienable rights; that among these, are life, liberty, and the pursuit of happiness; that to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed; that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or abolish it, and to institute new government, laying its foundation on such principles, and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness" (Declaration of Independence as originally written by Thomas Jefferson, 1776. ME 1:29, Papers 1:315). The question one can ask then is, "How can one pursue their inalienable right to life if they don't have access to adequate health care?" Jefferson went on to argue later in life that, "The only orthodox object of the institution of government is to secure the greatest degree of happiness possible to the general mass of those associated under it" (Thomas Jefferson to M. van der Kemp, 1812. ME 13:135). If our politicians wish to consider health care only from a political perspective, it's clear that the framers of our government believed that, to the extent that the government could make it easier to pursue a happy life, this should be one of its main functions. One might then ask, "What about health care makes it an inalienable right?" According to a law dictionary, adapted to the Constitution and Laws of the United States, by John Bouvier, published in 1856, "This word is applied to those things, the property of which cannot be lawfully transferred from one person to another. Public highways and rivers are of this kind; there are also many rights which are inalienable, as the rights of liberty, or of speech." So if public highways and rivers are inalienable rights, surely health care for all is inalienable. The next section will discuss the relationship between what we may define as an inalienable right and how we define a public good.

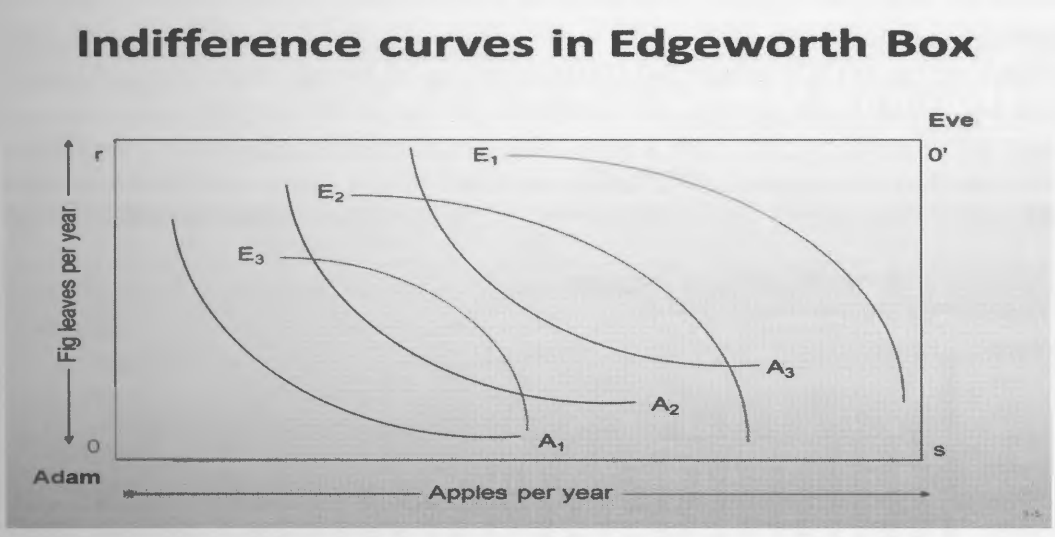
Does health care qualify as a Public Good?

According to Rosen and Gayer, in their textbook *Public Finance,* a public good is "a commodity that is non-rival and non-excludable" (Rosen & Gayer, 2014, p. 54). What does this mean? "A public good is both non-rival (the consumption of a unit does not reduce the units available for others) and non-excludable (it is not possible to include some while excluding others from this good)" (Ellery, n.d.). By definition, health care does not meet the standard to be considered a public good just yet. While the consumption of an additional unit of health care may not reduce the amount of health care available to others, it is possible to include some while excluding others from this good. Thomas Jefferson again would disagree with this approach. "What is true of every member of the society, individually, is true of them all collectively; since the rights of the whole can be no more than the sum of the rights of the individuals." --Thomas Jefferson to James Madison, 1789. In other words, he would argue that it is unfair to provide health care to some citizens and not others. In fact, one could suggest that he would favor creating laws to prevent this from happening. "Natural rights [are] the objects for the protection of which society is formed and municipal laws established." --Thomas Jefferson to

James Monroe, 1797. ME 9:422. He also suggested that it would be immoral to not make it available to those who could not afford such a right. "The right to use a thing comprehends a right to the means necessary to its use, and without which it would be useless." --Thomas Jefferson to William Carmichael, 1790. ME 8:72. According to the legal definition of a public good in the previous section, there are several examples of what constitutes a public good in our society. They include things such as lighthouses, radio and television broadcasts, clean air, the public highway system, public schools, bridges, municipal airports, and public parks. The common denominator between all of these goods is that nobody seems to object when they are provided by our government. In fact, more often than not, society seems to benefit greatly when the government does provide these things. So, what is stopping us from providing universal health care coverage as a public good? Besides the lack of political commitment, the second strongest arguments usually center on the economics of the issue which I will address in the next section.

Do public welfare economic principles support universal health care coverage?

In a word, yes, and in the following several sections I will explain how. The main argument from public welfare economics in support of universal health care coverage is centered on the concept of Pareto Efficiency. To be considered Pareto Efficient in public welfare economics requires "an allocation of resources such that no person can be made better off without making another person worse off" (Rosen & Gayer, 2014, p. 36) To illustrate this principle we use an Edgeworth Box:



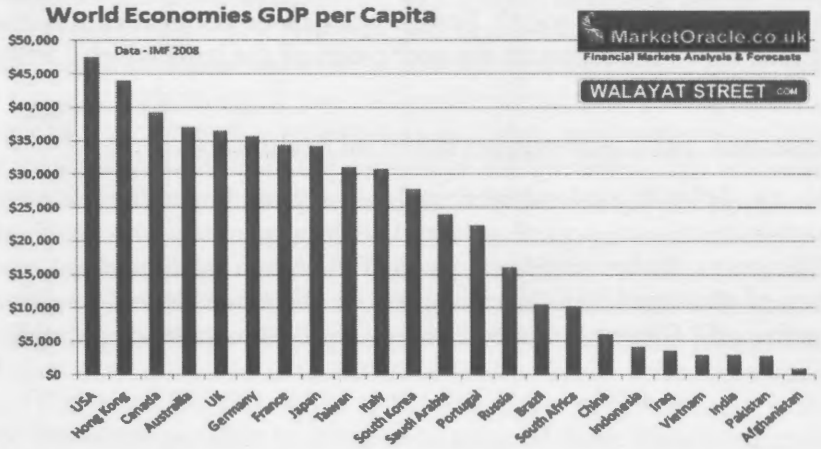
"The Edgeworth Box depicts the possible distributions of two commodities" (Rosen & Gayer, 2014, p. 36). The curves in the Edgeworth Box above represent the indifference curves which measure the utility of each commodity for the two person world represented (in the example above we're using Adam and Eve as the people, and fig leaves and apples as the commodities). As is often the case in economics, this provides a simple model in order to understand the more complex argument one wishes to make. Within the context of the Edgeworth Box, "a reallocation of resources that makes at least one person better off without making anyone else worse off" is known as a Pareto improvement. (Rosen & Gayer, 2014, p. 37). In the illustration above, A_1 can shift to A_2 without having any effect on the utility represented by the indifference curves E_1 through E_3. We have essentially increased the amount of one resource without affecting the utility of the other resource. This would be considered an example of a

Pareto improvement. Understanding this principle is essential to the argument I will make in the following sections.

Data Analysis

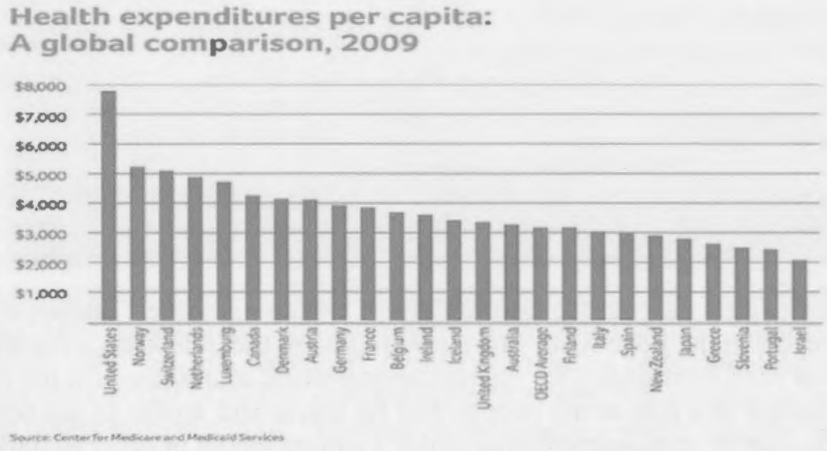
Before I can offer my solution, we must first we look at data that shows how resources in the United States are currently being allocated and other data that will support my argument. Consider the following three graphs:

Graph #1



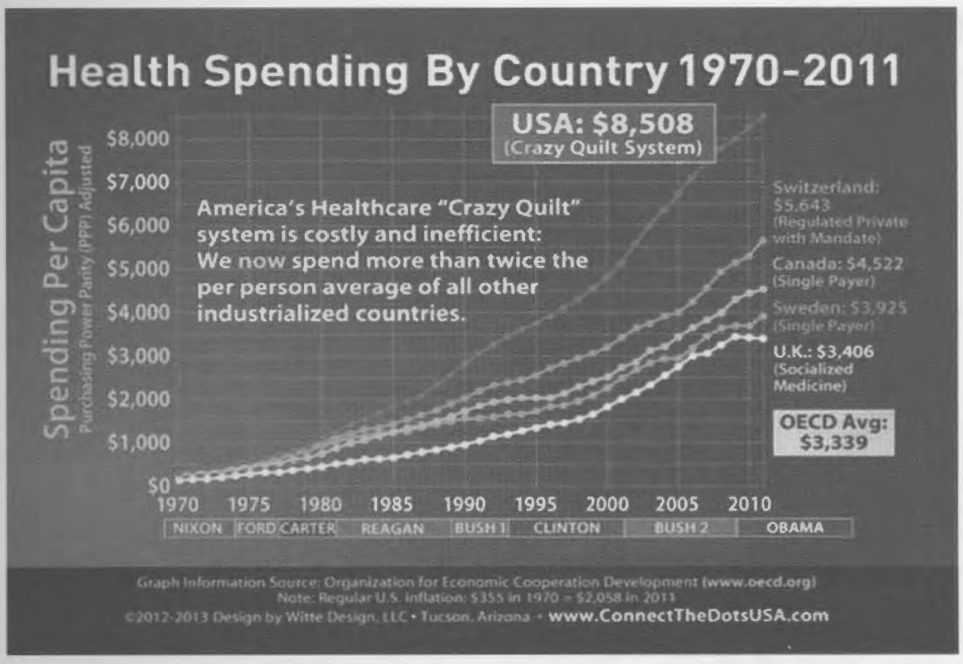
This graph measures per capita GDP for 23 world economies. The United States ranks number one with a per capita GDP around $47,000.00 meaning, on average, each American citizen contributes $47,000.00 to the overall Gross Domestic Product in this country.

Graph #2



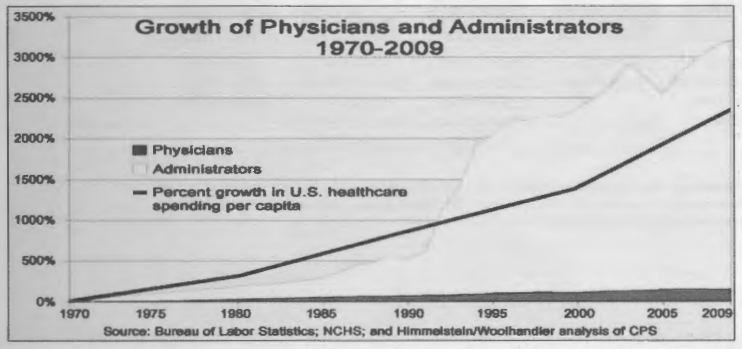
This graph illustrates that, on average, each American spends nearly $8000.00 year on health care.

Graph #3



This graph reveals how our per capita spending on health care compares to other OECD countries whose systems provide universal coverage. "The Organization for Economic Cooperation and Development (OECD) is a unique forum where the governments of 34 democracies with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development" (U.S. Department of State, n.d.). In other words, these are countries who have market economies very similar to our own, so the argument I'm making is that this is a fair comparison of systems. As you can see, from the graph, the average U.S. citizen spends nearly three times as much on health care as the average in other OECD countries. The question one should be asking then is where is all of this money going? The answer seems to be found in two areas: administration and waste.

Graph #4



This graph shows the exponential growth occurring in the administrative portion of health care costs in the U.S. while the following graph reveals the many types of waste that are included in our health care spending.

Graph #5

Types of Waste in U.S. Health Care Spending

CATEGORY	DESCRIPTION	PERCENT OF HEALTH CARE SPENDING
CLINICAL WASTE	Spending that could be reduced with better prevention or higher-quality initial care; replacing services with less-resource-intensive alternatives; or improving processes by standardizing best practices	14%
ADMINISTRATIVE COMPLEXITY	Spending that could be eliminated with simpler, more-standardized processes for billing and collections, credentialing, compliance, and oversight	9%
EXCESSIVE PRICES	Overspending resulting from paying high prices charged by inefficient suppliers (including providers), which could be eliminated by tying prices to efficiency, outcomes, and a fair profit	5%
FRAUD AND ABUSE	Spending associated with illicit schemes to extract payments for the illegitimate delivery of health care services	7%

NOTE THE THREE DESCRIPTIONS OF CLINICAL WASTE ARE AN AGGREGATION OF BERWICK AND HACKBARTH'S ORIGINAL ANALYSIS.
SOURCE "ELIMINATING WASTE IN U.S. HEALTH CARE," BY DONALD M. BERWICK AND ANDREW D. HACKBARTH, 2012

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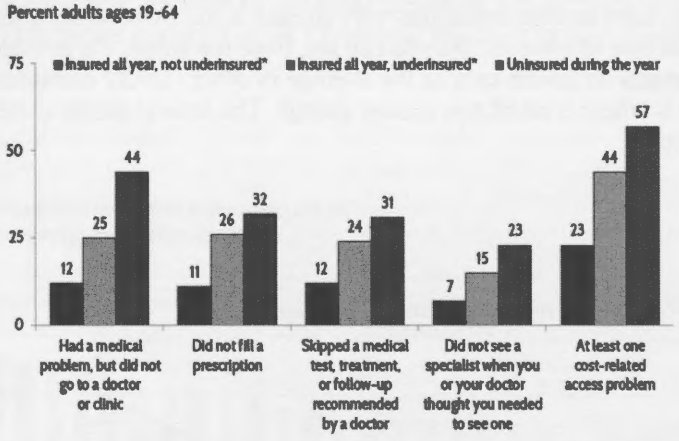
Graph #6

Exhibit 10. More Than Two of Five Adults Who Are Underinsured Reported Problems Getting Needed Care Because of Cost



* Underinsured defined as insured all year but experienced one of the following: out-of-pocket expenses equaled 10% or more of income; out-of-pocket expenses equaled 5% or more of income if low income (<200% of poverty); or deductibles equaled 5% or more of income.
Source: The Commonwealth Fund Biennial Health Insurance Survey (2014).

This graph is showing us is that when people are uninsured or underinsured, they are far more likely to experience problems getting the care that they need because of the associated costs than those who have full coverage at all times. The graph below counters the rhetorical argument that "The U. S. has the best health care system in the world."

Graph #7

How can we achieve universal coverage?

What I have illustrated in the above data is that the current system is clearly inefficient. If I can prove that there is a way to reallocate resources in a Pareto efficient way as to benefit the society by increasing one commodity allocation, in this case health care, without decreasing the utility of the commodity from which we decrease its allocation, I will have achieved the goal of this paper. Consider the following four pie charts:

Chart #1

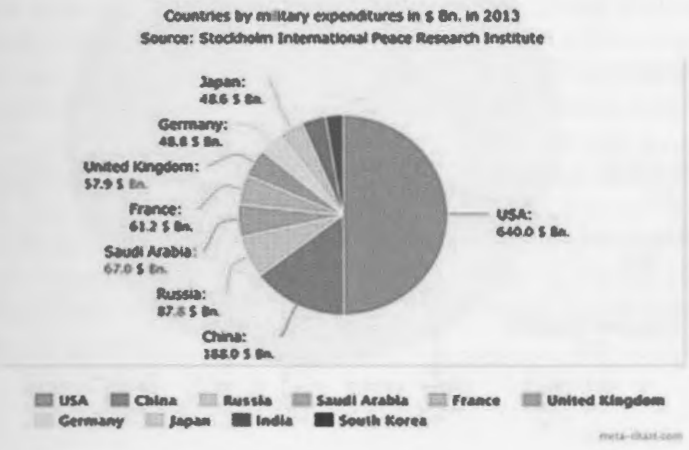


Chart #2

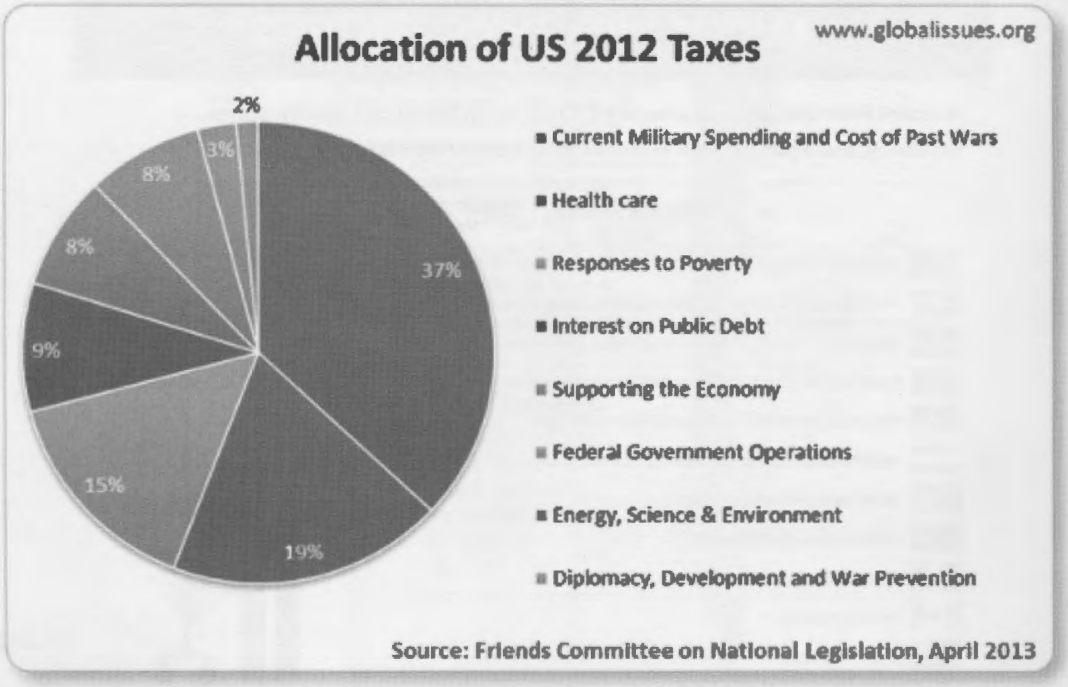


Chart #3

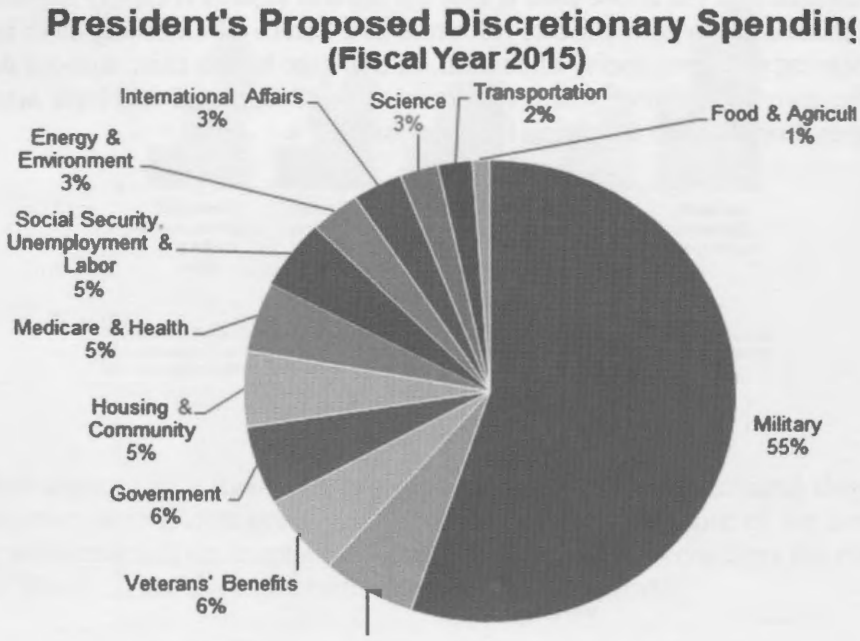
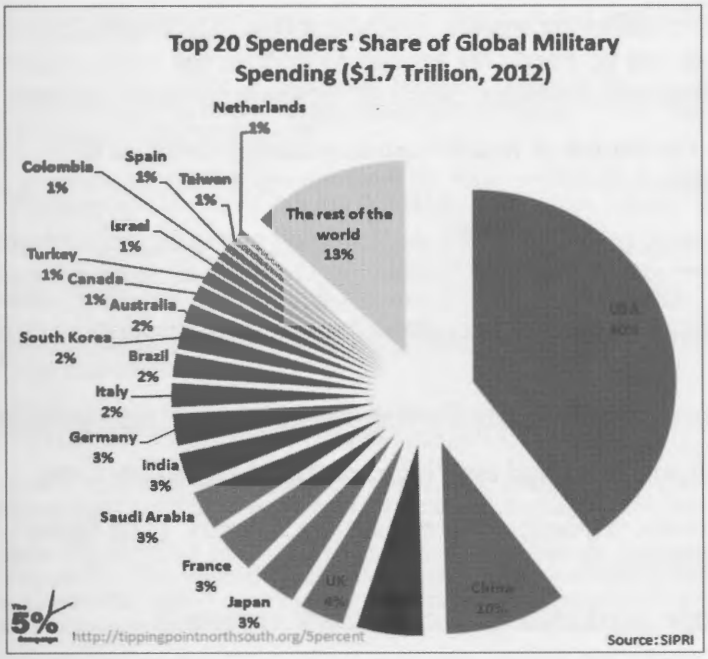


Chart #4



- Chart #1 reveals that the United States spent appx. $640 billion on military expenditures in 2013 which is more than the military budget of China, Russia, Saudi Arabia, France, the U.K., Germany, Japan, India, and South Korea combined.
- Chart #2 reveals that 37 cents of every tax dollar collected in 2012 went to the costs associated with our military versus only 19 for health care.
- Chart #3 shows that the president has proposed that we spend 55% of our discretionary budget on the military as opposed to only 5% on health care this year alone.
- Chart #4 reveals that in 2012, the U.S. was contributing 40% of military spending globally which is equal to the next 11 countries combined.

What this data suggests and what I'm proposing as a solution to our lack of universal health care coverage is that, we could cut our military spending in half (Chart #1) and still have a military budget that is over $30 billion larger than our next closest military threat in China. This would essentially allow us to cut the allocation of military spending in each tax dollar (Chart #2) by half and doubling the allocation for health care. We could cut discretionary spending on the military (Chart #3) by 50% decreasing our global contribution to military spending by half (Chart #4) while increasing spending on health care by 6.5 times Chart #3) without adding an additional dollar of tax to our tax burden and maintaining essentially the same level of utility our military provides in that we would still have a military twice as large as China's, four times as large as Russia's and five times as large as Great Britain's (Chart #4). This reallocation of resources clearly meets the requirements of Pareto efficiency and proves that if we reprioritized how we spend our tax dollars, universal health care coverage is not an unrealistic goal for our society.

Does the current system solve the problems with health care in America?

There is an overwhelming amount of research that indicates that the Affordable Health Care Act does not go nearly far enough to address the inefficiencies associated with our current health care system. Some of the main weakness include:

- It still leaves the burden of health insurance management on the individual or business owner.
- It gives insurance companies even more market power by including mandated coverage.
- It leaves Medicaid in the hands of states causing great disparity in coverage for the poor.
- It places undo responsibility on the younger population (regressive in nature).
- It keeps Medicare intact and even increases benefits in many cases.
- It is still virtually impossible to regulate the industry. (The Henry J. Kaiser Family Foundation, 2012)

Why is a single-payer plan the most efficient approach?

- It provides automatic coverage and portability for everyone regardless of employment, health status, income, marital status, or residential location.
- Taxes would replace premiums, so everyone would share the burden of the cost. No Free Riders!
- It would improve productivity by eliminating distractions for business managers, entrepreneurs, and job seekers.
- It would use single-payer bargaining power to limit price increases and cut down on administrative waste.
- It would eliminate the need for Medicare and Medicaid and the Veteran's Health Administration. (Seidman, 2015)

Conclusion

In this paper, I have shown that not only is universal health care coverage achievable, it can actually be more economical for our country. There's no doubt that achieving this goal would take political courage and capital that no current politician seems able to attain. By revealing the mandate provided by the framers of our Constitution and Bill of Rights like Thomas Jefferson, it appears that health care and its direct effect on our ability to experience the inalienable rights to life, liberty, and the pursuit of happiness should be a national priority. We need to eliminate the profit motive and lack of accountability that, at least in this sector of our economy, appears to lead to extreme inefficiency. Our government needs to reprioritize how they are spending our tax dollars and consider some basic public welfare economic principles such as Pareto efficiency when deciding how to compile their budget. A single-payer health care plan makes health care for all citizens a real possibility in this country. If each tax-payer would simply consider the ultimate benefits that a healthier populace could contribute to this nation, it's possible they may hold their elected leaders feet to the fire and force them to be accountable for creating a system that would dramatically improve our way of life.

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