Insight

# The Health of the Union

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Tonight President Trump will deliver his first State of the Union address. As we already know, he will only touch lightly on the American health care system. But what should he talk about?

The Affordable Care Act (ACA) is at the front of most health policy watchers' minds, yet President Trump appears unlikely to make more than a passing reference to this legislative Bermuda triangle. Frankly this is a relief. Yes, there are significant policy challenges regarding the ACA and the individual health insurance market, but after spending the better part of nine-years arguing over what amounts to six percent of the U.S. health care market with little to show for it, perhaps it's time to spare a moment of thought for some of the other health policy challenges facing the country. Three stand out:

**1. The 800-pound gorilla that no one wants to confront: unsustainable health care entitlements.** Over the next ten years, the Congressional Budget Office (CBO) projects that the federal government will spend roughly $8.5 trillion on Medicare and a bit over $5 trillion on Medicaid.[1] In fact, all federal spending on health care entitlement programs—almost $15 trillion—accounts for the single largest outlay of federal dollars over that period, amounting to 27.7 percent of all federal expenditures. That's more than Social Security and assorted retirement benefits (24.6 percent), as well as over twice what the United States will spend on defense between now and 2027. Over that same period, CBO projects that United States will add more than $10 trillion to our national debt. In the meantime, the Medicare Trustees forecast that the Medicare trust fund will go bankrupt by 2029.[2] Estimates shift for the exact year that Medicare will run out of money, but it will happen in the next 15 years without entitlement reform. And not to be forgotten is the increasing strain of ever-expanding Medicaid costs on already-stretched state budgets. The situation is serious, and the political challenges can seem insurmountable, but failing to tackle this looming catastrophe would be nothing short of governing malpractice—and would especially hurt those who rely on these programs to access vital health care services.

**2. Paying for innovation.** The cost of prescription medication is a factor in growing entitlement spending and will continue to be a big part of policy discussions. However, policymakers would be well-served to look at this problem through a broader lens of health care costs, or, more precisely, the cost of innovation in health care. Pharmaceuticals are one component of growing costs related to medical technology and innovation, and questions of how to pay for precision medicine, more advanced implantable medical devices, better imaging technologies, and innovative surgical procedures need to be answered. As we enter a period of rapid advancements in biomedical research, the need for hard conversations about value and appropriate cost cannot be avoided. Value has become a buzzword in health policy circles, but what we mean by value and who gets to decide that meaning are questions that we have yet to answer. The long-term budget implications of medical innovation are profound, but to pretend that we can reap the rewards of medical innovation without paying the costs is disingenuous. Presidential leadership in taking up this challenge would help to define the parameters of the debate.

**3. Specter of Single Payer.** Last but not least, progressive politicians and advocacy groups have made a single-payer health care system a major policy objective over the next two to four years. Those of us who

believe that market forces and private innovation lead to the best outcomes should take this effort seriously. The appeal of single-payer to an electorate worried about rising health care costs and weary of nonstop partisan battles over health care policy should not be underestimated. Single-payer can be framed as a panacea to all that ails us. Policymakers, and especially proponents of the market, should lean into this debate, examining what is meant by "single-payer" and the implications of such a drastic shift in health care delivery for patients and providers. Strong leadership from the Trump Administration will be critically important in constructively rebutting the notion that single-payer will solve the problems we face.

[1] https://www.cbo.gov/about/products/budget-economic-data#3

[2] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf