Healthcare Rationing and Medical Insurance

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Belding Scribner developed a shunt that would enable people with kidney failure to be hooked up to a dialysis system.

There were many more people who needed dialysis than were systems. A committee was established with two subcommittees (one to judge medical need and the other to judge social worth).

- Decisions were made on a case by case basis for over 12 years.
- The committee was widely criticized
  - James Childress advocated for a lottery system
  - Nicholas Rescher advocated for a solely Utilitarian system
- In 1972 the US government ended the problem by funding treatment via Medicare.

Unique example because only known example

Government has not acted in other areas.
Introduction to rationing

What does rationing mean?
- Rationing is the controlled distribution of scarce resources, goods, or services.
- Rationing is the artificial restriction of demand.

Examples:
- Civilian rationing during the WW2
- Military rationing
- Gasoline
- Drugs
- Medical Treatment
Supply Side

- Supply in healthcare
  - What does supply mean in the context of healthcare?
  - Knowledge/research
  - Workforce (doctors, nurses, etc.)
  - Infrastructure (hospitals, ambulances, networks, etc.)
  - Consumables (pharmaceuticals, etc.)
- “Health is priceless, but it comes at a cost”
- What are the drivers to healthcare supply?
  - The budget of the government for health care
  - Insurance
  - Individual’s financial capacity (out-of-pocket)
  - Healthcare system management
Demand

- Demand in healthcare
  - Healthcare demand can be defined as healthcare needs
- How do you know what you need?
  - Healthcare knowledge and research
  - Diagnosis/tests (requiring techniques, knowledgeable professionals and facilities)
- How are healthcare needs different from any other product demands?
  - Individuals do not necessarily know what they need
  - Before a diagnosis, a patient is not aware of his/her needs
  - An external actor – the doctor – informs people of their healthcare needs
Medicaid/Medicare

- **Medicare**
  - 83,195,041 June 2021

- **Medicaid**
  - 76,302,278 June 2021

- **CHIP**
  - 6,892,763 June 2021
    - provides low-cost health coverage to children in families that earn too much money to qualify for Medicaid but not enough to buy private insurance

- **Medicaid funding**
  - The formula is designed so that the federal government pays a larger share of program costs in poorer states.
Sources of Health Insurance (2013)

- Medicare and Medicaid spending
  - 39% of national health spending
  - 23% of federal budget
  - 43% of hospital revenues
Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2004

Health Imbalance

Most U.S. health-care spending is for a small number of very expensive patients.

- Most expensive 1% of patients: **21% of health spending**
- Most expensive 5%: **49%**
- Most expensive 10%: **65%**
- Most expensive 15%: **75%**
- Most expensive 20%: **82%**
- Most expensive 50%: **97%**

Source: For 2013
Source: Kaiser Family Foundation

Note: For 2013

More than one-third of insured adults and half of uninsured adults said they had a medical bill problem or were paying off medical debt.

Access to Health Care

- No Usual Source of Care: 53%
  - Uninsured: 10%
  - Medicaid / Other Public: 11%
- Postponed Seeking Care Due to Cost: 34%
  - Uninsured: 12%
  - Medicaid / Other Public: 7%
- Went Without Needed Care Due to Cost: 30%
  - Uninsured: 4%
  - Medicaid / Other Public: 11%
  - Employer / Other Private: 4%
- Could Not Afford Prescription Drug: 21%
  - Uninsured: 4%
  - Medicaid / Other Public: 12%
  - Employer / Other Private: 4%

In past 12 months. Respondents who said usual source of care was the emergency room were included among those not having a usual source of care. All differences between uninsured and insurance groups are statistically significant (p<0.05).

SOURCE: KCMU analysis of 2014 NHIS.
Does Health Insurance Make a Difference?

Uninsured

- Fewer regular medical visits and preventive health screening tests
  - Higher rates of undiagnosed and uncontrolled HTN, diabetes, and hypercholesterolemia
  - Lower survival rates for breast and colorectal cancers
- Increased mortality (likely owing to greater morbidity from chronic medical conditions like diabetes, HTN, and cardiovascular disease)
- Worse clinical outcomes during hospitalization
  - May lead to underuse and/or overuse
  - Higher in-hospital mortality rates
Making healthcare more affordable is the biggest priority for Americans.

**Figure 3.** Percent of Americans who say the following should be one of the two biggest priorities for improving healthcare in the United States.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making healthcare more affordable for ordinary Americans</td>
<td>40%</td>
</tr>
<tr>
<td>Lowering the cost of prescription drugs</td>
<td>31%</td>
</tr>
<tr>
<td>Making sure all Americans have health insurance coverage</td>
<td>29%</td>
</tr>
<tr>
<td>Making sure people with pre-existing conditions can get affordable health insurance</td>
<td>24%</td>
</tr>
<tr>
<td>Making sure all lower-income people have about the same quality of basic care</td>
<td>16%</td>
</tr>
<tr>
<td>Covering long-term care for the elderly and disabled</td>
<td>13%</td>
</tr>
<tr>
<td>Improving the quality of health care</td>
<td>11%</td>
</tr>
<tr>
<td>Making sure all communities have access to enough doctors and hospitals</td>
<td>10%</td>
</tr>
<tr>
<td>Covering treatment for mental health and addiction services</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Base:** All respondents, N=1,020  
Numbers do not add up to 200 percent as respondents who did not select a priority or only selected one are included in the figure.

Public Agenda/USA Today/Ipsos Hidden Common Ground Survey – Health Care
## Justice Perspective

<table>
<thead>
<tr>
<th>Class of principle</th>
<th>Variants that have been proposed in the literature</th>
<th>Recommendation in our exercise*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Need principles</td>
<td>Distribute in proportion to degree of immediate threat to life</td>
<td>Daniel, Joanne</td>
</tr>
<tr>
<td></td>
<td>Distribute in proportion to degree of immediate ill-health</td>
<td>Daniel, Mariner &amp; Steve equal, Joanne</td>
</tr>
<tr>
<td></td>
<td>Distribute in proportion to degree of lifetime ill-health</td>
<td>Daniel, Joanne, Steve, Mariner</td>
</tr>
<tr>
<td></td>
<td>Distribute in proportion to immediate capacity to benefit</td>
<td>Daniel, Mariner &amp; Steve equal, Joanne</td>
</tr>
<tr>
<td></td>
<td>Distribute in proportion to lifetime capacity to benefit</td>
<td>Steve, Daniel &amp; Marinder equal, Joanne</td>
</tr>
<tr>
<td></td>
<td>Distribute in proportion to cost of exhausting capacity to benefit</td>
<td>Equal chance for all four patients</td>
</tr>
<tr>
<td>B. Maximising principles</td>
<td>Maximise health</td>
<td>Steve, Mariner, Daniel, Joanne</td>
</tr>
<tr>
<td></td>
<td>Maximise wellbeing (including non-health aspects)</td>
<td>Depends on non-health factors</td>
</tr>
<tr>
<td>C. Egalitarian principles</td>
<td>Equalise lifetime health expectancy (“fair innings” argument)</td>
<td>Daniel, Joanne, Steve, Mariner</td>
</tr>
<tr>
<td></td>
<td>Equalise opportunity for lifetime health expectancy</td>
<td>Daniel, Steve, Joanne</td>
</tr>
<tr>
<td>D. Combination principles</td>
<td>Combine maximise health with equalise lifetime health expectancy</td>
<td>Steve, Daniel, Mariner, Joanne</td>
</tr>
<tr>
<td></td>
<td>Combine a need principle with a maximising principle</td>
<td>Depends on which versions of the principles and what weights</td>
</tr>
</tbody>
</table>

*This is based on various working assumptions described in the main text of this paper, in particular (1) that Steve and Marinder have an equal degree of immediate ill-health, (2) that Steve will gain the most health from treatment (over his entire lifetime), that Joanne will gain the least, and that Daniel and Marinder will gain the same amount, (3) that treating Marinder would have a substantial indirect health benefit for others by freeing up long term care resources; and (4) that Joanne had more choice about her health predicament than Steve.
Rationing Approaches by Health Insurance Providers

- Denial of claims
  - denial rate averages between 5 and 10%.
- Exclusions
  - Specific services
    - Mental health
  - Pre-existing conditions
- Deductibility rates
- Reimbursement caps
- Limiting access
  - Preauthorization
  - which physicians you can use
  - Excluding expensive drugs
- Delaying treatment
  - step therapy” or “fail first” policies
    - Use cheaper drug and if it fails then use more effective expensive drug
- Inpatient and outpatient care
Commonly used rationing Reasons

- Behavior: priority to those who have not become ill by own fault.
- Instrumental value: priority to those who have essential roles for keeping society operational (e.g., hospital staff).
- Monetary: substantial contribution to the costs of the treatment.
- Order: according to the order of registration.
- Random: random selection, e.g., via a lottery.
- Service: contribution in the past to the common good (e.g., by volunteering).
- Sickest first: the sickest individuals to be given priority.
- Survival: the likelihood to survive the longest.
- Youngest: prioritizing young individuals.
- Combination: a combination of criteria including age (youngest first), and prognosis (longest survival with intervention).
<table>
<thead>
<tr>
<th>Scenario 1. Organ donation for transplant</th>
<th>Percentage (%)</th>
<th>Sickest First</th>
<th>Order</th>
<th>Survival</th>
<th>Behavior</th>
<th>Young first</th>
<th>Random</th>
<th>Combination</th>
<th>Service</th>
<th>Monetary</th>
<th>N</th>
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<td>Religion scholars</td>
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<table>
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<th>Scenario 2. Flu epidemic</th>
<th>Percentage (%)</th>
<th>Sickest First</th>
<th>Order</th>
<th>Survival</th>
<th>Behavior</th>
<th>Young first</th>
<th>Random</th>
<th>Combination</th>
<th>Service</th>
<th>Monetary</th>
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<tr>
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<td>Total</td>
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<td>8.5</td>
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<thead>
<tr>
<th>Scenario 3. Expensive cancer medication</th>
<th>Percentage (%)</th>
<th>Sickest First</th>
<th>Order</th>
<th>Survival</th>
<th>Behavior</th>
<th>Young first</th>
<th>Random</th>
<th>Combination</th>
<th>Service</th>
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<td>Physician</td>
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<td>2.0</td>
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<td>Total</td>
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<td>1.2</td>
<td>16.7</td>
<td>0.5</td>
<td>1.4</td>
<td>0.7</td>
<td>588</td>
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</tbody>
</table>

Table 2. Percentages of respondents who chose each allocation principle as the most important one among the study group.