NIH Director Jay Bhattacharya: How Obamacare Broke Health Insurance

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SUMMARY

The discussion centers around the failures of the U.S. healthcare system, particularly in the context of government involvement and the consequences of policies like the Affordable Care Act. The speakers argue that both government and market failures contribute to rising healthcare costs and inefficiencies, and they express a desire for a system that prioritizes outcomes over services.

- *The U.S. healthcare system is characterized by bureaucratic inefficiencies and a lack of responsiveness to failures.*
- *Government involvement in healthcare creates moral hazard, leading to overutilization of services without improving health outcomes.*
- *The Affordable Care Act expanded insurance coverage but failed to address the underlying cost issues, making care less affordable.*
- *A proposed solution includes providing catastrophic insurance while allowing individuals to manage routine healthcare costs, encouraging price sensitivity.*
- *There is a growing coalition recognizing the failures of pandemic responses, which could lead to reform efforts across the political spectrum.*
- *Trust in healthcare providers and institutions is at an all-time low, complicating the path to reform.*
- *The conversation around healthcare policy is largely absent from public discourse, despite the pressing need for change.*

our politics and the politicians and the humans that are in and appoint these government experts that have particular monopolistic power relative to just private health med down the street is a bunch of incentives and dynamics that seem poisonous and corrupt and unresponsive to even the most extreme failure we've ever seen in our lifetime. We've had this extreme failure. It's manifestly a failure of policy. The political system seems unresponsive to it. The the sort of bureaucratic blob just thinks we're all a bunch of rubes.

They need to shut up. And that's where we are. So, I'm talking to my doctor and trying to get a nuanced conversation. And my doctor faces this whole other ecosystem of medical liability and and Obamacare regs and what they might be getting paid for for recommending or not. And is there any path away from such a government controlled health care system in your view? Do you do you see as a policy expert a path towards less government?

You talked about decentralization, but to actually get politics out of my doctor's office, how do is there hope for that? It feels like this should be the biggest thing being talked about postcoid and yet I don't see it talked about

anywhere. Like get the government out of my doctor's office. I >> mean, I wrote a health economics textbook actually kind of it's if you if you read it, you wouldn't say it's exactly on that theme, but it it was actually on that exactly on that theme.

the the the question is u why are uh governments involved in healthcare at all and there's an there's there's an economic answer to that. So the economic answer is that there uh there are uh a deep range of uncertainties about our health. Some of which require tremendous amounts of money to deal with. Right? I get cancer. If if you just ask me to pay out of pocket for the treatments of some of the some of the really, you know, rare cancers, I'm not going to have enough money to pay for it. And so I need to get insurance.

There's a uh the the the technical term is that is that the the distribution of medical expenditures is right skewed, right? There's a a tale of expenditures that is uh that that it's low probability but very very expensive and if you get it you you want to have insurance to cover it because you not you're going to even if you go bankrupt, you're not going to be able to cover it. a a young healthy young man has no desire to pull with me in health insurance because if I get sick, he'll end up paying for it and he's like much less likely to get sick.

And so that the insurance markets tend to be tend to do poorly in providing coverage for those rare outcomes. But that's exactly what spent that costs money in a expensive health care system. Um, there's another problem which is that if I do have that insurance, I'm going to be I'm going to go get stuff that I probably don't need because it's it's relatively inexpensive to me. >> So, this is moral hazard, right? >> Moral hazard. Exactly. So, these >> Oh, I'm covered. I'll take two.

>> Exactly. So, you have you have these like uh but at the same time, if you have the government do it, right? If you have uh you know the British NHS, the government just pays everything zero dollars at the point of service. Um, you're going to have the moral hazard problem in spades. >> You're gonna have >> because everything's free. So, I'll take two. It's like when Obamacare, uh, I remember there was this Oregon study in the after uh, about Medicaid and Medicaid expansion. If I remember this correctly, this is going back a little bit, so correct me if I'm screwing this up, but the study in the aftermath of Obamacare, which expanded Medicaid coverage, and thereby for those who got on Medicaid, they could go to the ER and not get a bill or not get a substantial bill like they used to, which sounds great. Oh, you're a working class or poor person. You need you got to go to the emergency room because you're sick and now you won't get a bankrupting bill. Okay. Well, it the the claim was somehow that this would reduce the utilization of ERS. Why making a thing free instead of expensive would reduce its use is maybe because there's not enough PhDs in economics and health policy. But of course, that's not what happened. Uh people that got on Medicaid used the ER a lot more. And the Oregon study found that actually those people didn't even end up with better health outcomes than those who didn't get on the Medicaid.

And instead of going to the expensive ER and have taxpayers pay for it, they did other stuff which also got them better. And so that study to me represents a pretty robust counter to this theoretical claim that oh, insurance markets are can't work because of all these information asymmetries and blah blah blah. Government failure seems like it swamps market failure every day of the week and twice on Sunday. So I know I'm being super

ideological here, but I'm also not. I think that's what happened. Make make the argument. Are you against that?

>> There's two ways to to view this. Your view was that was that it's a it's a it's a failure of government because it's government insurance. Uh another way to view it is that the medical care system what it provides is not primarily prevention of death. It's not it's providing something else. you know, financial uh peace of mind. Uh the the idea that if you're sick, some some smart person's some kind smart person is going to look after you and think about you is pro providing something else, at least in the United States, beyond what uh beyond just the prevention of death. Um you mentioned the problem of of uh of of of government provision of health. You know, like the U the NHS is a good examp UK NHS is a good example of this, right? there. You have this moral hazard problem that we just talked about. You have this problem that you have you pay nothing at the point of service and so people will want to line up for all all the services.

They solve that moral hazard problem if solve is the right word by cues by asking people to wait to get care that that in the United States if you have insurance you'd say why would I want to wait 6 months to get uh you know uh cardiac caization to like clear a clot in my in my in my heart right uh you know in the UK that happens that and and actually in the postcoid era happens all the time fundamentally this maybe this is just my philosophy I think that there is no utopia that cannot be that there are these like deep uncertainties and neither governments nor markets can automatically solve them. Markets sometimes solve them really well. I mean I I tend to think that as an economist and governments uh can certainly often screw up but markets do have problems and governments do have problems and we're always going to be muddling through is my is my is my philosophy of the of the of the way the world works. I tend not to get excited about the ideological kinds of because I just it's to me everything is like what well let's let's parse the data and try to see what's working here. I don't know of an answer that works across the board if you will. I do think there are ways we can improve markets in healthare systems and it's actually shocked me that the markets that you American healthcare markets have not adopted them right insurance companies have a very strong incentive to make sure that you should only get the care that you really really will provide like value to you and not give you care that does nothing for you but they're really bad at that. They're really bad at at cons at rewarding doctors that that are that are wise, that give you good advice, that result give you good outcomes. We pay for the services you get rather than the outcomes you get.

>> Yeah, this is >> well the price system doesn't have to be structured that way. That's that's a really weird market out for way for a market to be structured. Why doesn't the market restructure itself so that pays for outcomes rather than for for services? It seems like if we had rational expertise that the way you'd solve one way you could solve for this and end up in a better model than we have. It wouldn't be utopia, but it seems like it would be better is for the federal government maybe or maybe just at the state level, but let's just say federal government to to basically provide everyone with what looks like catastrophic health insurance.

So, we're going to we're not going to pay for anything up until a certain threshold. So, you got to come out of pocket for it, which means you got to care about how much it costs, which means you've got to negotiate and pick places that are giving you a good deal. But if you end up with leukemia or you get hit by a car or you get HIV, AIDS or one of these things that you know is going to be really expensive and is that tail that you were talking about, you're not going to go bankrupt. You're going to be backstopped. That's fine. But what we're not

going to do is sort of take over the whole thing and micromanage every single decision everyone makes about everything and tell you, "Oh, you're going to cover we're going to cover breast pumps when you get pregnant even though you've had nine months to save for a breast pump definitionally."

That feels like something irrational left and right in like the before times [laughter] could have been like, "Okay, yeah, you know what? Not this super topdown pickyune telling us which procedures to get and which are good or no. We'll just backs stop you so you don't go bankrupt. We'll spread that cost across the whole population. That's insurance. And then figure it out and then you'll get the best of the 1950s. And I say that because, you know, I said before we started, my grandfather was a doctor and my grandmother and I went back and looked and you could get a full the full cost of delivering a baby in 1950 was like 1,200 bucks cash. It wasn't covered by insurance for reasons that are obvious if you understand insurance, which is which is to say it's not it's not rare or unforeseen.

I know why it happened. I know when it's going to happen. You can't insure me against it. It's I know when it's happening. It's like [snorts] saying, "Can you insure me for the car wreck I'm going to get myself into tomorrow?" It's like, "No, I can't." Today, that same set of procedures, even with all the insurance, is even more out of pocket than it was in 1950 in real dollars, in present dollars, inflation adjusted. So, it seems like what most of all this inflation and protection has done has basically been to pay for a bunch of unproductive medical services and drive the cost of all of it through the roof such that we aren't even getting more care when we need it. We're getting more expensive care and it's still we're still coming out of pocket for it and we're paying more in taxes and we're paying more in premiums. Is is that a fair characterization of the system or am I trapped in my own ideological bubble?

>> No, that I I think I don't I think both left and right agree that that that is a fair characterization of the system. And if you squint, left and right also agree with your your c your your sort of like broad solution. Actually, the only fight is over where do you draw the line and say, okay, we want to cover versus we don't want to we this it should be left. And the left tends to be more expansive in the set it wants to cover set of things it wants to cover and the right tends to be maybe less exp I mean I'm painting with too broad a brush but that that's roughly speaking and so I think the question then is just a matter of like where where does it belong but I you know I think the key thing to me is is that is the cost problem it is extremely expensive especially in the United States we spend almost $15 of national income goes to healthcare that is that is way too expensive for what we get and it's the root problem of so and you and you also have like I don't know 30 40 50 million people who have sort of less insurance the but basically don't even have that catastrophic care catastrophic insurance so we're spending all this money and you don't and you have a large chunk of people that don't have it the central problem is the cost right so you had to Obamacare what it tried to do was expand who got insurance the Medicaid expansion probably is the most important part of Obama Obamacare. Um, and uh, it it it was supposed it was called the Affordable Care Act. It wasn't called Obamacare, right? But it did nothing for actually making care affordable.

Care has gotten much less affordable since Obamacare was passed. In fact, the structures that are in place, it's it's systematic almost what that it would would produce that kind of outcome. like gets more capture of the regulatory structures by powerful entities like health insurers and and pharmaceutical companies and so on.

And so the market is less efficient, works less well. And so you have this it's it's as if the the one thing we want to solve which is let's give people most people that uh this peace of mind about this like catastrophic outcome. Um well until you solve the cost problem you we're not going to be able to afford to do that, right? you you won't you know the I think 11 states still haven't expanded Medicaid under on the Obamacare uh model role. Um and so it just seems to me like the entire conversation both on the left and right is just it's missing the key thing and you're you're uh the way I love how low you characterize it, John.

I mean it's just it's but because it what it does is say as let's let's talk about that key thing. Let's talk about how to where do you draw the line of what should belong in the catastrophic bin and not and then I I would add one more thing to that is how can the market price the things that people that really we pay for care for. Right? I don't really care about the drugs I'm taking.

What I care about is the outcome I get from taking the drug that I take or don't take. >> And so if I if a doctor comes and says gives me good advice that says JJ, you don't need that surgery. I would give you and I get they get a good outcome. I get a good outcome as a result result of that. That doctor ought to get paid at least as much or more than someone who does the surgery. If markets could change what they pay for and it's it's actually a real mystery. I've been studying health economics for decades. I mean now almost three decades now and I don't understand why markets do not move in that direction much more forcefully other than that there are entrenched interest in government and in markets that that that benefit from the current structure that that resist the movement to that an equilibrium like that. One of the pieces of the puzzle that I've um I looked at in the past and I'm sort of sort of dredging some of these things up from memory because the tra the real tragedy is this debate. Even this conversation you and I are having it's nowhere to be found in our public discourse right now. As far as I can see, no one's talking about healthc care policy in like in a way that is trying to get at root problems. It's which is bizarre. The the political discussion over health policy is just unreal to me and it has been since the Obama the Obamacare debate in one sense was a real discussion. It led to I think evasion of the critical issue. Why is healthcare so expensive and uh you know what what to do to fix it. Um and and it and it tried to bandaid it over with this with this patch of expansion without addressing the cost problem at all. predictably it it has failed uh it except again I think except for the Medicaid expansion um which is tremendously you know it it's still it's still quite inadequate given the how many poor people don't really have the catastrophic care we're talking about >> well the closest analogy it seems like to it uh is hey we want more people to go to Stanford University let's provide all kinds of cheap loans for them to go to Stanford University oh Stanford University still likes to tout the fact that not many people can get in, but now there's a lot more loan money subsidizing the tuition. So, I guess we could raise the tuition, right?

>> I mean, it's I know that I love I love that analogy. It's and and what's happened is that it's that debate basically was the last time we had a real honest healthc care policy debate. I think there was like the Bernie Sanders thing which tried to say let's have singlepayer as if the US could possibly have like an NHS like system and it has its own the NHS has its own problems. It' be importing a system that I think is alien to the United States.

Uh you knowund almost 200 million people get health insurance through their employer and you're going to take that away from them. The the organiz the kind of care that they normally used to get is going to be

reorganized entirely. I mean, I think that that's just a political non-starter. It may it may it doesn't make sense in the context of the United States. It may make sense in the context of the UK, but it does not make sense here. So, and since that we've had no real political conversation over the right health policy and co I think is just it's just made things completely uh I mean that that it's an unreal thing.

Huge numbers of people don't trust their doctors anymore. Yeah, huge numbers of people don't don't I mean the healthare system is at large. I've never seen trust so low. The pharmaceutical companies are in disrepute. Uh governments are in disrepute. Uh we have real problems that I don't know how to solve uh in terms of restoring trust and then after that like how do you do the fundamental reforms of healthare systems so that they that they work again work work for the maybe for the first time.

Um that's that's a conversation we should be having but are not. >> Where do you see the most optimism? Where are you the most um positive about about the future? >> John, I I think there's a coalition of people and it's growing in size who understand that the pandemic response was a catastrophic failure. Now that seems like a strange basis for optimism, but I I think it bring that idea that that that we've had this failure of experts in this way has brought together a potentially large political coalition and creativity to reform elements of the system that are that that so clearly are broken. And so that's where my optimism is like seeing the the the grassroots movement that over that toppled the the the vaccine mandates for uh for for OSHA for instance or the the push back against child masking when it made no sense. The push to open schools in in places where police they tried to keep them closed. I think that those kinds of coalitions that united people that were on the left and on the right. I mean, we started the great branching declaration with uh people from the left and right have come together. I find that tremendously heartening. I don't I'm not I like I love economics and I love Hayek and I love uh I love uh you know the Virginia school and I love I love thinking along these lines, but I'm not a particularly ideological person and I love to learn from people that that disagree with me ideologically. And I think that that's happened to a degree I've never seen in my my professional career during the pandemic. Uh, and I'm I think that that is a cause for much optimism.

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