Medicare and the National Debt

ESSENTIAL DILEMMA

Can we guarantee quality health care to the elderly in a way that is both efficient and equitable?

INTRODUCTION

> Don't ever argue with me [about health]. I'll go a hundred million or billion on health or education. I don't argue about that any more than I argue about Lady Bird [Mrs. Johnson] buying flour. You got to have flour and coffee in your house. Education and health. I'll spend the goddamn money. I may cut back some tanks. But not on health.
>
> —Lyndon B. Johnson, 1965 (*New York Times*, 2009)

In this lesson, students will re-ask the question President Johnson answered for himself over 50 years ago: How high a value do we place on guaranteeing quality health care to the elderly? This lesson is about Medicare, the country's health insurance program for people age 65 or older, and the level of quality of the care we wish to maintain for the elderly. That question cannot, however, be understood without looking more broadly at quality and cost of U.S. health care. Health care in the United States is not nearly the most effective in the world, but it is by far the most expensive. In 2015, the United States ranked 43rd out of 224 nations in the world in life expectancy, with an average of 79.68 years (Central Intelligence Agency [CIA], 2015b). The United States also has the 58th best infant mortality rate in the world, with 5.87 infant mortalities for every 1,000 live births (CIA, 2015a).

Yet in 2013, the United States spent about 16.4% of its gross domestic product (GDP; a measure of total yearly output of the economy) on health care, nearly double the average of 8.8% among other developed countries. Average healthcare spending per person in the United States was $8,713 in 2013, compared to an average of $2,112 per person in 1970, adjusted for inflation (Organisation for Economic Co-operation and Development [OECD], 2016).

In light of these high costs, middling outcomes, and limited access to health insurance coverage, on March 23, 2010, President Barack Obama signed the Patient Protection and Affordable Care Act (ACA). The ACA, colloquially known as "Obamacare," is an expansive law that aimed to expand insurance coverage through various private and public mechanisms, increase the quality of health coverage and care, and contain costs. There is some evidence that the law is succeeding in achieving some of its stated objectives; as of 2015, the percentage of Americans without health insurance had declined to 13.2% (compared to 15.7% in 2005), and over 14 million people had gained coverage through various provisions of the law (U.S. Department of Health and Human Services, 2005, 2015).

Although this lesson focuses on Medicare, one specific government-sponsored health insurance program for the elderly and other specific populations, the passage and provisions of the ACA provide important context for understanding issues of efficiency and equity in the provision of health care, as well as for understanding complex debates about the role of government in health care. Finally, historical trends in costs and access should be interpreted in light of this legislation.

Although President Johnson was clear on his priorities in providing services he perceived as vital, regardless of high and rapidly increasing costs, such costs cannot be ignored entirely. Few would be in favor of lower-quality health care for more money, of course, so many are in agreement that some reform is necessary. An economic analysis of Medicare can help in thinking about reform. Economic arguments about the ideal way to provide for the nation's health care center on questions of equity (which can be broadly thought of as fairness), efficiency (using resources to achieve maximum production), costs, benefits, and trade-offs. These principles of equity, efficiency, costs, benefits, and trade-offs are the foundation for many of the positions public policymakers take on how to provide health care. Proponents of an increased role for the government (also called the public sector) argue that the current system is *inequitable*, and that health care is a right, not a privilege or commodity. Opponents to a larger role for government, including politically conservative policymakers, corporations that do not want to be regulated, and economic libertarians, argue that moving towards a larger role for the public sector would limit *economic freedom of choice* for consumers, whereas moving in the other direction and providing a larger role for the private sector would expand that choice.

Many opponents to the current role the government plays in providing health care to the elderly cite the cost. They argue that the *trade-offs* are unacceptably high and that among those trade-offs is a more balanced federal budget. Many on all sides of the debate would argue that the current public–private hybrid system is *inefficient*, producing mediocre results at enormous cost. There is wide disagreement on the solution to this problem, however.

> *Those opposed* to an increased role for government argue that the government-subsidized system produces perverse incentives to provide excessive services rather than necessary care, and a fully private system would produce efficiency through the profit motive.

> *Those in favor* of an increased role for government argue that the hybrid system should be replaced by a government-run system with lower administrative costs and less money being absorbed as profits for insurance companies and healthcare providers.

These issues are complex. They raise deep and important questions about the government's role in the economy and how goods and services should be produced, especially when those goods and services are viewed as vital to the population. This lesson does not attempt to provide answers to these challenging

questions as they apply to health care or impact Medicare. Instead, the lesson raises three key questions for students to ponder:

- Based on arguments of efficiency and equity, what level of health care ought to be guaranteed by the government, particularly to the elderly, poor, and disabled?
- What costs and trade-offs are we willing to accept in order to provide whatever level we commit to?
- How can that level of health care be provided most efficiently—that is, at lowest cost?

KEY TERMS

The following terms and concepts are used in this lesson and appear in the online glossary:
Benefits, **Efficiency**, **Equity**, **Gross domestic product**, **Medicaid**, **Medicare**, **Trade-offs**

STUDENTS WILL UNDERSTAND

- Deciding on the appropriate level of government-supported health care means factoring in efficiency and equity.
- A desirable level of health care must be weighed against its costs and trade-offs, including its impact on the debt and deficit.

STUDENTS WILL BE ABLE TO

- Analyze graphs, tables, and charts.
- Critique the sources of data and the analytic frameworks upon which the graphs, tables, and charts are based.
- Formulate a position or course of action on an issue.

RELATED CURRICULUM STANDARDS

Common Core State Standards (CCSS) Initiative[1]

CCSS.ELA-Literacy.RI.11-12.6. Determine an author's point of view or purpose in a text in which the rhetoric is particularly effective, analyzing how style and content contribute to the power, persuasiveness or beauty of the text.

CCSS.ELA-Literacy.RI.11-12.7. Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

CCSS.ELA-Literacy.RH.9-10.7. Integrate quantitative or technical analysis (e.g., charts, research data) with qualitative analysis in print or digital text.

1. National Governors Association Center for Best Practices, Council of Chief State School Officers. *Common Core State Standards*. Washington, DC. Copyright 2010.

The College, Career, and Civic Life (C3) Framework for Social Studies State Standards[2]

D2.Eco.6.9-12. Generate possible explanations for a government role in markets when market inefficiencies exist.

D2.Eco.7.9-12. Use benefits and costs to evaluate the effectiveness of government policies to improve market outcomes.

Council for Economic Education's Voluntary National Content Standards in Economics[3]

Content Standard 1: Scarcity. Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

Content Standard 16: Role of Government and Market Failure. There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on people's incomes.

Content Standard 17: Government Failure. Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.

LIST OF LESSON RESOURCES

The following resources are used in this lesson and can be downloaded online:

1. Cartoon: "Health Coverage"
2. Health Care and the Uninsured
3. Costs and Benefits: Visualizations
4. Ranking U.S. Health Care Against Other Countries
5. Projecting Future Costs and Benefits of Medicare
6. Reform Graphic Organizer and Reform Criteria

2. National Council for the Social Studies (NCSS). *The College, Career, and Civic Life (C3) Framework for Social Studies State Standards: Guidance for Enhancing the Rigor of K-12 Civics, Economics, Geography, and History*. Silver Spring, MD. Copyright 2013.
3. Council for Economic Education. *Voluntary National Content Standards in Economics*. New York, NY. Copyright 2010.

DAY **1** of 2

ENTRY

Should We Be Worried?

Distribute "Health Coverage" (**Resource 1**), a cartoon illustrating some of the challenges of healthcare reform. Inform students that the cartoon was drawn by legendary cartoonist Herb Block in 1991. Give students about 5 minutes to independently examine the cartoon, writing down what they notice in the images and text, what inferences they can make, and what questions they have. Invite students to share their thoughts about the cartoon. If the following points do not emerge, prompt them with further questioning:

- What aspect of the U.S. healthcare system is the cartoonist featuring?

  [Students will probably note Block's cartoon is about healthcare coverage—health insurance—and the number of people who are not covered, even as the cost of health care is rising.]

- What overall assessment would you guess the cartoonist has of the U.S. healthcare system?

  [The cartoonist seems to believe that health care is very expensive and that coverage for its costs is both inefficiently delivered and inadequate.]

See Resource 1 online

- Could this cartoon be updated to run today?

[Answers will vary. Students may report that they have heard more recently that our healthcare system leaves many people uninsured. They also may have heard political discussions about "Obamacare" and wonder to what extent these issues are still problems in light of that law.]

- What else do students know about healthcare policy? What other questions do students have? Why is this issue important?

[Answers will vary to these open-ended questions. Consider drawing students out on what they know about the rising costs of health care, the large number of people without health insurance, and concerns about health care for the elderly. Students may care about this issue because they have older relatives on Medicare or because they receive some government-sponsored health care themselves. Students probably don't worry that, as adults, they will be responsible for the cost of their own medical care or, at some point, the care of their parents or older relatives.]

Inform students that:

- Health care has been a contentious political issue since at least the 1940s.
- Although 50% of Americans receive health insurance as a benefit of employment, millions who are elderly, have disabilities, or have chronic diseases receive health care from the government through Medicare.

- An additional 57 million people (including the newly unemployed) receive government-subsidized or government-run health care through Medicaid, a state health insurance program for those with limited income.
- The Veterans Administration provides health care for military veterans and their families.
- Because some patients have access to the most advanced treatment, this public–private hybrid system has rewarded innovation in pharmaceuticals and medical technology, but is criticized because of its high per-person cost and, with millions of people uninsured, its inequitable outcomes.

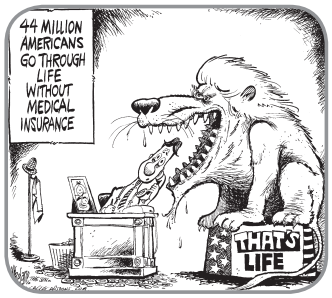
This lesson will help students use economic concepts to analyze the current and future costs and benefits of government-run health care, with a particular focus on Medicare. Students will use the economic concepts of equity, efficiency, costs, benefits, and trade-offs to frame questions and weigh evidence on the current state of the healthcare system, its projected future, and proposed reforms.

LESSON STRATEGIES AND ACTIVITIES

Background and Context

Distribute "Health Care and the Uninsured" (**Resource 2**). Ask students to "read" the cartoon and series of graphs and then, either individually or working with one other student, write a short paragraph that tells the same story in words. Tell them they are to identify the key problems with, and barriers to, healthcare coverage. Review these graphs and the cartoon as a class and tell students they will be coming back to them when they identify criteria for reforming the healthcare system.

Distribute "Overview of Medicare," which is included with this packet (and available online). If students are unfamiliar with the specific provisions of Medicare, ask them to read the program description carefully and answer the following questions.



See Resource 2 online

- For which groups does Medicare apply? What are the most important features of Medicare? How does Medicare explain some of the data in Resource 2?

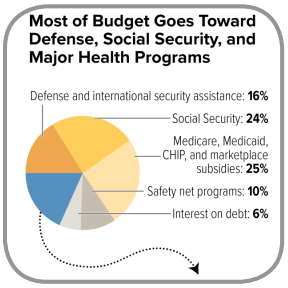
  [Students will explain that Medicare covers all workers 65 years old or older who have paid into the system, as well as some disabled workers. Tell students that poverty rates for people over 65 years old have gone from 30% in 1959, before Medicare, to 10% today. They could speculate about the impact Medicare has had on that change in status.]

The Costs and Benefits of Medicare

> The federal government [is] . . . a giant insurance company, mainly serving older people, that also has an army.
>
> —Paul Krugman (2011)

In this section, students will examine data to explore the costs and benefits of Medicare. Although the previous discussion focused on healthcare policy more generally, the next two segments of the lesson will focus on Medicare as a specific example. The charts and graphs found in "Costs and Benefits: Visualizations" (**Resource 3**) will provide students with additional context on this specific program, which can help inform their judgment about healthcare policy more generally.

Distribute the charts and cartoon and ask students to work in groups to note observations, inferences, and questions they have about the costs and benefits of Medicare. Circulate among the groups of students and probe their observations of the data. Prompt them with further questioning to engage them in looking at data from multiple sources: What information can they gather from the charts? What types of information do the charts use? What is the source of this information, and do the students find the source credible? What additional information would be necessary to put this information in context and draw conclusions about the costs and benefits of Medicare? Lead a class discussion on the findings, pushing students to dig deeper into the evidence.



See Resource 3 online

If these points do not emerge, ask students:

- What are the costs of Medicare?

  [Student answers might begin with the actual dollar numbers. ("Current law estimate" refers to the estimated cost of the program under the existing laws in 2016.) If necessary, explain to students that spending on health care as a percentage of GDP in Chart 3 refers to the total cost of medical care in the United States. Medicare is a subset of that.]

- How does Medicare compare to other areas of expenditure in the budget, and what does this say about opportunity cost (losses due to spending money on Medicare rather than something else)?

  [Tell students that this is another way of looking at the answer to the question about the costs of Medicare. They will see that Medicare and related programs represent 25% of the budget—a budget that exceeded $3 trillion—and might observe that money spent on Medicare is money not spent on something else.]

- How have Medicare costs been changing over time?

  [Students will look to Chart 3 for this answer, given as the percentage of GDP.]

- What are the benefits of Medicare?

  [Responses to this question should be informed by the paragraph students wrote using Resource 2 to tell the story of the uninsured. Students can then infer the benefits of Medicare from the label on the pill

bottle in the cartoon, but they can see the benefits for themselves in Chart 4. The lines depict age groups moving in similar directions (out of poverty), but the percentage of people in the cohort age 65 and older dropped the most overall and had the steepest decline during the 1960s and 1970s.]

Tell students that, in a May 12, 2011, column in the ***New York Times***, economist Paul Krugman described the federal budget, writing, ". . . here's the quick-and-dirty summary of what the federal government does: It's a giant insurance company, mainly serving older people, that also has an army." In the same column he wrote, "By my rough count, in 2007, seniors accounted, one way or another, for about half of federal spending" (Krugman, 2011).

Ask students to comment on what that seems to say about our priorities as a nation.

[Student answers will vary, but some may notice that the amount of spending on seniors has grown due to the increases in the costs of health care, and may not represent current priorities.]

Optional Homework

For homework, consider asking students to read "How the Performance of the U.S. Healthcare System Compares Internationally" (**Resource 4**) and then interpret this quote from the Congressional Budget Office:

> In itself, higher spending on health care is not necessarily a "problem." Indeed, there might be less concern about increasing costs if they yielded commensurate gains in health. But the degree to which the system promotes the population's health remains unclear. Indeed, substantial evidence exists that more expensive care does not always mean higher-quality care. Consequently, embedded in the country's fiscal challenge is the opportunity to reduce costs without impairing health outcomes overall.
>
> —Congressional Budget Office (2007)

How does this quote relate to what they have learned so far? Does the evidence they have seen support this conclusion? What additional evidence would they like to see to test it?

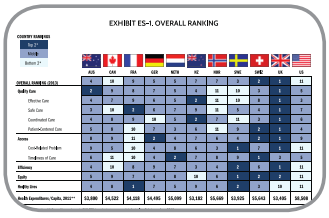


EXHIBIT ES-1. OVERALL RANKING

See Resource 4 online

[Student responses may relate the quote to the opening cartoon, statistics about healthcare coverage, and/or charts and data about healthcare spending. Some students may agree with the quote, citing evidence in Resource 4 that (1) healthcare costs are rising and are already the highest in the world, and (2) healthcare outcomes in this country are mediocre. Other students might highlight the benefits of programs like Medicare, citing evidence in Resources 2 and 4, and the potential harm that could come from across-the-board cuts, even if the money is not being spent efficiently. Students with outside knowledge might mention the range of pharmaceutical and technological innovations developed through research funded by the very expensive U.S. healthcare system, and argue that these benefit people around the world. Student questions and evidence will vary, but they might wish to collect more data that compare the U.S. healthcare system to that of other countries, analyze healthcare changes over time, or compare costs and outcomes across states or regions, to test this hypothesis.]

DAY **2** of 2

On the Horizon: The Sustainability of Medicare

Begin by reviewing with students the current costs and benefits of Medicare. Ask students what they might expect to happen if previous trends continue into the future.

[Student responses may include that healthcare spending, as a percentage of GDP, has been increasing and may continue to rise in the future. Although life expectancy has been improving, other outcomes have not kept pace with other countries that spend much less on health care.]

Inform students that, given concerns about recent trends and the high cost of health care in the United States, several plans to reform the healthcare system have been proposed over the past few decades, including the Patient Protection and Affordable Care Act of 2010. These plans aim to (1) reduce costs; (2) improve care, though potentially reducing benefits to some; (3) make health care more efficient; (4) provide health care to more people; and (5) possibly change the way health care is provided.

In order to evaluate any of these plans, students will need to see how the costs and benefits of healthcare programs are projected to change in the future. Once again, students will look at Medicare as one specific example, but that example can be useful in thinking about healthcare policy more generally.

Distribute "Projecting Future Costs and Benefits of Medicare" (**Resource 5**), which includes projections on changes to healthcare spending and the population receiving Medicare. Students should examine the resources in groups, with a similar set of questions to those used to analyze Resource 4.

After students have examined the resources for about 10 minutes, discuss what the projections show. Prompt students with the following if these points do not emerge:

- What is projected to happen with healthcare costs overall?

  [Students should report that the Congressional Budget Office (CBO) concludes that, on the current course, healthcare costs will steadily increase from 15% to 50% of GDP by 2082.]

- What are some reasons for those projections?

  [Students should say that, based on this data set, a significant portion of the increase in healthcare costs can be attributed to the coming "bubble" in people over the age of 65—the baby boom effect—but they should see that healthcare costs overall are rising and might speculate about the reasons for that.]

- What evidence is there to support those projections? Do students find the evidence persuasive?

  [Student answers will vary.]

- What additional evidence is needed to make policy recommendations regarding how to proactively manage the projected changes illustrated in these resources?

  [Student answers will vary, but will probably cite the need to better understand why overall healthcare costs are rising so sharply.]

Emphasize to students that these issues are complex, and part of the purpose of this lesson is to reveal the complexity of the issue and the reasons it has been so difficult to resolve, both practically and politically. In particular, data on the persistently high portion of personal income the elderly spend on health care reveal that programs can have unintended consequences, but they still may be worth the costs. Students should be encouraged to notice patterns and raise questions, but reminded that patterns and correlations do not necessarily imply causation, and further research would be necessary to draw any solid conclusions based on this information.

Establishing Criteria for Evaluating Healthcare Reform Proposals

Use the discussion of the last question to transition to the closure for this lesson. Remind students that, although this lesson focuses on Medicare, they should also consider the implications for health care more generally. Ask students to recap everything they have learned about healthcare policy and the Medicare program, including how it works, and costs and benefits in the present and future.

Using this information, as well as their own values and priorities, students will envision themselves as economics experts who write editorials and appear on television news broadcasts offering commentary and analysis on the news of the day. They will need to be equipped to judge any proposed healthcare reform using a consistent set of criteria, rooted in economic theory. Students will therefore use the graphic organizer in **Resource 6** to create a set of four or five criteria around economic concepts, including equity, efficiency, costs, benefits, and trade-offs. They do not need to use these particular criteria; they can create their own, combine these concepts into larger criteria, or create new names and headings. Within each criterion, students then need to create a set of questions they would ask and decide what evidence they would want to determine if the proposal met the criteria.

If students struggle with envisioning how they would judge any given criterion, share concrete examples of healthcare reforms that have been proposed in the past. Several are available online, including pages 36–43 of "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform" at http://www.fiscalcommission.gov.

Kaiser Health has also assembled a list of opinion columns from various newspapers around the country that offer suggestions for reforming Medicare and other healthcare reform issues. The list is at http://kff.org/perspectives/columnop-ed/. (Select the checkbox marked "Medicare" to filter for links focused on that program.)

CLOSURE

Close by having groups of students share criteria with one another, keeping the essential dilemma of the lesson in mind as they listen to each proposal. For homework, each student should write a brief essay (1) using the criteria they have identified as important to respond to the essential dilemma, and (2) using the range of criteria among their classmates to explore why there is or is not consensus on the issue.

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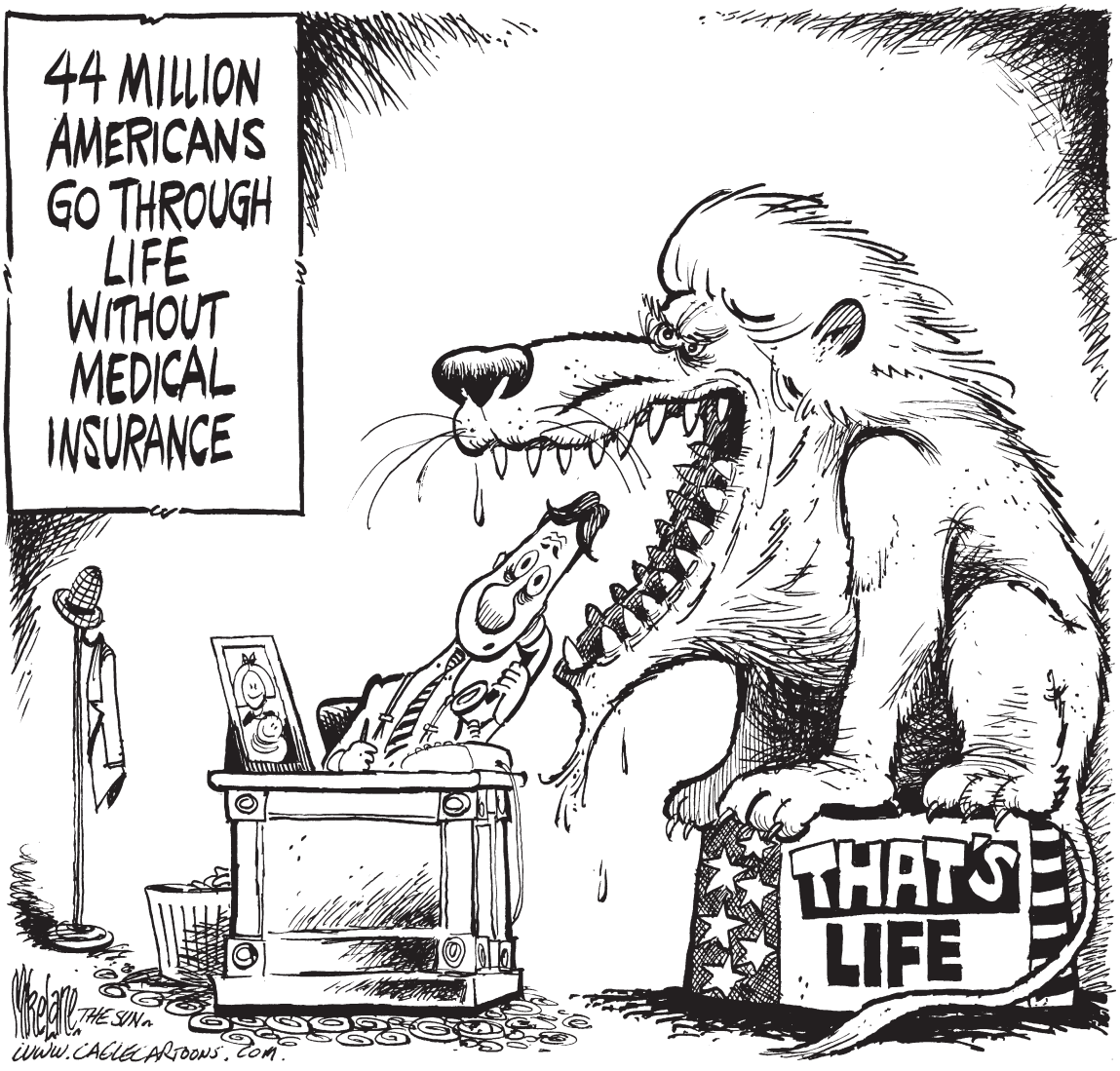
Resource 1

Cartoon: "Health Coverage"

A 1991 Herblock Cartoon, copyright by The Herb Block Foundation

Resource 2 (1 of 3)

Health Care and the Uninsured



by Mike Lane, politicalcartoons.com

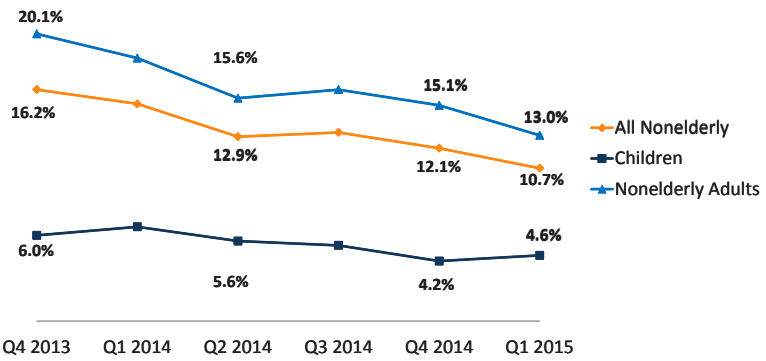
Note: By 2015 this number had declined to approximately 33 million (Barry-Jester & Casselman, 2015).

Resource 2 (2 of 3)

Health Care and the Uninsured

Figure 2

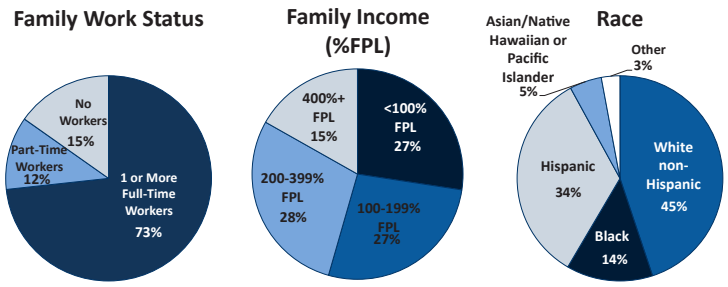
Quarterly Uninsured Rate for the Nonelderly Population by Age, Q4 2013-Q1 2015



SOURCE: National Center for Health Statistics. *Health Insurance Coverage: Early Release of Quarterly Estimates From the National Health Interview Survey, January 2010-March 2015*, August 12, 2015. Available at: http://www.cdc.gov/nchs/data/nhis/earlyrelease/Quarterly_estimates_2010_2015_Q11.pdf.

Figure 5

Characteristics of the Nonelderly Uninsured, 2014



Total = 32.3 Million Uninsured

NOTES: The U.S. Census Bureau's poverty threshold for a family with two adults and one child was $19,055 in 2014. Data may not total 100% due to rounding.
SOURCE: Kaiser Family Foundation analysis of the 2015 ASEC Supplement to the CPS.

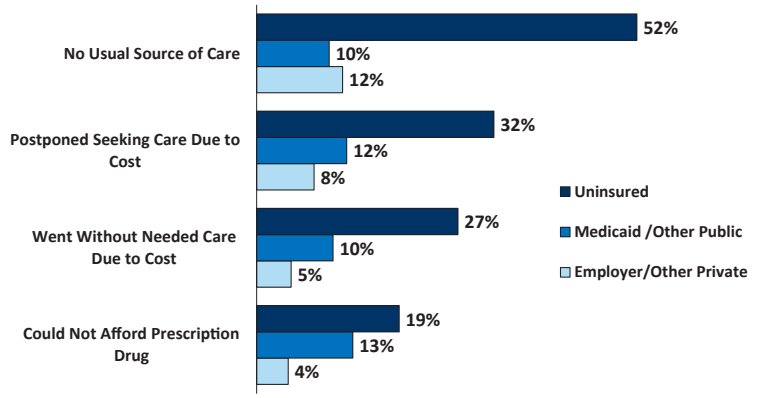
Source: Henry J. Kaiser Family Foundation. (2015, October). Key facts about the uninsured population. Retrieved from http://files.kff.org/attachment/fact-sheet-key-facts-about-the-uninsured-population

Resource 2 (3 of 3)

Health Care and the Uninsured

Figure 7

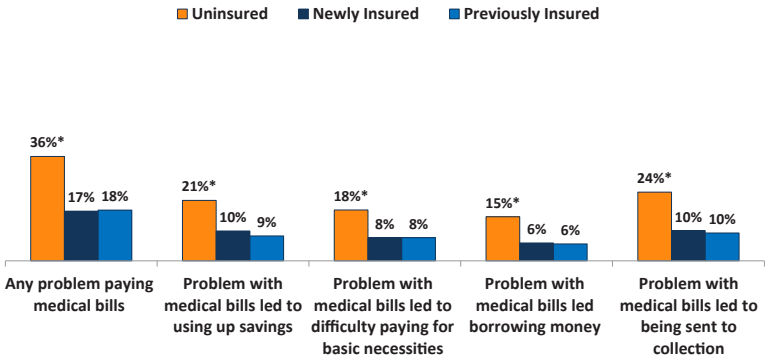
Barriers to Health Care Among Nonelderly Adults by Insurance Status, 2014



NOTE: Includes barriers experienced 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 2015 National Health Interview Survey.

Figure 8

Problems Paying Medical Bills Among Low- and Middle-Income Nonelderly Adults, by Insurance Coverage in Fall 2014



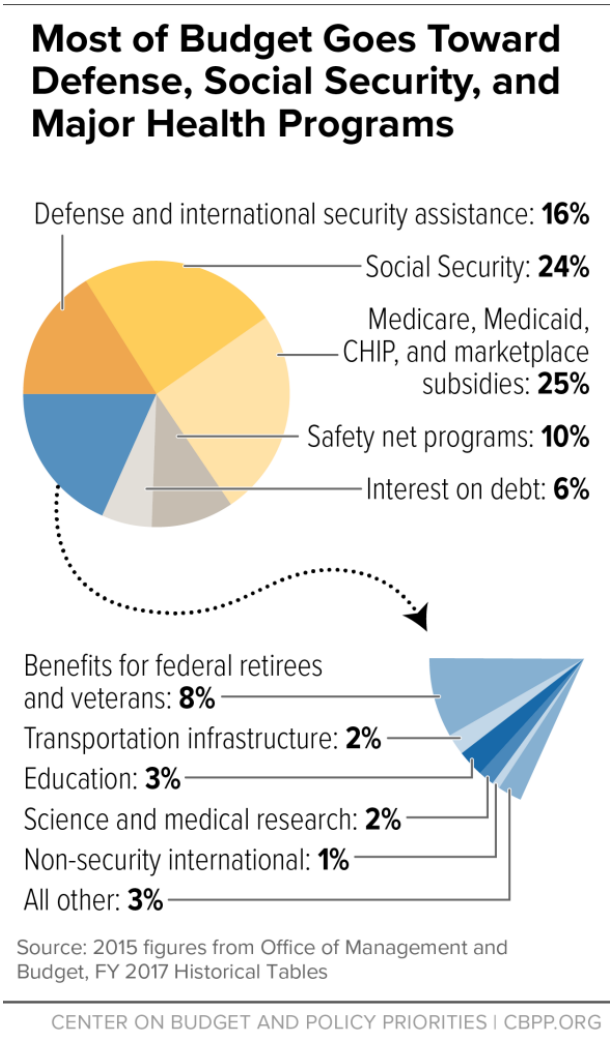
NOTE: Includes adults ages 19-64. "Previously Insured" includes people who were insured as of interview date and have been insured since before January 2014. "Newly Insured" include people who were insured as of interview date and gained coverage since January 2014. "Uninsured" includes people who lacked coverage as of the interview date.
* Significantly different from Newly Insured at the p<0.05 level.
SOURCE: 2014 Kaiser Survey of Low-Income Americans and the ACA.

Source: Henry J. Kaiser Family Foundation. (2015, October). Key facts about the uninsured population. Retrieved from http://files.kff.org/attachment/fact-sheet-key-facts-about-the-uninsured-population

Resource 3 (1 of 5)

Costs and Benefits: Visualizations

Chart 1



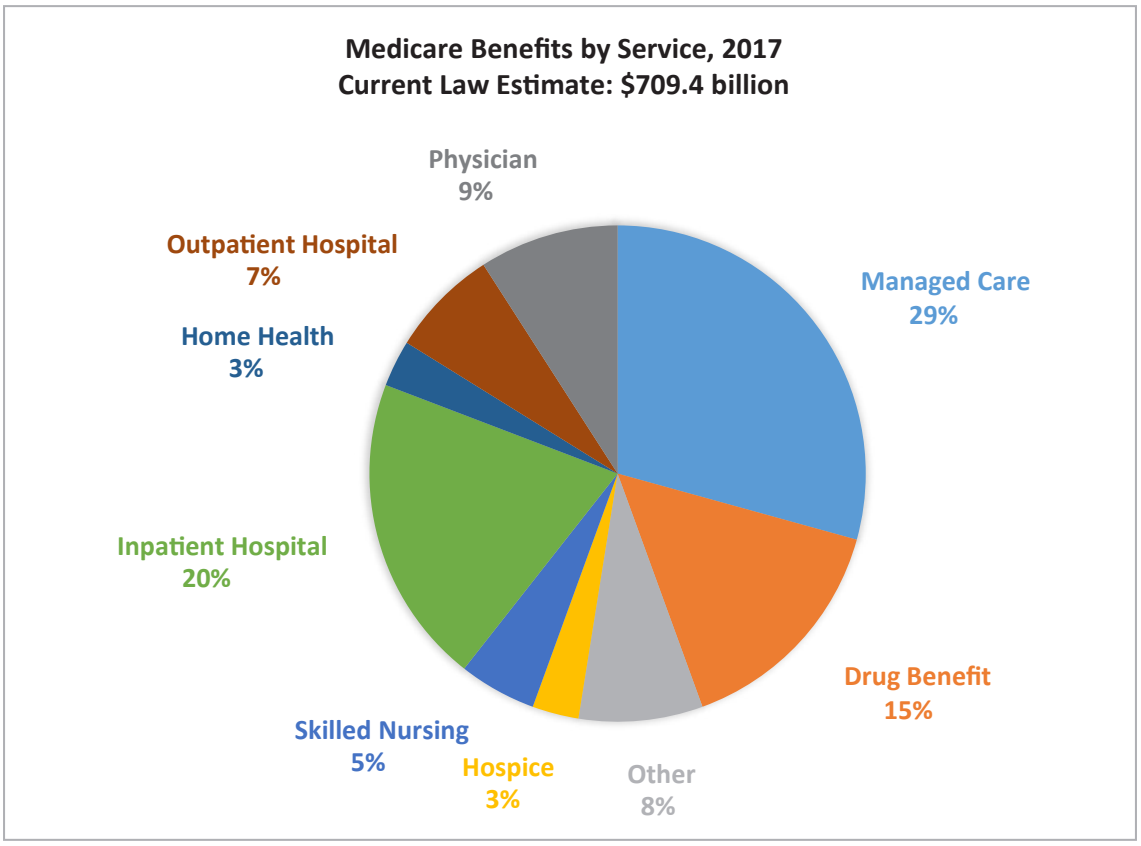
Using 2015 data from the Office of Management and Budget, this chart was created by the Center on Budget and Policy Priorities, a policy organization that works on fiscal policy and public programs that affect low- and moderate-income families and individuals. This chart shows that most of the budget goes to defense (16%), a discretionary line in the budget, and the mandated programs of Social Security (24%) and Medicare, Medicaid, and CHIP (25%). (CHIP is the Children's Health Insurance Program, which is administered by the states with matching money from the federal government.) Discretionary spending is determined by Congress on an annual basis. Mandatory spending is authorized by law and is not subject to annual review by Congress.

Source: Center on Budget and Policy Priorities. (2016, March 4). Policy basics: Where do our federal tax dollars go?, p. 2. Retrieved from http://www.cbpp.org/sites/default/files/atoms/files/4-14-08tax.pdf

Resource 3 (2 of 5)

Costs and Benefits: Visualizations

Chart 2



Note: The numbers do not add up to 100% due to rounding error.

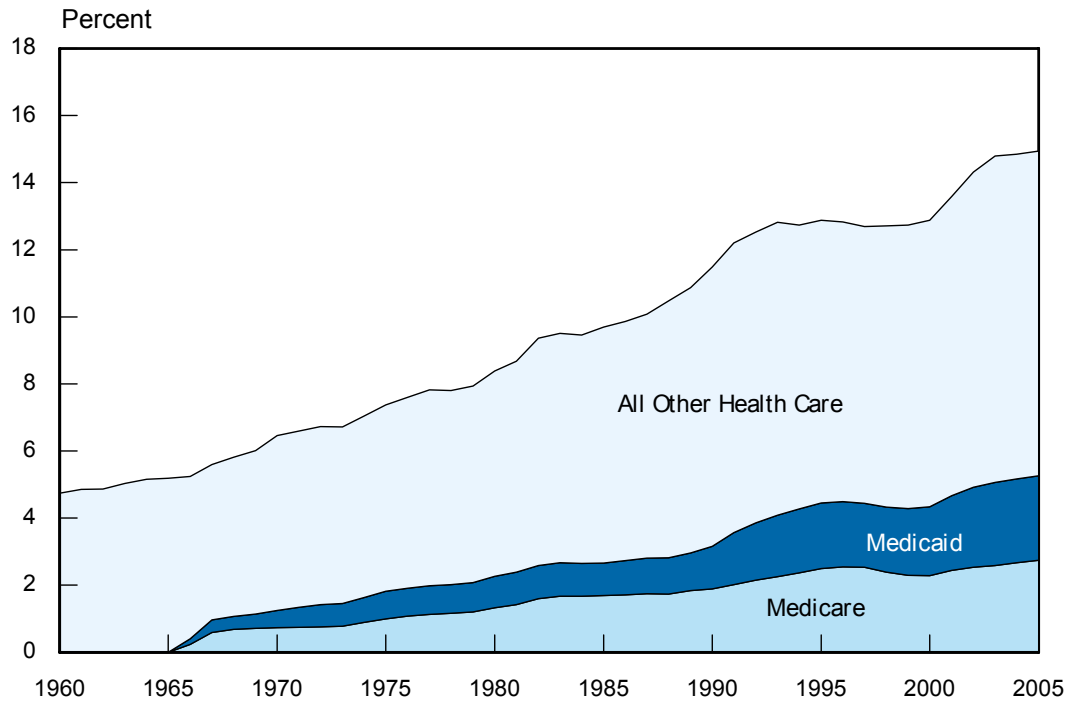
Source: Created with data from U.S. Department of Health and Human Services. (n.d.). Fiscal year 2017 budget in brief, p. 66. Retrieved from http://www.hhs.gov/sites/default/files/fy2017-budget-in-brief.pdf

Resource 3 (3 of 5)

Costs and Benefits: Visualizations

Chart 3

Spending on Health Care as a Percentage of Gross Domestic Product, 1960 to 2005



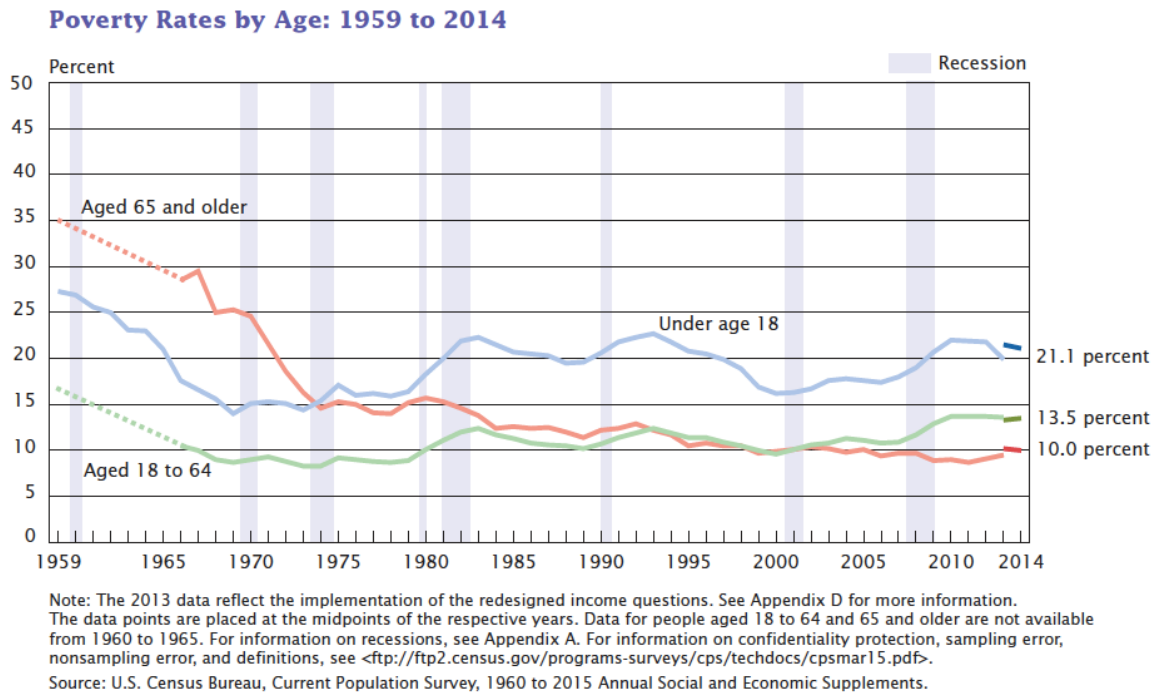
This graph depicts healthcare spending overall, and the portion devoted to Medicaid and Medicare, as a percentage of gross domestic product (GDP; a measure of the economy's total output) over the past several years.

Source: Congressional Budget Office. (2007). The long-term outlook for health care spending, p. 7. Retrieved from http://www.cbo.gov/ftpdocs/87xx/doc8758/maintext.3.1.shtml

Resource 3 (4 of 5)

Costs and Benefits: Visualizations

Chart 4



Note: The 2013 data reflect the implementation of the redesigned income questions. See Appendix D for more information. The data points are placed at the midpoints of the respective years. Data for people aged 18 to 64 and 65 and older are not available from 1960 to 1965. For information on recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <ftp://ftp2.census.gov/programs-surveys/cps/techdocs/cpsmar15.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2015 Annual Social and Economic Supplements.

This graph depicts changes in the percentage of citizens living in poverty between 1959 and 2014. The data are divided into three age ranges: under 18 years, 18 to 64 years, and 65 years and older.

Source: DeNavas-Walt, C., & Proctor, B. D. (2015). Income and poverty in the United States: 2014, p. 22. Retrieved from https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf

Resource 3 (5 of 5)

Costs and Benefits: Visualizations

Resource 4 (1 of 2)

Ranking U.S. Health Care Against Other Countries

How the Performance of the U.S. Healthcare System Compares Internationally

Excerpt from the Executive Summary (pp. 5–6)

The United States health care system is the most expensive in the world, but this report and prior editions consistently show the U.S. underperforms relative to other countries on most dimensions of performance. Among the 11 nations studied in this report—Australia, Canada, France, Germany, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States—the U.S. ranks last, as it did in the 2010, 2007, 2006, and 2004 editions of Mirror, Mirror. Most troubling, the U.S. fails to achieve better health outcomes than the other countries, and as shown in the earlier editions, the U.S. is last or near last on dimensions of access, efficiency, and equity. In this edition of Mirror, Mirror, the United Kingdom ranks first, followed closely by Switzerland. . . .

The most notable way the U.S. differs from other industrialized countries is the absence of universal health insurance coverage. Other nations ensure the accessibility of care through universal health systems and through better ties between patients and the physician practices that serve as their medical homes. The Affordable Care Act is increasing the number of Americans with coverage and improving access to care, though the data in this report are from years prior to the full implementation of the law. Thus, it is not surprising that the U.S. underperforms on measures of access and equity between populations with above average and below-average incomes.

The U.S. also ranks behind most countries on many measures of health outcomes, quality, and efficiency. U.S. physicians face particular difficulties receiving timely information, coordinating care, and dealing with administrative hassles. Other countries have led in the adoption of modern health information systems, but U.S. physicians and hospitals are catching up as they respond to significant financial incentives to adopt and make meaningful use of health information technology systems. Additional provisions in the Affordable Care Act will further encourage the efficient organization and delivery of health care, as well as investment in important preventive and population health measures.

Source: Davis, K., Stremikis, K., Schoen, C., & Squires, D. (2014, June). Mirror, mirror on the wall, 2014 update: How the U.S. health care system compares internationally. The Commonwealth Fund. Retrieved from http://www.commonwealthfund.org/publications/fund-reports/2014/jun/mirror-mirror

Resource 4 (2 of 2)

Ranking U.S. Health Care Against Other Countries

EXHIBIT ES-1. OVERALL RANKING

COUNTRY RANKINGS

Top 2*
Middle
Bottom 2*

	AUS	CAN	FRA	GER	NETH	NZ	NOR	SWE	SWIZ	UK	US
OVERALL RANKING (2013)	4	10	9	5	5	7	7	3	2	1	11
Quality Care	2	9	8	7	5	4	11	10	3	1	5
Effective Care	4	7	9	6	5	2	11	10	8	1	3
Safe Care	3	10	2	6	7	9	11	5	4	1	7
Coordinated Care	4	8	9	10	5	2	7	11	3	1	6
Patient-Centered Care	5	8	10	7	3	6	11	9	2	1	4
Access	8	9	11	2	4	7	6	4	2	1	9
Cost-Related Problem	9	5	10	4	8	6	3	1	7	1	11
Timeliness of Care	6	11	10	4	2	7	8	9	1	3	5
Efficiency	4	10	8	9	7	3	4	2	6	1	11
Equity	5	9	7	4	8	10	6	1	2	2	11
Healthy Lives	4	8	1	7	5	9	6	2	3	10	11
Health Expenditures/Capita, 2011**	$3,800	$4,522	$4,118	$4,495	$5,099	$3,182	$5,669	$3,925	$5,643	$3,405	$8,508

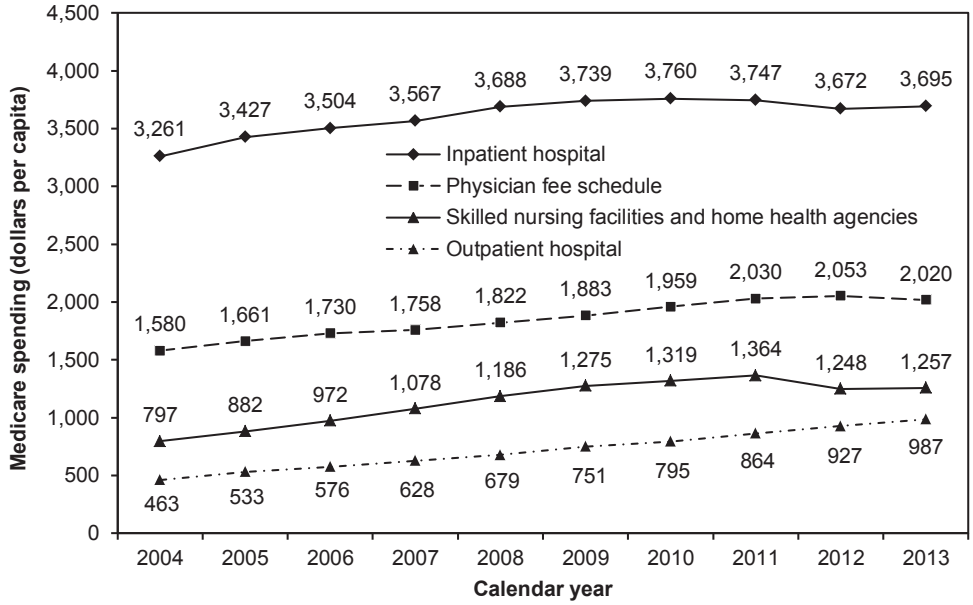
Notes: * Includes ties. ** Expenditures shown in $US PPP (purchasing power parity); Australian $ data are from 2010.
Source: Calculated by The Commonwealth Fund based on 2011 International Health Policy Survey of Sicker Adults; 2012 International Health Policy Survey of Primary Care Physicians; 2013 International Health Policy Survey; Commonwealth Fund *National Scorecard 2011;* World Health Organization; and Organization for Economic Cooperation and Development, *OECD Health Data, 2013* (Paris: OECD, Nov. 2013).

Source: Davis, K., Stremikis, K., Schoen, C., & Squires, D. (2014, June). Mirror, mirror on the wall, 2014 update: How the U.S. health care system compares internationally. The Commonwealth Fund. Retrieved from http://www.commonwealthfund.org/publications/fund-reports/2014/jun/mirror-mirror

Resource 5 (1 of 2)

Projecting Future Costs and Benefits of Medicare

Chart 1-2. Per capita Medicare spending among FFS beneficiaries, by sector, 2004–2013



Note: FFS (fee-for-service).

Source: CMS Office of the Actuary, based on the FY 2016 president's budget and the annual report of the Boards of Trustees of the Medicare trust funds 2014.

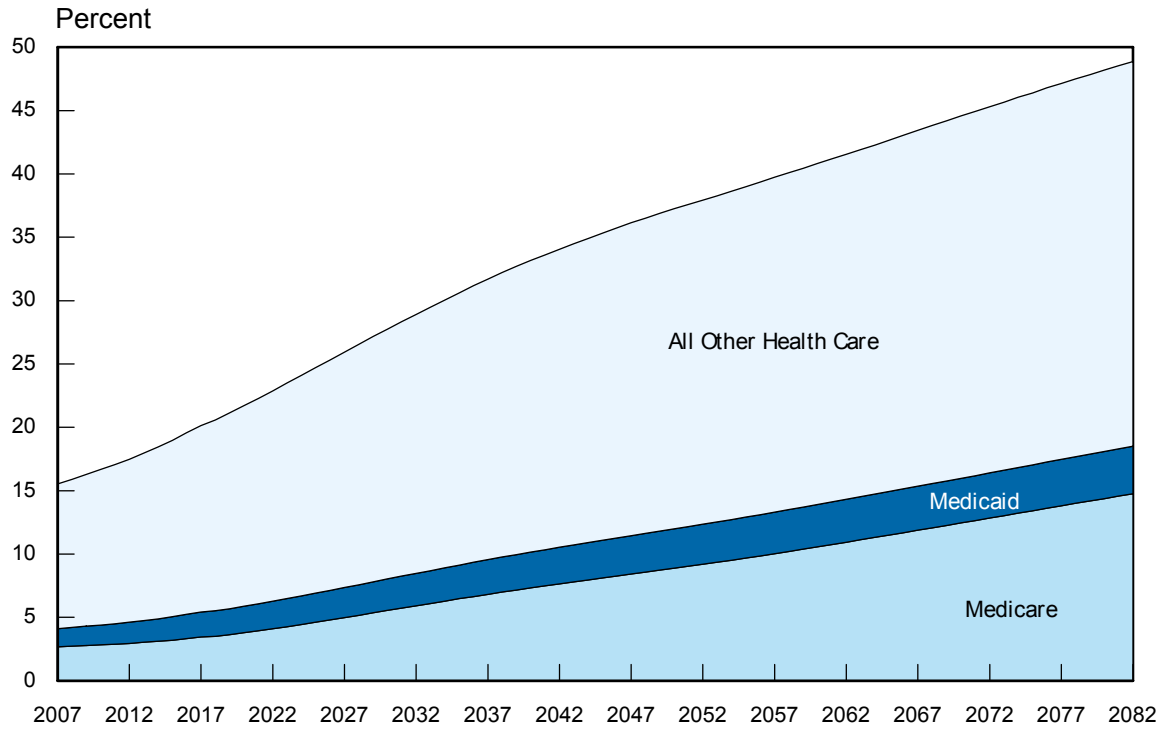
- Medicare spending per beneficiary in FFS Medicare has increased substantially since 2004 across all sectors, despite slowing down recently.
- Growth in spending per beneficiary for inpatient hospital services, the sector with the highest level of spending, averaged 3 percent per year from 2004 to 2007 and 2 percent per year from 2007 to 2010. It declined to about –1 percent per year from 2010 to 2013. Despite the slowdown in the last three years, spending per beneficiary for inpatient hospital services increased, on aggregate, 13 percent from 2004 to 2013.
- Growth in spending per beneficiary for outpatient hospital services remained strong throughout the period, averaging 11 percent per year from 2004 to 2007, 8 percent per year from 2007 to 2010, and 7 percent per year from 2010 to 2013. Spending per beneficiary for outpatient hospital services increased, on aggregate, 113 percent from 2004 to 2013.

Source: Medical Payment Advisory Commission. (2015, June). A data book: Health care spending and the Medicare program, p. 4. Retrieved from http://www.medpac.gov/documents/data-book/june-2015-databook-health-care-spending-and-the-medicare-program.pdf?sfvrsn=0

Resource 5 (2 of 2)

Projecting Future Costs and Benefits of Medicare

Projected Spending on Health Care as a Percentage of Gross Domestic Product



Source: Congressional Budget Office. (2007). The long-term outlook for health care spending, p. 13. Retrieved from http://www.cbo.gov/ftpdocs/87xx/doc8758/maintext.3.1.shtml

Resource 6 (1 of 2)

Reform Graphic Organizer and Reform Criteria

- What are the criteria by which you would evaluate a proposal to reform healthcare policy in the United States? Think about the economic concepts of equity, efficiency, costs, benefits, and trade-offs. (For example, given the projected growth in Medicare costs and its impact on deficits and debt, one criterion might be by how much a proposed reform will reduce projected growth in costs. This criterion is already entered into the organizer as an example.)

- Rank the criteria listed above in order of importance. How much weight would you give each one? Why?

- For each criterion, what questions would you ask and what evidence would you seek to determine whether the reform meets the criterion?

- If you were to score projected reforms for success, do you believe it is possible for a reform to score well on all your criteria? Why or why not? What does this tell us about the economic concepts of trade-offs and opportunity cost?

Resource 6 (2 of 2)

Reform Graphic Organizer and Reform Criteria

Criteria	Questions	Evidence
Effect on future costs, deficits, and debt	How will this reform reduce costs? By how much? How do we know?	Experiences of other countries, states, etc. that have tried this reform; experiments in reducing costs; the portion of current healthcare costs that the savings in the reform represent
Equity		
Efficiency		
Costs		
Benefits		
Trade-offs		