

The Thirtieth Annual

Virginia Model United Nations Conference

Presents...

American Association of Health Care Stakeholders

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Dear Delegates,

Welcome to VAMUN XXX! My name is Shruti Ektare and I'm delighted to be your chair for the American Association of Health Care Stakeholders.

I am currently a third year at the University of Virginia and I plan to be an Economics and Commerce double major. I have been an active participant in the conferences held by the University of Virginia International Relations Organizations since my matriculation and it is a pleasure to be able to be a part of VAMUN once again.

This joint crisis simulation combines the U.S. Senate and an innovative committee focusing on major players in the health care industry to give delegates the opportunity to recreate the most recent health care debate in a fresh, creative way. The time frame that the committee focuses on is November 2008 through March 2010. These years were marked not only with a historic presidential election but also a drastic restructuring of vital American systems and institutions, including, of course, the health care system.

Health care reform is one of the most passionately debated topics in the United States today. As an issue that holds relevance in the lives of all Americans, health care has been addressed by political figures and lobby groups alike, and millions of dollars have been spent to make sure that the ultimate decision regarding health care is a favorable one for all parties involved.

For the purpose of this committee, each of you will represent a company or organization that is considered a health care stakeholder – that is, you stand to gain or lose from the decisions made by lawmakers in Congress. You will therefore be able to work with key members of the U.S. Senate to make the changes you believe need to be made to the U.S. health care system.

Health care is a complex and multi-tiered topic, so doing the proper research will be imperative in order to engage in substantive, constructive debate. The following background guide can be considered a starting point for your personal research. I strongly suggest you also read over the background guide for the U.S. Senate side of the crisis. Position papers are *required* in this committee, both to help you organize your thoughts and for me to better understand your points. There is no length or structure requirement for these – simply present your company or organization's viewpoints and suggestions in a clear format. You may email these to me or bring them on the first day of the conference.

Because this committee is an unusual one, I will leave you to decide what kind of procedure you prefer during committee sessions. I have no problem with innovative parliamentary procedure as long as it is professional and productive.

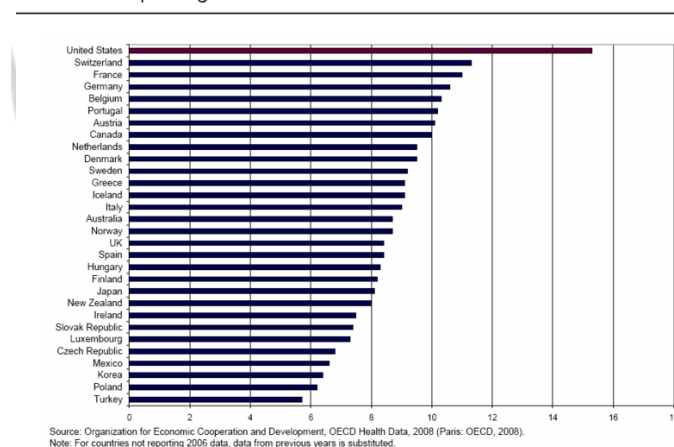
Please do not hesitate to contact me with any questions, comments, or suggestions prior to the conference. I look forward to meeting you all very soon!

Best,
Shruti Ektare
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Brief Introduction:

The American healthcare system is a famous institution for a variety of reasons – and not all of them are good. The United States is currently ranked 2nd within all United Nation's countries (and first ranked within OECD countries) in annual health care spending. The percent of the nation's GDP that has been devoted to health care has been steadily rising and is projected to continue to do so in the coming years. The United States is also the world leader in medical research and technology.

Healthcare Spending as % GDP



The health care system in the United States is a mixture of public and private entities. Hospitals and physicians provide care either by accepting direct out-of-pocket fees or being a part of a health care plan whereby the patient's health care

costs are covered by a third party insurance company or the government, depending on whether the plan is private or public.

However, despite the heavy spending on health and health care by both the private and public sectors, the United States falls shockingly behind in how many of its citizens use and benefit from this system. Rising costs of care coupled with processes that do not promise access to all have made it so that only a concentrated segment of the population actively use medical care.

The health reform debate in the United States has historically focused on how to handle the problem of incomplete coverage – in other words, how to decrease the large number of uninsured persons in the country. The two sides of the reform argument are usually free market versus universal health care. Throughout the story of the debate, these two sides have argued endlessly about which system is best for the welfare of the nation's people, and have rarely reached a consensus.

The American Association of Health Care Stakeholders brings together those who have a stake in the outcome of health

care reform – insurance companies, pharmaceutical giants, and medical organizations consisting of physicians or hospitals - during a key time in the most recent health care reform debate. The committee will be expected to discuss and debate the various issues surrounding health care to ensure that their respective customers or patients have satisfactory care and that they themselves fare well as a result of the decision. The companies included in the simulation are:

1. Capital Health Insurance (Commercial)
2. Kaiser Foundation (Medicare)
3. Blue Cross and Blue Shield (Medicaid)
4. UnitedHealth Group
5. WellPoint
6. American Medical Association
7. Families USA
8. Institute for Health Freedom
9. Physicians for a National Health Program
10. Project Healthy Choice
11. Pfizer
12. Johnson and Johnson

13. Abbot Laboratories
14. Eli Lilly and Company
15. Merck and Co.
16. Johns Hopkins Hospital
17. Mayo Clinic
18. Cleveland Clinic
19. Massachusetts General Hospital
20. University of California, Los Angeles Medical Center

A History of Health Care

It is common knowledge that a majority of the advances in medicine and technology that the world currently enjoys came mostly in the 19th and 20th centuries. With the discovery of key bacteria and drugs that they responded to came the gradual popularity of health care that was not just limited to house calls and messy surgical procedures.

In the late 19th and early 20th centuries, the minimal use of medical care translated into low cost and low demand. Most families' spending on health care did

not merit a requirement for health insurance. The few companies that did provide insurance were reluctant to provide it privately for fear that they would suffer losses from those who would either lie about how ill they really were prior to receiving insurance (an example of adverse selection) or from those who would overuse and abuse insurance once they had it (an example of moral hazard).

Efforts were made as early as 1854 to make the government responsible for the nation's health issues. The Bill for the Benefit of the Indigent Insane was proposed by activist Dorothea Dix under the administration of Franklin Pierce, but it failed to pass due to Pierce's belief that social welfare should not be in the hands of the government. This ideal prevented any legislation regarding government-funded health care from passing for several subsequent decades, despite the changes in society that made health care more and more prevalent.

The rise in medical costs can be traced to the early to mid-20th century, as more and more people moved from the rural parts of the country to crowded urban

settings in order to find better opportunities. A combination of a rising level of sick people in these cities as well as rising incomes and demand pushed up the price of medical care. Medicine had been pushed to the side as superfluous in earlier decades, but its new acceptance as a progressive and scientific utility made it all the more popular.

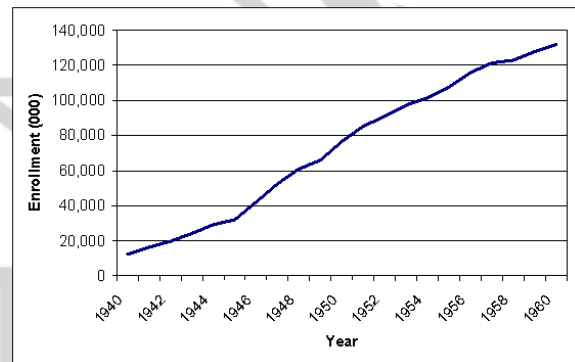
Coupled with rising demand was the call for stringent controls on the entry into the medical field. As more and more organizations devoted to medicine and physicians sprung into existence around the country, inspectors of the system claimed that there were too many physicians who had shoddy practices, and that more limits had to be placed on who could become a physician and how. This was achieved by stricter requirements on acceptance to medical schools, higher costs of education, and stringent requirements surrounding licensure and accreditation. As a result of the falling number of physicians that these processes produced, the cost of medicine rose even higher. This limitation of physicians in the medical field is still commonly seen today, with several barriers

to entry making it one of the most competitive fields to enter.

Several presidents attempted to address the issue of expensive health care by proposing plans of a national health care system or various reforms to help the poor or elderly. All of these proposals were shot down by opponents who feared a change to national health coverage would greatly undermine the autonomy and authority of private practitioners. However, the Social Security Act was passed (after much controversy and the eventual removal of health care provisions) in 1935 to aid the elderly in managing the costs of living after retirement.

Instead of the development of a public system to address the rising costs of medicine, private insurance companies started to become popular following the Great Depression. These companies, starting with Blue Cross/ Blue Shield, worked on a prepayment plan whereby a subscriber would pay a fixed rate per month for some amount of guaranteed service. As these first plans became hugely successful, especially during the economic difficulties of the depression, more and more

commercial insurance companies emerged in the market. The market for health insurance today continues to be largely dominated by these private commercial firms. The graph below shows the historical increase of enrollment in health insurance from 1940-1960.¹



It was during World War II that the most common type of health care plan—the employer-provided benefits plan—became widely used. Initially used as a way to substitute for high wages to lure workers, demand for employer-provided health insurance rose even further after the government passed legislation that made employer contributions to employee health plans tax exempt. Under this type of insurance plan, an employee (and

¹ History of health insurance courtesy <http://eh.net/encyclopedia/article/thomasson.insurance.health.us>

oftentimes his or her family) is provided with health insurance by the company that he or she works for. The company has contracted with insurance companies and providers that will offer care to their employees. The employee usually has to pay for a portion of the insurance out-of-pocket.

It was not until July 1965 that President Lyndon B. Johnson finally established two major government-funded programs that catered to the health care needs of the disadvantaged – Medicare and Medicaid. Medicare is a program that serves mainly the elderly (over 65) and others who qualify. It provides different types of medical care for those who qualify, and then reimburses doctors and hospitals for their services. Medicare is funded entirely by the Federal government.²

Medicaid, on the other hand, is jointly managed by the federal and state governments and provides for certain categories of low-income individuals. The government sets minimum eligibility limits that can then be tweaked by the states.

These limits are subject to change. Other government-funded health care programs do exist (Veterans Administration or State Children’s Health Insurance Program) but Medicaid and Medicare dominate both in size and in monetary allocation.

Today, health care stands as one of the hottest topics of debate in the United States. Despite a long history that suggests progress and fairness, there are endless critics of the health care system.

Topic One: The Necessity of Health Care Reform

No system is perfect, and the U.S. health care system is no exception to the rule. The issues emerged as soon as medical care and health insurance became popular and have continued—or grown—to present day. Regardless of political party and personal preferences, most of the United States agrees that health care needs to be improved in some way. There is a long list of topics that fall under the category of “reform,” but most of them revolve around

² History of health care courtesy of <http://www.pbs.org/healthcarecrisis/history.htm>

accessibility, covering costs, and government intervention.³

Accessibility is one of the most popularly cited problem in the U.S. health care system—while more than 80% of the population has some form of health care plan, the remainder is uninsured. Insurance is most definitely not the only way to receive medical care, but the costs of inpatient and outpatient visits, pharmaceutical drugs, and medical technology have risen so high in the past few decades that paying out-of-pocket for care is virtually impossible. As a result, those without insurance oftentimes simply skip out on medical care altogether, leaving illnesses or diseases undiagnosed or untreated. Charity care does exist in most parts of the country, but it is not nearly enough to cover every uninsured member of the population.

Cost is another mammoth topic in the health care reform debate. While the United States spends astronomical amounts of money on health care per year, the effect

of this spending is questionable.

Additionally, the costs of health care seem to be rising faster than wages and inflation, and the trend promises to continue into the future.

To put the icing on the cake, more money does not always equal higher quality care. Disturbing statistics regarding the nation's low relative life expectancy and high infant mortality have emerged after studies done by organizations such as the WHO and OECD, throwing the efficiency of health care in the United States into further doubt. The WHO survey, for example, ranked the United States as number 37 in overall performance and 72 in overall health out 191 United Nations members. Despite being criticized as incomplete and incomprehensive, these statistics indicate that the United States is wrought with imbalance and inefficiency in regards to insurance and subsequent care.

A final cause of alarm regarding cost is the news that government programs such as Medicare could soon run over the federal budget altogether due to “unfunded deficits” – that is, spending on Medicare will

³ Courtesy
<http://www.healthcareproblems.org/health-care-statistics.htm>

soon be so high that it will be impossible to cover.

Tying the problems of cost and accessibility together is the overarching debate about public versus private health markets. As far as industrialized nations go, the United States is one of the only ones that does not provide a public system of health care for all of its citizens. The health care reform debate is divided down the middle about whether or not a universal health care system should exist. Under this system, government plays a role in assuring that health care is guaranteed to all citizens. Advocates of the system consider it the only way that the thousands of uninsured individuals can receive the care they have been denied. Those who oppose the idea of universal health care do so mainly because they believe that the free market system of health care is the superior system—it allows people to choose whether or not they want insurance and also fosters economic competition between providers. Furthermore, advocates of the free market system consider the concept of a government-run system as a threat to private practitioners.

Accessibility, cost, and government role only skim the surface of the problems surrounding health care, but fortunately, the proposals for improvement are equally matched in intensity.

As representative of health care organizations from all over the country, you must decide what position to take on the necessity of health care reform. More specifically, how does your company or business address the major problems of health care that are prevalent today? In order to best serve your customers as well as your own company, you must have a clear opinion and position on the health care system's shortfalls (or strengths) that you can act upon in order to make good decisions.

Topic Two: The Form and Implementation of Health Care Reform

In the recent decades, most of the proposed changes to the health care system have been government-focused. Since the inception of Medicare and Medicaid, many important pieces of legislation have been passed in an effort to improve the system of health care for all Americans. Much of this

legislation attempts to make health insurance more affordable or accessible through regulation of the commercial insurance companies and employer-provided benefits plans. However, as the costs of medical care seem to be increasing exponentially, health care reform has expanded to include controls on cost and effectiveness as well.

During any debate concerning health care reform, the topics of universal coverage, single-payer plans, and mandated care will undoubtedly come up. The argument for single-payer health insurance has been around for decades. Most industrialized nations have a public plan that guarantees care for all of their citizens, with the payment coming from one pool. The United States' determination to keep the free market system in control has prevented it from making a move towards such a plan, despite the fact that several presidents and political groups tried to make the change happen. As a result, single-payer plans are rarely flat-out proposed. Universal coverage and mandated care plans receive similar opposition from those believe that health insurance should be a choice, and that

federal interference in the market can only damage the system. Typically, Republicans⁴ support a free market health care system, while Democrats see benefits from allowing the government to set rules and regulations regarding insurance and medical care.

There is a long list of reform proposals regardless of political persuasion. Most of these are specific solutions catered towards bigger problems—that is, addressing the larger issues of accessibility or cost. These solutions start at a very small scale, such as electronic record-keeping, and move up the ladder to include comparing treatment effectiveness, tweaking doctor's incentives, dealing with a shortage of providers, and controlling malpractice costs. Larger reform goals focus on reforming the tax system surrounding health care and also boarding up the holes in the insurance market. The problems with the insurance market are further complicated by the fact that the interests of the consumers and the interests of insurance companies are often clearly in

⁴ Courtesy
http://www.businessweek.com/bwdaily/dnflash/content/apr2008/db20080429_854428.htm

conflict. This conflict of interest problem is seen in other areas of health care as well, including the aforementioned physician incentives.

The goal of these reforms is to eliminate the wastefulness and inefficiency that is rampant in the current system. By imposing control at all the levels of medical care, from the doctor's office to the record books of insurance companies, the system can slowly rebuild itself. All these changes, however, have to be paid for (there ain't no such thing as a free lunch) and in the end, some party, whether it be the taxpayers, the government, or private companies, will have to make major monetary sacrifices.

Concluding Remarks:

As the American Association of Health Care Stakeholders, you are in a delicate situation regarding health care reform. With a new president about to be elected, the time to act is now. The decisions that the government makes in the next few critical months involving health care could drastically alter the course of your company or organization's future in the economy.

It is in your best interest to take many factors into consideration as you discuss with your fellow members what the best routes to take regarding reform are. How will you control your costs? What have you promised to your customers? How will you combat the flurry of conflicting interests that will undoubtedly arise as a decision is made?

Health care reform does not promise a simple solution that will make everyone happy, but as an important stakeholder, you can influence the lives of millions if you act with alacrity and wisdom in the next two years.