THE HISTORY OF HEALTHCARE

In America

From the 1700s to Now

JP Griffin Group
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HOW WE GOT TO NOW

The American history of medicine and organized healthcare is quite a bit different than that of most other first world countries. While the Civil war propelled the progress of American medicine much faster than what would have probably transpired without it, our staunch belief in capitalism has prevented us from developing the kind of national healthcare the United Kingdom, France, and Canada have used for decades. As a result, America has its own unique healthcare system that has evolved drastically over the past century into something that is both loved and hated by its citizens.

Whichever end of the spectrum you lean toward, there's no doubt about it: the history of medicine and organized healthcare in America is a long and winding road. How we've gotten to where we are today is quite a story, so let's dive in.

THE HISTORY HEALTHCARE IN AMERICA: FROM THE 1700'S TO NOW

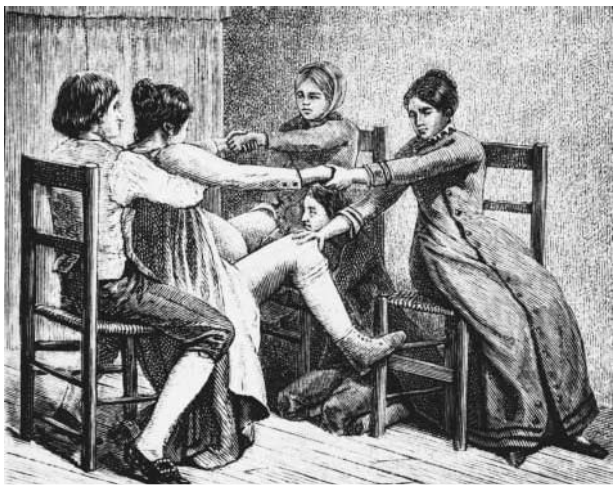
1700 | 1800 | 1900 | 1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2010

The 1700's: Colonial Times

Medicine was fairly rudimentary for the first few generations of colonists who landed in the new world, primarily because very few upper-class physicians emigrated to the colonies. Women played a significant role in administering care in these early days, most notably when it came to childbirth.

Mortality in those early days was extremely high, most especially for infants and small children. Malaria was particularly brutal, as was diphtheria and yellow fever. Most of the sick were treated with folk remedies, though smallpox inoculation was introduced earn-on (long before it was embraced in Europe.) In these early days, there was virtually no government regulation or attention paid to public health.

The first medical society was formed in Boston in 1735. Fifteen years later, in 1750, the first general hospital was established in Philadelphia. In 1765, the Medical College of Philadelphia was founded. Two years later, the medical department of King's College was established in New York, and in 1770 they awarded the first American M.D. degree.



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The Mid 1800's: The Civil War

As was common in the day, more soldiers died of disease than from fighting in the Civil War. The conditions in the Confederacy were particularly brutal, due to severe shortages of medical supplies and physicians. Lack of hygiene and cramped quarters brought about epidemics of childhood diseases like measles, mumps, chickenpox, and whooping cough. Diarrhea, dysentery, and typhoid fever ravaged the south, in particular.

The war did usher in a wave of progress in the form of surgical techniques, research, nursing methods, and care facilities. The Union built army hospitals in every state, and proactive medical organizers achieved considerable progress thanks to a well-funded United States Army Medical Department and the United States Sanitary Commission. Numerous other new health-related agencies were also formed during this time, raising public consciousness about healthcare.

In addition to the Federal government, states also started pouring money into healthcare. Following the particularly bloody battle of Shiloh in April of 1862, the state of Ohio sent boats to the scene, which they converted into floating hospitals. Similar actions in other states soon followed.

After the war ended, in 1886, the U.S. Army established the Hospital Corps. Significant amounts of statistical data were collected during the war, necessitating methods to access and search this treasure trove of information for pattern recognition. John Shaw Billings, who served as a senior surgeon during the war, built the Library of the Surgeon General's Office, which became the hub of our modern medical information systems.

Though founded in 1849, the American Medical Association (AMA) started to gain momentum towards the end of the century, and by 1899 it grew its membership to capture nearly half the physicians in the country. Most healthcare up to this point in time was provided as a "fee-for-service," with payment due at the time of care. Some private insurance pools and employer-provided healthcare exists, but not much.

Patients in Ward K of Armory Square Hospital - Washington, D.C., August 1865

The 1900's: The Industrial Revolution, Unions and Organized Healthcare

As President at the turn of the century, Theodore Roosevelt (1901-1909), believed health insurance was important because "no country could be strong whose people were sick and poor." Even so, he didn't lead the charge for stronger healthcare in America. In fact, most of the initiatives in the early 1900s were led by organizations outside the government.

As the industrial revolution continued to roll-on, the dangerous nature of the work led to more and more workplace injuries. As these manufacturing jobs (much of them involving strenuous activities and heavy machinery) became increasingly more prevalent, unions grew stronger. To shield union members from catastrophic financial losses due to injury or illness, companies began to offer various forms of sickness protection.

> "No country could be strong whose people were sick and poor."
>
> THEODORE ROOSEVELT

One of the organizations heavily involved with advancing healthcare for American workers was the American Association of Labor Legislation (AALL), who drafted legislation targeting the working class and low-income citizens (including children).

Under their proposed bill, qualified recipients would receive sick pay, maternity benefits, and a death benefit of $50.00 to cover funeral expenses. The cost of these benefits would be split between states, employers, and employees.

The AMA initially supported the bill, but some medical societies expressed objections, citing concerns over how doctors would be compensated. The fierce opposition caused the AMA to back down and ultimately pull support for the AALL bill. Union leaders also feared that compulsory health insurance would weaken their value, as a portion of their power came from being able to negotiate insurance benefits for union members.

The private insurance industry also opposed the AALL Bill because they feared it would undermine their business. If Americans received compulsory insurance through the government, they might not see the need to purchase additional insurance policies privately, which could put them out of business — or at the very least, cut into their profits. In the end, the AALL bill couldn't garner enough support to move forward.

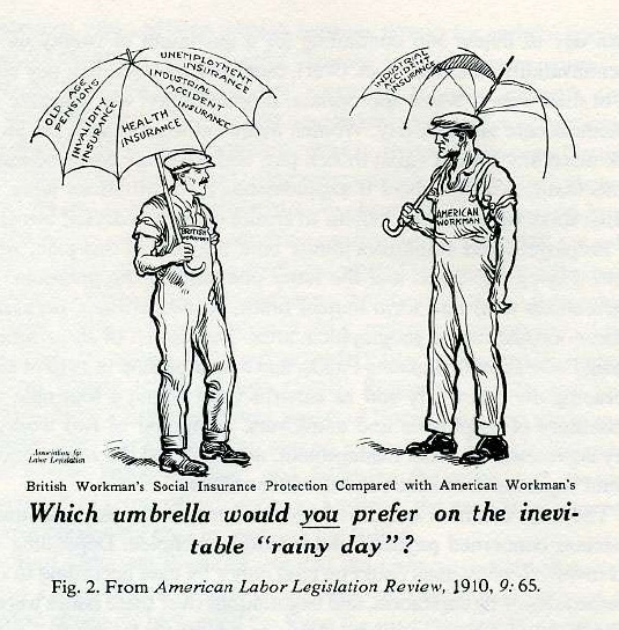
Around the same time the AALL was pushing for worker protections, the Progressive Party was championing the idea of a National Health Service and public healthcare for the elderly, disabled, and unemployed. Here too, the AMA and other organizations put up strong opposition to the plan, and the American working class also wasn't supportive of the idea of compulsory healthcare.

In 1916, the Progressive Party dissolved, thereby ensuring that the U.S. wouldn't experience the groundswell of public support for public healthcare that leading European nations would experience soon after.

The 1910's - 1920's: WWI and Blue Cross Blue Shield

After the start of World War I, Congress passed the War Risk Insurance Act, which covered military service members in the event of death or injury. The Act was later amended to extend financial support to the servicemen's dependents. The War Risk Insurance program essentially ended with the conclusion of the war in 1918, though benefits continued to be paid to survivors and their families.

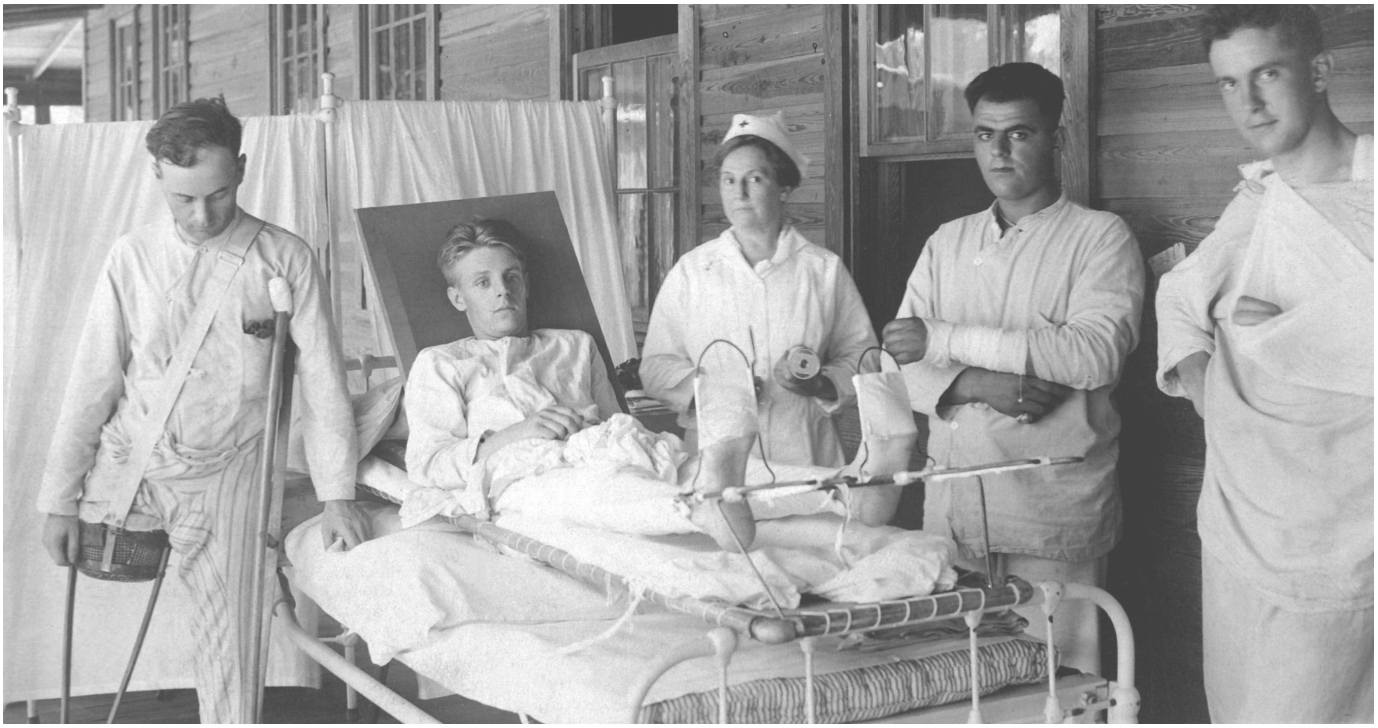
After the war, the cost of healthcare became a more pressing matter, as hospitals and physicians began to charge more than the average citizen could afford. In 1923, Baylor Hospitals in Dallas created a unique program, in conjunction with local schools, to provide healthcare to teachers for a pre-paid monthly fee. The program quickly caught on, expanding to schools across the nation, thereby giving birth to the nonprofit Blue Cross/Blue Shield. Private insurers took notice, inspiring a host of them to enter the market.



British Workman's Social Insurance Protection Compared with American Workman's

Which umbrella would you prefer on the inevitable "rainy day"?

Fig. 2. From *American Labor Legislation Review*, 1910, *9*: 65.



Wounded American WWI Veterans at the Base Hospital of Camp Joseph E. Johnston, Florida. Ca. 1918.

The 1930's: The Great Depression, Social Security and Henry Kaiser

When the Great Depression hit in the '30s, healthcare became a more heated debate, most notably for the unemployed and elderly. Even though "The Blues" (Blue Cross and Blue Shield) were expanding across the country, the 32nd President of the United States, Franklin Delano Roosevelt (1933-1945), knew healthcare would grow to be a substantial problem, so he got to work on a health insurance bill that included the "old age" benefits desperately needed at the time.

However, the AMA once again fiercely opposed any plan for a national health system, causing FDR to drop the health insurance portion of the bill. The resulting Social Security Act of 1935 created the first real system of its kind to provide public support for the retired and elderly. It also allowed states to develop provisions for people who were either unemployed or disabled (or both).

Around this time, Henry Kaiser, a leading industrialist of the day, contracted with Dr. Sidney Garfield to provide pre-paid healthcare to 6,500 of his employees working in a rather remote region on the largest construction site in history - the Grand Coulee Dam. (Dr. Garfield had recently set-up a similar arrangement to provide care to thousands of men working on the Colorado River Aqueduct Project.)

The program was a big hit with Kaiser's workers and their families, but as the dam neared completion in 1941, it seemed as if the program would fade away.

President Franklin D. Roosevelt signing the Social Security Act of 1935.

The Social Security Act of 1935 created a system of "old-age" benefits.

The Early 1940's: World War II and Employer-Sponsored Healthcare

As the U.S. entered World War II after the attack on Pearl Harbor, attention fell from the publicly-provided health insurance debate. Essentially all government focus was placed on the war effort, including the Stabilization Act of 1942, which was written to fight inflation by limiting wage increases.

Since U.S. businesses were prohibited from offering higher salaries, they began looking for other ways to recruit new employees as well as incentivizing existing ones to stay. Their solution was the foundation of employer-sponsored health insurance as we know it today.

Employees enjoyed this benefit, as they didn't have to pay taxes on their new form of compensation, and they were able to secure healthcare for themselves and their families.

America's entry into World War II also brought tens of thousands of workers pouring into the Henry Kaiser Shipyards in California, Washington, and Oregon, to meet the county's demand for warships.

Facing the same issue he did with his dam project, of providing healthcare to more than 30,000 employees working in fairly remote areas, Kaiser once again contracted with Dr. Garfield (who President Roosevelt has to release from his military obligation) to organize and run a pre-paid group practice for these shipyard workers. This pre-paid arrangement of care would eventually become the Kaiser Permanente Health Plan, which would eventually evolve into our present-day managed care system of HMOs and PPOs.

Kaiser shipyard workers in Swan Island Mess Hall, 1943.

The Mid-to-Late 1940's: Post World War II

After the war ended, the practice of employers providing healthcare continued to spread, as veterans returned home and began looking for work in a bustling economy desperate to recruit the best talent.

While this was an improvement for many, it left out vulnerable groups of people: retirees, those who are unemployed, those unable to work due to a disability, and those who had an employer that did not offer health insurance. In an effort to not alienate at-risk citizens, some government officials felt it was important to keep pushing for a national healthcare system.

The Wagner-Murray-Dingell Bill was introduced in 1943, proposing universal health care funded through a payroll tax. If the history of healthcare thus far could be a lesson for anyone, the bill faced intense opposition and eventually drowned in committee.

Truman's plan included all Americans, rather than only working class and poor citizens who had a hard time affording care — and it was met with mixed reactions in Congress.

President Harry Truman pitches universal health care in 1949.

When FDR died in 1945, Harry Truman (1945-1953) became the 33rd President of the United States. He took over FDR's old national health insurance platform from the mid-'30s, but with some fundamental changes. Truman's plan included all Americans, rather than only working class and poor citizens who had a hard time affording care — and it was met with mixed reactions in Congress.

Some members of Congress called the plan "socialist" and suggested that it came straight out of the Soviet Union, adding fuel to the Red Scare that was already gripping the nation. Once again, the AMA took a hard stance against the bill, also claiming the Truman Administration was towing "the Moscow party line." The AMA even introduced their own plan, which proposed private insurance options, departing from their previous platform that opposed third-parties in healthcare.

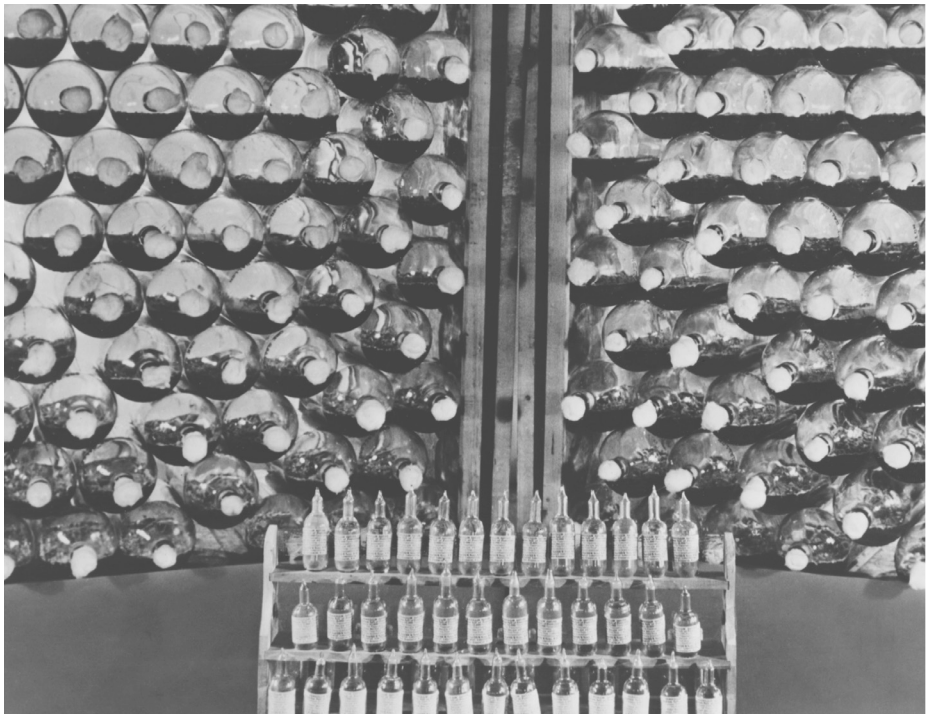
Even after Truman was re-elected in 1948, his health insurance plan died as public support dropped off, and the Korean War began. Those who could afford it began purchasing health insurance plans privately, and labor unions used employer-sponsored benefits as a bargaining chip during negotiations.

The 1950's: Medical Advancements and Costs

As the government became primarily concerned with the Korean War, the national health insurance debate was tabled, once again. While the country tried to recover from its third war in 40 years, medicine was moving forward. It could be argued that the effects of Penicillin in the '40s opened people's eyes to the benefits of medical advancements and discoveries.

In 1952, Jonas Salk's team at the University of Pittsburgh created an effective Polio vaccine, which was tested nationwide two years later and was approved in 1955. During this same time frame, the first organ transplant was performed when Dr. Joseph Murray and Dr. David Hume took a kidney from one man and successfully placed it in his twin brother.

Of course, with such leaps in medical advancement, came additional cost — a story from the history of healthcare that is still repeated today. During this decade, the price of hospital care doubled, again pointing to America's desperate need for affordable healthcare. But in the meantime, not much changed in the health insurance landscape.



The effects of Penicillin in the 40's opened people's eyes to the benefits of medical advancements and discoveries.

The 1960's: Social Security Expansion

By 1960, the government started tracking National Health Expenditures (NHE) and calculated them as a percentage of Gross Domestic Product (GDP). At the start of the decade, NHE accounted for 5 percent of GDP.

When John F. Kennedy (1961-1963) was sworn in as the 35th President of the United States, he wasted no time at all on a healthcare plan for senior citizens. Seeing that NHE would continue to increase and knowing that retirees would be most affected, he urged Americans to get involved in the legislative process and pushed Congress to pass his bill. But in the end, it failed miserably against harsh AMA opposition and again — fear of socialized medicine.

After Kennedy was assassinated on November 22, 1963, Vice President Lyndon B. Johnson (1963-1969) took over as the 36th President of the United States. He picked up where Kennedy left off with a senior citizen's health plan. He proposed an extension and expansion of the Social Security Act of 1935, as well as the Hill-Burton Program (which gave government grants to medical facilities in need of modernization, in exchange for providing a "reasonable" amount of medical services to those who could not pay).

Johnson's plan focused solely on making sure senior and disabled citizens were still able to access affordable healthcare, both through physicians and hospitals. Though Congress made hundreds of amendments to the original bill, it did not face nearly the opposition that preceding legislation had — one could speculate as to the reason for its easier path to success. Still, it would be impossible to pinpoint with certainty.

It passed the House and Senate with generous margins and went to the President's desk. Johnson signed the Social Security Act of 1965 on July 30 of that year, with President Harry Truman sitting at the table with him. This bill laid the groundwork for what we now know as Medicare and Medicaid.

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President Lyndon B. Johnson signs the Social Security Act of 1965.

The 1970's: A Push for National Health Insurance

By 1970, NHE accounted for 6.9 percent of GDP, due in part to "unexpectedly high" Medicare expenses. Because the U.S. had not formalized a health insurance system (it was still just people who could afford it buying insurance), they didn't really have any idea how much it would cost to provide healthcare for an entire group of people — especially an older group who is more likely to have health problems. Nevertheless, this was quite a leap in a ten year time span, but it wouldn't be the last time we'd see such jumps. This decade would mark another push for national health insurance — this time from unexpected places.

Richard Nixon (1969-1974) was elected the 37th President of the United States in 1968. As a teen, he watched two brothers die and saw his family struggle through the 1920s to care for them. To earn extra money for the household, he worked as a janitor. When it came time to apply for colleges, he had to turn Harvard down because his scholarship didn't include room and board.

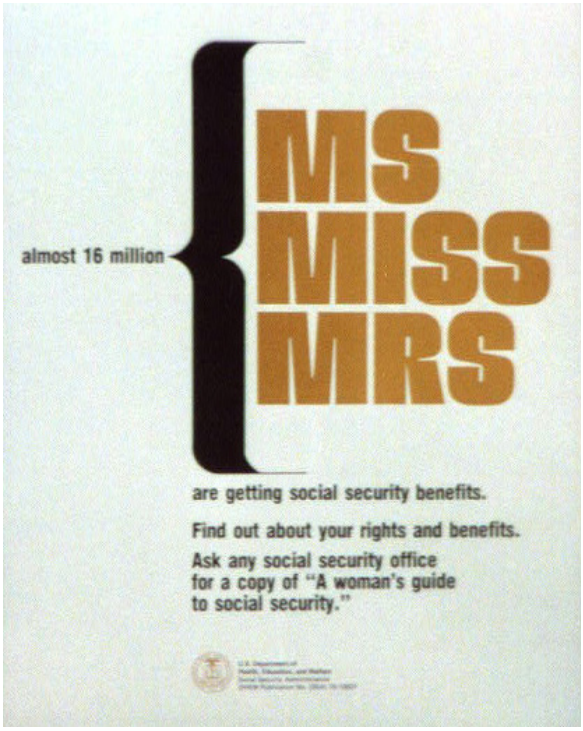
Entering the White House as a Republican, many were surprised when he proposed new legislation that strayed from party lines in the healthcare debate. With Medicare still fresh in everyone's minds, it wasn't a stretch to believe additional healthcare reform would come hot on its heels, so members of Congress were already working on a plan.

In 1971, Senator Edward (Ted) Kennedy proposed a single-payer plan (a modern version of a universal, or compulsory system) that would be funded through taxes. Nixon didn't want the government reaching so far into Americans' lives, so he proposed his own plan, which required employers to offer health insurance to employees and even provided subsidies to those who had trouble affording the cost.

Nixon believed that basing a health insurance system in the open marketplace was the best way to strengthen the existing makeshift system of private insurers. In theory, this would have allowed the majority of Americans to have some form of health insurance. People of working age (and their immediate families) would have insurance through their employers, and then they'd be on Medicare when they retired. Lawmakers believed the bill satisfied the AMA because doctors' fees and decisions would not be influenced by the government.

Kennedy and Nixon ended up working together on a plan, but in the end, Kennedy buckled under pressure from unions, and he walked away from the deal — a decision he later said was "one of the biggest mistakes of his life." Shortly after negotiations broke down, Watergate hit, and all the support Nixon's healthcare plan had garnered completely disappeared. The bill did not survive his resignation, and his successor, Gerald Ford (1974-1977), distanced himself from the scandal.

However, Nixon was able to accomplish two healthcare-related tasks. The first was an expansion of Medicare in the Social Security Amendment of 1972, and the other was the Health Maintenance Organization Act of 1973 (HMO), which established some order in the healthcare industry chaos. But by the end of the decade, American medicine was considered to be in "crisis," aided by an economic recession and heavy inflation.



1976 poster advertising social security benefits.

The 1980's: NHE Increases and COBRA

By 1980, NHE accounted for 8.9 percent of GDP, an even larger leap than the decade prior. Under the Reagan Administration (1981-1989), regulations loosened across the board, and privatization of healthcare became increasingly common.

In 1986, Reagan signed the Consolidated Omnibus Budget Reconciliation Act (COBRA), which allowed former employees to continue to be enrolled in their previous employer's group health plan — as long as they agreed to pay the full premium (employer portion plus employee contribution). This provided health insurance access to the recently unemployed who might have otherwise had difficulty purchasing private insurance (due to a pre-existing condition, for example).

COBRA allowed former employees to continue to be enrolled in their previous employer's group health plan if they agreed to pay the full premium.

The 1990's: HIPAA & Medicaid Expansion

Above: *First lady Hillary Rodham Clinton testifying on Capitol Hill on health care reform.* **Below:** *Clinton signs HIPPA into law in 1996.*

By 1990, NHE accounted for 12.1 percent of GDP — the largest increase thus far in the history of healthcare. Like others before him, the 42nd President of the United States, Bill Clinton (1993-2001), saw that this rapid increase in healthcare expenses would be damaging to the average American and attempted to take action.

Shortly after being sworn in, Clinton proposed the Health Security Act of 1993. It offered many similar ideas to FDR and Nixon's plans — a mix of universal coverage while respecting the private insurance system that had formed on its own in the absence of legislation. Individuals could purchase insurance through "state-based cooperatives," companies could not deny anyone based on a pre-existing condition, and employers would be required to offer health insurance to full-time employees.

Multiple issues stood in the way of the Clinton plan, including foreign affairs, the complexity of the bill, an increasing national deficit, and opposition from big business. After a period of debate toward the end of 1993, Congress left for winter recess with no conclusions or decisions, leading to the bill's quiet death.

In 1996, Clinton signed the Health Insurance Portability and Accountability Act (HIPAA), which established privacy standards for individuals. It also guaranteed that a person's medical records would be available upon their request and placed restrictions on how pre-existing conditions were treated in group health plans.

The final healthcare contribution from the Clinton Administration was part of the Balanced Budget Act of 1997. It was called the Children's Health Insurance Program (CHIP), and it expanded Medicaid assistance to "uninsured children up to age 19 in families with incomes too high to qualify them for Medicaid." CHIP is run by each individual state and is still in use today.

In the meantime, employers were trying to find ways to cut back on healthcare costs. In some cases, this meant offering HMOs, which by design, are meant to cost both the insurer and the enrollee less money. Typically this includes cost-saving measures, such as narrow networks and requiring enrollees to see a primary care physician (PCP) before a specialist. Generally speaking, insurance companies were trying to gain more control over how people received healthcare. This strategy worked overall — the 90's saw slower healthcare cost growth than previous decades.

The Early 2000's: Extending Coverage to Millions of Americans

By the year 2000, NHE accounted for 13.3 percent of GDP—just a 1.2 percent increase over the past decade. When George W. Bush (2001-2009) was elected the 43rd President of the United States, he wanted to update Medicare to include prescription drug coverage. This idea eventually turned into the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (sometimes called Medicare Part D). Enrollment was (and still is) voluntary, although millions of Americans use the program.

The history of healthcare slowed down at that point, as the national healthcare debate was tabled while the U.S. focused on the increased threat of terrorism and the second Iraq War. It wasn't until election campaign mumblings began in 2006 and 2007 that insurance worked its way back into the national discussion. This period of time would bring a new, but divisive chapter in the history of healthcare in America.

2008 to 2016: The Affordable Care Act and Pre-existing Conditions

When Barack Obama was elected the 44th President of the United States in 2008, he wasted no time getting to work on healthcare reform. He worked closely with Senator Ted Kennedy to create a new healthcare law that mirrored the one Kennedy and Nixon worked on in the '70s.

Like Nixon's bill, it mandated that applicable large employers provide health insurance, in addition to requiring that all Americans carry health insurance, even if their employer did not offer it. The bill would establish an open Marketplace, on which insurance companies could not deny coverage based on pre-existing conditions. American citizens earning less than 400 percent of the poverty level would qualify for subsidies to help cover the cost.

It wasn't universal or single-payer coverage, but instead used the existing private insurance industry model to extend coverage to millions of Americans. The bill circulated the House and the Senate for months, going through multiple revisions, but ultimately, passed and moved to the President's desk.

President Barack Obama speaks during Organizing for America's national health care forum at the Democratic National Committee (DNC) Headquarters in Washington, DC, August 20, 2009.

1700 | 1800 | 1900 | 1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | **2010**

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA), commonly called the Affordable Care Act (ACA) or ObamaCare into law. The law represented the most significant overhaul and expansion of healthcare coverage since the passage of Medicare and Medicaid back in 1965.

Because the law was complex and the first of its kind, the government issued a multi-year rollout of its provisions. In theory, this should have helped ease insurance companies (and individuals) through the transition, but in practice, things weren't so smooth. The first open enrollment season for the Marketplace started in October 2013, and it was rocky, to say the least.

Nevertheless, 8 million people signed up for insurance through the ACA Marketplace during the first open enrollment season, with enrollment peaking in 2016 at 12.2 million (with 10 million of those receiving subsidies to help pay for insurance).

8 million people signed up for insurance through the ACA Marketplace during the first open enrollment season.

At launch, the ACA was met with heavy opposition for a variety of reasons—the individual mandate and the employer mandate being two of the most hotly contested. Some provisions were even taken before the Supreme Court on the basis of constitutionality. In addition, critics highlighted the problems with healthcare.gov as a sign this grand "socialist" plan was destined to fail. Though many were largely symbolic, Congress has voted well over 50 times to repeal the ACA.

Regardless of the controversy, it could be argued that the most helpful part of the ACA was its pre-existing condition clause. Over the course of the 20th century, insurance companies began denying coverage to individuals with pre-existing conditions, such as asthma, heart attacks, strokes, and AIDS.

The exact point when pre-existing conditions were targeted for exclusion is debatable, but very possibly, it occurred as for-profit insurance companies popped up across the landscape. Back in the '20s, not-for-profit Blue Cross charged the same amount, regardless of age, sex, or pre-existing condition, but eventually, they changed their status to compete with the newcomers. And as the cost of healthcare increased, so did the number of people being denied coverage.

Prior to the passing of the ACA, it's estimated that one in seven Americans were denied health insurance because of a pre-existing condition, the list of which was extensive and often elusive, thanks to variations between insurance companies and language like "including, but not limited to the following."

8.5% of the U.S. population (roughly 27.5 million Americans) remain uninsured.

In addition, the ACA allowed for immediate coverage of maternal and prenatal care, which had previously been far more restrictive in private insurance policies. Usually, women had to pay an additional fee for maternity coverage for at least 12 months prior to prenatal care being covered — otherwise, the pregnancy was viewed as a pre-existing condition and services involving prenatal care (bloodwork, ultrasounds, check-ups, etc) were not included in the policy.

According to the Kaiser Family Foundation, the ACA has covered an average of 11.3 million annually since its inception, though 8.5% of the U.S. population (roughly 27.5 million Americans) remain uninsured, as reported by the KKF in 2018.

Many who study our healthcare system wonder why, even after the passage of the ACA, such a large number of people remain uninsured. While there are several reasons for this, the primary factors include; undocumented immigrates who are ineligible for Medicare or Marketplace coverage, people eligible for financial assistance under the ACA but unaware that aid exists, and poor adults living in states that did not expand Medicaid.

2017 to Present Day: The Trump Presidency

Since Donald Trump was sworn in as the 45th President of the United States on January 20, 2017, many have questioned what would happen with our healthcare system — specifically, what would happen to the ACA, since Donald Trump ran on a platform of "repealing and replacing" the bill.

The day President Trump was inaugurated, January 20, 2017, he issued an executive order directing administration officials "to waive, defer, grant exemptions from, or delay" implementing parts of the ACA, while Congress prepared to repeal and replace President Obama's signature healthcare law.

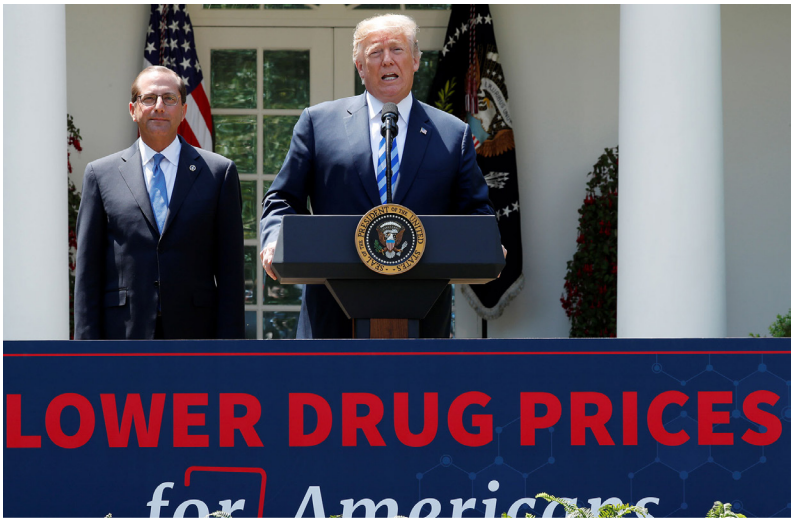
Six months later, in a dramatic legislative move, the late Senator John McCain voted down a critical vote by the Senate to repeal the ACA. Since that time, the Trump administration has resorted to systematically dismantling the ACA via a piecemeal approach designed to self-admittedly destabilize the program.

Then, in December of 2017, as part of the 2017 tax reconciliation act, the "individual mandate" was struck down. It required all U.S. residents to carry health insurance or pay a penalty. The mandate worked to ensure that healthy individuals were part of the insurance pool, thereby spreading risk, a fundamental and necessary element of a successful insurance market. Eliminating the penalty immediately caused insurance premiums to rise, even though the elimination of the penalty didn't go into effect until January of 2019. Premiums, for the most part, have leveled off since then.

In January of 2018, the Trump administration allowed states to add work requirements to Medicaid, requiring beneficiaries to prove that they either work or go to school. As of October 2019, 18 states have applied to the federal government to implement these work requirements, but most haven't yet taken effect. The issue is likely headed to the Supreme Court.

Also, in 2017, the Trump administration stopped paying cost-sharing subsidies to insurers, which were intended to motivate carriers to participate and keep rates down while participating in the ACA insurance marketplaces. While many anticipated that premiums were going to skyrocket when this happened, insurers mostly addressed this by implementing a pricing strategy nicknamed "sliver loading," which kept price increases contained mostly to their silver plans. Because the sliver plan is the one used to calculate tax credits, insurers essentially found a way to circumvent the system, with some experts believing that this strategy has actually led to an increase in federal spending.

Two other actions by the Trump administration are worth noting. The first was their expansion of short-term skinny plans, which typically lack "essential benefits" the ACA set out to define as mandatory. President Obama, viewing these products as bridge plans, limited them to three-month terms. The Trump administration issued a rule in 2018 extending these plans to last 364 days, with a renewable option for an additional three years. Lastly, in August of 2017, the Trump administration significantly cut federal spending on programs intended to promote awareness of the ACA exchanges, as well as guide people through the enrollment process via ACA navigators.



Released in 2018, American Patients First is President Trump's blueprint to lower prescription drug prices and reduce consumer out-of-pocket costs.

Despite these actions, the ACA has shown itself to be fairly resilient. While some of the Trump administration's efforts have been caught up in the courts, and others simply haven't gone into effect, some have been successfully implemented. Yet despite this, and the rising cost of insurance premiums, enrollment in the ACA has stayed relatively steady.

To be fair, the ACA did a remarkable job of expanding healthcare to more of the population. Yet, it did almost nothing to contain runaway medical costs, as evidenced by seemingly never-ending increases in the cost of facility expenses and prescription drugs, just to name two areas of healthcare expense left virtually untouched by the law. It also all but decimated the private market for individual health plans, leaving only narrowly defined provider networks as the only option for those shopping for individual plans.

THE FUTURE OF HEALTHCARE: THE 2019/2020 ELECTION YEAR

Hungry to notch a win on healthcare before the 2020 election, the Trump administration continues to push ahead on initiatives designed to reign-in healthcare costs. In Nov of 2019, the White House issued an executive order designed to bring pricing transparency to the healthcare system. Issued jointly by the Department of Health and Human Services (HHS), the Treasury Department, and the Department of Labor (DOL), the proposed rule would force hospitals and insurers to disclose the secretive rates they negotiate with each other for an extensive list of services, including doctor and facility fees, supplies, and even drug costs.

The rule even stipulated that these disclosed rates would have to be published in computer-friendly file formats. Insurers would also be required to provide transparency tools to consumers, allowing them to obtain cost information prior to receiving care. Once public, it wouldn't be long before consumers could easily access and compare pricing across multiple providers—the holy grail for advocates of consumer-driven healthcare.

Just a month later, in Dec of 2019, competing bills designed to reign-in prescription drug prices made their way through Congress. Attempting to capitalize on President Trump's rather unorthodox public support for government negotiation of drug prices (a 2016 campaign pledge), Speaker of the House Nancy Pelosi pushed through a house bill in mid-December aimed at lower drug prices. The Congressional Budget Office (CBO) estimated that the bill could result in price cuts of 40% to 50% for pharmacy drugs subject to negotiations, cutting industry revenues by $500 billion to $1 trillion over 10 years.

Republicans, most of whom strongly oppose authorizing Medicare to negotiate drug pricing, swore to sideline the bill in the Republican-controlled Senate. Even the White House turned on the bill, arguing that it would keep over a third (100) of new drugs from coming to market in the next decade, (an estimate 10x greater than the nonpartisan CBO has calculated).

Declared "dead on arrival" in the Senate, President Trump then backed a competing bill in the Senate—a bipartisan piece of legislation from Senators Chuck Grassley (R-Iowa) and Ron Wyden (D- Ore.)—that would require drug makers to pay rebates to Medicare if they hike prices above inflation, much like Pelosi's bill. Both the House and Senate bills would also cap what Medicare recipients must pay annually in out-of-pocket costs for their prescriptions.

High costs remain a major pain point in American health care. The 2020 election will set the tone for health care policy in the new decade.

At present, neither bill has been signed into law, and neither seem likely to pass anytime soon. Senate Majority Leader Mitch McConnell (R-Ky.) has said publicly that he's unwilling to bring up a bill that splits his caucus (and several Republicans have said the measure is akin to imposing price controls, which they have long opposed.)

While both bills appear doomed, it does seem as if the wagons are finally circling around the pharmaceutical industry. Backed into a corner, President Trump may try once again to get something going through an executive order. In a major rose garden ceremony in the summer of 2019, he announced an aggressive plan to "bring soaring drug prices back down to earth" by promoting competition among pharmaceutical companies and giving private entities more tools to negotiate better deals on behalf of consumers, insurers and employers.

It was an ambitious plan, but his efforts were quickly spoiled by lawsuits, including one by a trio of big pharma manufacturers who convinced a federal judge to overturn a requirement that companies include a medication's list price in direct-to-consumer advertising. Fearful that his proposal to reduce out-of-pocket expenses for older consumers would raise premiums heading into a reelection campaign, he also relented and took his foot off the accelerator for the entire initiative.

While it's possible the same thing won't happen this time around, the President does have a habit of making grand gestures and statements, only to back pedal over time—most notably when special interests get the opportunity to bend his ear.

IN CLOSING

At the time of writing (March 2020), neither political party seems willing to work together on anything healthcare-related, lest its success or failure become fodder for what is already a very contentious election year.

Pundits like Rick Wilson, a Republican strategist, but in no way a fan of President Trump, recently chastised Democrats for working across party lines, fearing it weakens their case for painting the President as inept.

Perhaps the last, best hope for fixing what appears to be an unsustainable underlying cost structure to the U.S. healthcare system is the American public, the vast majority of whom want both parties to work together. The public can make their voices heard at town halls as well as at the ballot box this November.

ABOUT THE JP GRIFFIN GROUP

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