

# Healthcare and the Coronavirus



## NEWS UPDATE

- At least 14.5 million Americans are receiving healthcare in 2022, a record number thanks to the Biden administration. President Biden increased the subsidies that go to insurance providers to lower the premiums for their healthcare plans on the ACA marketplace. He also extended the sign-up period. Unfortunately, the higher subsidies will end at the end of the year unless Congress approves the extension in Biden's proposals in his Build Back Better legislation (Ricardo Alonso-Zaldivar, *The Associated Press*, Jan. 28, 2022). You can keep track of Build Back Better on the White House website, [www.whitehouse.gov](http://www.whitehouse.gov).
- “The left is now rationing life-saving therapeutics based on race, discriminating against and denigrating — just denigrating — white people ... if you're white you don't get the vaccine or if you're white you don't get therapeutics ... if you're white, you have to go to the back of the line to get medical health.” With these incendiary lies (which we've noted in an earlier chapter), former President Donald Trump hit the 2022 campaign trail of white grievance.
- In July 2022, the United States will switch to a new suicide prevention hotline at 988. This number can also be used for any mental health crisis, meaning that the old 911 number (which wasn't specifically geared toward mental health) can be used for other types of emergencies necessitating a police presence. You may wish to share this information with your students.

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## PURPOSE

This chapter continues our focus on the topic of equity, and it is the third among the chapters on social issues and government social programs. We've noted that our nation lacks the extensive safety net found in other Western countries, but we can acknowledge that with the Affordable Care Act (Obamacare), we are at least much closer to having comprehensive and universal healthcare coverage than in the past. While out-of-pocket healthcare expenses can remain high, and while about 9 percent of our population lacks health insurance (with wide disparities among racial and ethnic groups), we are in a far better place than before the Affordable Care Act (ACA). Nevertheless, our students will learn that while the United States spends by far the largest share of GDP among the Western industrialized countries, our healthcare outcomes are closer to the bottom among the developed and even below some of the less developed countries. Unfortunately, a great deal of inefficiency and inequity remains in our national healthcare system, and we will use the tools of production possibilities and the demand and supply model to assess these. And, of course, the COVID-19 pandemic has made the issue of healthcare, once a bit boring for the relatively healthy age group that includes most of our students, suddenly quite interesting.

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## WHAT'S NEW?

1. The coronavirus pandemic is new for this generation of students and their teachers. We have not experienced such a widespread, deadly, and disruptive pandemic in our lifetimes. This pandemic heightens the many existing issues of inequality, racial inequity, scarcity, and an inadequate safety net.

2. Data are updated, including healthcare expenditures, life expectancies, infant mortality rates, and insurance coverage; and disparities in access to healthcare and its outcomes among different racial and ethnic groups are addressed.
3. During the 2020 Democratic debates, progressive candidates like Bernie Sanders advocated for Medicare for All, a form of single-payer coverage. Others, including more moderate Joe Biden, argued in favor of expanding the ACA, including a public option so that all Americans would be covered. You may want to discuss some of the new studies in the text that reveal large cost savings with single-payer coverage.
4. President Biden has initiated policies and proposals for expanded healthcare, including those addressing the pandemic, paid sick leave and maternity leave, elimination of lead pipes, and extended Medicaid, as well as expanded Medicare that includes vision, dental, and hearing.

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## TEACHING SUGGESTIONS

### ► *Student Interest*

- Even if students were never interested in healthcare before, they have certainly become more interested in the context of the COVID-19 pandemic. Depending on your school's policies, you may want to ask:
  - Are students vaccinated and boosted against COVID-19?
  - Do students wear face masks in public?
  - Do students self-distance in public?
  - Do students avoid crowded indoor facilities?
- I also ask about the students' healthcare coverage, including:
  - Are they covered by health insurance?
  - What kind of coverage does their family have?
  - What kinds of out-of-pocket expenses do their families incur?
  - Does the family's health insurance include a great deal of bureaucracy, especially if the family has more than one form of insurance (such as Medicare and a private supplemental plan)?
- You can personalize some of the characteristics of healthcare by asking questions like:
  - Would you overuse healthcare if it was entirely free?
  - Would you get preventative care if you had to pay some amount for it? What if you had to pay for a lot of it?
  - Does your healthcare provider have physician sovereignty when it comes to your healthcare?

### ► *Controversy*

- If you ask your students about the quality of U.S. healthcare, many of them will proclaim that our healthcare system is the best in the world! This presents the opportunity to compare expenditures and outcomes of healthcare among the developed countries, forcing students to come to grips with the reasons our healthcare system is not cost-effective.
- I tell my students about the graphic example of the 32-year-old son of my best childhood friend. Lacking health insurance, his diabetes went undiagnosed until his body was filled with gangrene. Even though the hospital admitted him for emergency care and performed one surgery after another, cutting away the rotted parts of his body, he finally died. He died for lack of preventative care, leaving behind a wife and two little girls. Plenty of money was spent to no avail.

➤ *Economic Theory and Models*

- The production possibilities curve is used to show how increased purchases of healthcare means less of other goods and services. It can also be used to show the impact of inefficiencies in our healthcare system.
- The demand and supply model is used to show how the characteristics of healthcare cause a rise in demand, and therefore a rise in price.

➤ *Data and Terminology*

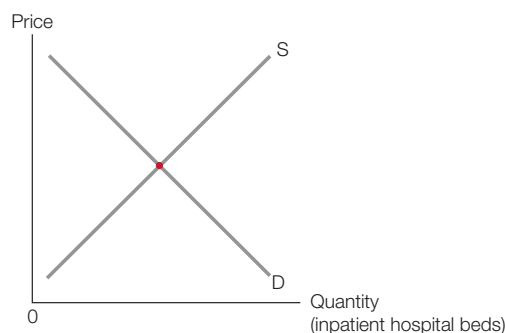
- I like students to memorize “ballpark” numbers for important statistics (such as the share of our population that is uninsured, or the U.S. life expectancy). I think these are important enough that students should have a general idea of the numbers.
- Students are unlikely to know the mechanics of health insurance. You can ask them about deductibles and co-payments, premiums, pharmaceutical drug prices, and so on, and explain these to them if they have difficulty. More details are available in the appendix to the chapter.

➤ *Fundamentals*

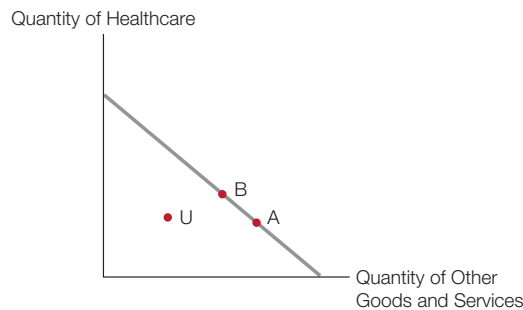
- Just as inequality results in disparate access to quality education and housing, the same is true of healthcare. The poor have less access to health insurance, less opportunity for receiving healthcare, and less healthy lifestyles than higher income people.
- Similarly, racial and ethnic minorities have less access to health insurance and live in segregated residential areas without adequate healthcare and nutritious food. They are more susceptible to violence and polluted air.

## CLASSROOM EXERCISES

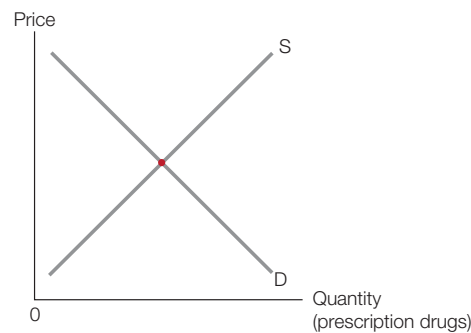
1. Assume the following graph shows the supply and demand for hospital beds. Label the equilibrium point (E) within the graph, and label the equilibrium price (P) and equilibrium quantity (Q) along the appropriate axes. Shift the curve to show what happens if insurance policies change so that a procedure once done in the hospital is now only covered if done on an outpatient basis. Label the new equilibrium (E') within the graph. Label the new equilibrium price (P') and equilibrium quantity (Q') along the appropriate axes. What happens to price? [Decrease] To the quantity? [Decrease]



2. Use the production possibilities model to show the shift in the demand for healthcare over time in the United States. [A movement from point A to point B.] What is the opportunity cost of this shift? [We give up other goods and services.] Label a point U in the graph that would represent inefficiencies in the healthcare system.



3. The following is the demand and supply of a certain prescription drug taken by elderly persons. Label the equilibrium point (E) within the graph and label the equilibrium price (P) and equilibrium quantity (Q) along the appropriate axes. Shift the curve to show what happens if Medicare begins covering the full cost of prescription drugs for those who are eligible. Label the new equilibrium point (E') within the graph. Label the new equilibrium price (P') and equilibrium quantity (Q') along the appropriate axes. What happens to the price of the drug? [Increase] The quantity of the drug? [Increase].



4. Explain how each of the following affects resources allocated to healthcare:
- third-party payment [increase]
  - defensive medicine [increase]
  - physician sovereignty [increase]
  - our tendency to sue for malpractice [increase]
  - our desire for new technology [increase]

## SAMPLE TEST QUESTIONS

### Multiple Choice Questions

1. About how much money was spent on healthcare per person on average in the United States in 2020?
- \$1,000
  - \$12,000**
  - \$120,000
  - \$250,000

2. Which country spends the most money as a share of GDP on healthcare?
  - a. Austria
  - b. Canada
  - c. the United States**
  - d. Norway
3. Life expectancy is the highest in:
  - a. Japan and Switzerland**
  - b. Canada and the United Kingdom
  - c. the United States
  - d. Germany
4. The infant mortality rate is the:
  - a. number of infant deaths.
  - b. number of infant deaths per 100 births.
  - c. number of infant deaths per 1,000 births.**
  - d. number of infant deaths per 100,000 births.
5. The U.S. group with the highest (worst) infant mortality rate is:
  - a. African Americans.**
  - b. Hispanics.
  - c. Asian Americans.
  - d. non-Hispanic whites.
6. Medicaid and Medicare differ in that:
  - a. Medicaid is funded by a federal tax on wages, but Medicare is funded by the general tax revenues of state and federal governments.
  - b. to be eligible for Medicaid, a household must have a low income.**
  - c. to be eligible for Medicare, a household must have a low income.
  - d. Medicaid is meant only for retirees, but Medicare is meant for people of all ages.
7. What do physicians' sovereignty and third-party payment have in common?
  - a. They both lead to greater efficiency in U.S. healthcare.
  - b. They both decrease the supply of healthcare.
  - c. They both increase the demand for healthcare.**
  - d. They both lead to an under-allocation of resources to healthcare.
8. Among the problems associated with U.S. healthcare is that:
  - a. modern technology is often unavailable.
  - b. significant numbers of people lack access to health insurance.**
  - c. third-party payment leads to under-allocation of resources to healthcare.
  - d. the quality of healthcare is very poor.
9. What factor below encourages an overallocation of resources to health care?
  - a. Physician sovereignty
  - b. Third-party payment
  - c. Rapidly changing technology
  - d. All of the above**

10. Which country has the highest healthcare expenditures (as a share of GDP) in the Western industrialized world?
- Austria
  - Canada
  - Denmark
  - the United States**
11. The major goal of Medicare is to:
- provide healthcare to older, retired Americans.**
  - provide comprehensive healthcare coverage to children.
  - provide healthcare to low-income families.
  - make basic healthcare available to all Americans.
12. The major goal of Medicaid is to:
- provide healthcare to older, retired Americans.
  - provide comprehensive healthcare coverage to children.
  - provide healthcare to low-income families.**
  - make basic healthcare available to all Americans.
13. Compared with 1960, national health expenditures in the United States have:
- decreased greatly.
  - decreased a little.
  - increased greatly.**
  - increased a little.
14. Defensive medicine:
- increases the supply of healthcare.
  - is the same as preventive medicine.
  - increases the demand for healthcare.**
  - occurs because patients are very defensive about their health.
15. U.S. healthcare expenditures amount to about \_\_\_ percent of national output.
- 2
  - 5
  - 10
  - 17**
16. About what percentage of Americans are currently without any form of health insurance?
- 26%
  - 9%**
  - 4%
  - 1%
17. The purpose of the SCHIP program is to:
- provide health coverage for the children of low-income families.**
  - provide health insurance for disabled workers.
  - allow workers who lose their jobs to keep their health insurance by paying for it themselves.
  - compensate hospitals for costs not covered by Medicaid or Medicare.

18. The two main types of “managed care” organizations are:
- veterans hospitals and university teaching hospitals.
  - not-for-profit hospitals and preferred provider organizations.
  - skilled nursing facilities and health maintenance organizations.
  - health maintenance organizations and preferred provider organizations.**
19. The most common type of U.S. health insurance is:
- employment-based.**
  - direct purchased.
  - Medicare.
  - Medicaid.
20. Which of the following groups in the United States has the highest infant mortality rate?
- White
  - Native American
  - Hispanic
  - African American**
21. Which of the following groups in the United States is the least likely to have health insurance?
- Caucasian
  - African American**
  - Hispanic
  - Asian American
22. Which of the following proposals is the *least* likely to be supported by conservatives?
- Replace health insurance with medical savings accounts
  - Move to single-payer coverage**
  - Privatize all hospitals and healthcare services
  - Eliminate or curtail Medicare and Medicaid
23. Which of the following is *not currently* a mandate of the Affordable Care Act?
- All people must be covered or pay a fine.**
  - Insurance companies cannot drop or charge higher fees on people with pre-existing conditions.
  - Insurance companies cannot place a lifetime limit on benefits.
  - Young people can remain on their parents' healthcare coverage until age 26.
24. The American Rescue Plan:
- was passed under President Biden to address the coronavirus pandemic.**
  - received widespread support by Democrats and Republicans alike.
  - extended healthcare coverage to everyone in the country.
  - all of the above
25. Medicare for All:
- is promoted by Senator Bernie Sanders.
  - is single-payer healthcare.
  - is considered highly cost-effective.
  - all of the above**

26. Some of the problems associated with the Canadian healthcare system are:
- disparities in healthcare between Indigenous and non-Indigenous populations.
  - disparities in healthcare between low- and high-income people.
  - the costs of the program is rising.
  - d. all of the above**
27. Managed care includes:
- health maintenance organizations.
  - preferred provider organizations
  - incentives for cost-savings.
  - d. all of the above**
28. Among those most vulnerable to COVID-19 are:
- the prison population.
  - immigrants and refugees.
  - victims of mental illness, addictions, and homelessness.
  - d. all of the above**
29. The American Rescue Plan:
- was a \$1.9 trillion plan signed into law by President Biden.
  - included vaccine distribution.
  - included assistance to state and local governments, schools, and small businesses.
  - d. all of the above**
30. (*Appendix 7-1*) A deductible is:
- the payment made on a monthly basis for coverage by insurance.
  - a percent of medical expenses that must be paid by the patient.
  - c. an amount of healthcare charges that the patient must pay before receiving additional medical services at no additional costs.**
  - the tax provision that permits you to pay taxes early if you incur high medical expenses.

### ***True / False Questions***

- Since 1960, U.S. healthcare expenditures (per capita) have increased dramatically. (T)
- According to textbook data, U.S. healthcare expenditures per capita are the highest among the Western industrialized countries. (T)
- If Americans cannot afford private health insurance, they are automatically covered by one of the government health plans. (F)
- Medicaid is subsidized healthcare for Social Security recipients. (F)
- Defensive medicine increases the demand for healthcare. (T)
- Cost-shifting occurs when hospitals charge patients with good insurance higher prices to offset the uncompensated costs of uninsured patients. (T)
- New technologies often increase the demand for healthcare. (T)
- Among Americans, the infant mortality rate is the highest for African Americans. (T)
- U.S. life expectancy is the highest in the world. (F)



10. The coronavirus has lowered American life expectancies in ways unseen since World War II. (T)
11. African Americans are more likely to be insured than whites. (F)
12. Japan has the highest (worst) infant mortality rate in the world. (F)
13. The United States has the world's lowest (best) infant mortality rate. (F)
14. Duplication of expensive technology contributes to high costs of U.S. healthcare. (T)
15. Over 90% of the United States population has health insurance coverage. (T)
16. Medicaid is a healthcare program specifically for low-income people. (T)
17. Medicare is a healthcare program specifically for low-income people. (F)
18. Advertising contributes to competition among providers of healthcare. (T)
19. A program is "means tested" if eligibility hinges on having a low income. (T)
20. Economic liberals tend to support greater government involvement in healthcare programs than economic conservatives. (T)
21. The United States does *not* ration healthcare. (F)
22. A medical savings account is held by the government to be used for unexpected medical expenses. (F)
23. Advertising in the healthcare industry can increase competition among healthcare providers. (T)
24. The Affordable Care Act is correctly labelled "socialized medicine." (F)
25. Health maintenance organizations (HMOs) and preferred provider organizations (PPOs) are examples of group practices. (T)
26. Medicare is means tested, but Medicaid is not. (F)
27. U.S. healthcare expenditures per person are over \$10,000 per year on average. (T)
28. An advantage of a single-payer healthcare system is that such a system is much less expensive to administer. (T)
29. An advantage of a single-payer healthcare system is that such a system incorporates extensive competition. (F)
30. We can acquire greater efficiency in our healthcare system by having people pay for their own preventative care. (F)
31. Because of the role states play in administering Medicaid, eligibility and coverage varies by state. (T)
32. A key to efficiency is the preventative care offered by the Affordable Care Act. (T)
33. Under President Biden, Congress dropped the individual mandate that people must be covered by healthcare insurance. (F)
34. Medicaid expansion as part of the Affordable Care Act served to expand healthcare coverage to all low-income Americans. (F)
35. In a single-payer system, government can call forth additional medical services by offering higher compensation to providers. (T)
36. African Americans face a disproportionately high risk of dying from COVID-19 than white people do. (T)
37. The healthcare system of Great Britain is despised by almost all the British population and medical providers. (F)
38. Donald Trump and the Republican Congress were strongly supportive of the Affordable Care Act. (F)
39. (*Appendix 7-1*) With private insurance coverage, the patient pays a portion of the cost through an array of premiums, deductibles, and coinsurance payments. (T)
40. (*Appendix 7-1*) There is regressivity in patient payments for private healthcare. (T)

### ***Critical Thinking Questions***

1. What is the significance of the individual mandate? Consider both the pros and cons.
2. What is the significance of lifestyle factors (such as smoking, illegal drug use, poor nutrition, etc.), as well as environmental factors (such as crime and gun violence, air pollution, etc.) in determining healthcare outcomes. What about gang violence and civil conflict in other countries of the world? What about the AIDS epidemic in many southern African countries?
3. What is the significance of COVID-19 in poor countries that have very low vaccination rates? Is it fair that poor countries have far less access to vaccinations than richer countries?
4. Do you think that vaccinations against COVID-19 should be mandatory in the United States? Why or why not?
5. Americans generally do not like the idea of rationing healthcare, but this has become a reality amid COVID-19. How should treatment for COVID-19 be rationed? Note that even before the coronavirus, we rationed healthcare on the basis of access to income and health insurance coverage.