

An American Renaissance in the Care of Health

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SUMMER 2024

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These pocket guides are a product of conversations among health policy experts in the "Big Ideas" group, part of the Health Policy Consensus Group. The Consensus Group has been meeting for nearly three decades to offer health policy ideas that support a health care marketplace centered around patients and encouraging competition to provide higher quality, lower costs, and more choices. The group is facilitated by the Galen Institute.

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Innovation and Medical Progress: The Path Forward

TOP LINE SUMMARY

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We are on the cusp of a Renaissance in medicine, leading to miracle treatments and cures we can only imagine today. The 21st century can be the golden age of biotechnology, turning medical death sentences into long and healthy lives.

But we won't get there with today's backward policies that punish innovation through oppressive regulations, special interest favors, and price fixing. The problems in our health sector today are rooted, not in too little but in too much government control.

We need new policies that encourage government and private players to work together, with government issuing appropriate regulations for consumer protection while encouraging private sector energy and creativity. And we need novel payment policies that match the ingenuity of medical innovations.

The United States is the medicine chest for the world with the majority of all new drugs in the world developed by U.S. companies. We must not lose our **world leadership** in medical progress or defer to globalist dictates. Imposing European-style price controls on U.S. medicines will mean less access to fewer new drugs and cures—for Americans and rest of the world.

Most of the progress in modern medicine has come from new and **more effective medicines, biologics, devices, and diagnostics**.

Innovation and medical progress are essential for breakthroughs that support longer, healthier lives. Without continued innovation, Americans would be sicker, die sooner, and have a lower quality of life.

We can't price control our way to better health. But we can create a truly competitive, innovative health sector that fosters scientific progress, lowers costs through competition, and leads to a better quality of life through better technologies.

It's time for citizens to demand more choices in that area of our lives which is most precious—our health—in a system that gives us a voice and a choice in prioritizing the care of health.

The future of health care in America depends on it, with policies that support technological advances as the most humane, effective, and even economical path forward.

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#1 The Future Relies on Progress

THE BIG PICTURE

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Americans are justifiably frustrated with our health care system. Coverage and care cost too much, and wait times¹ are far too long. Even people with insurance say deductibles are so high they are afraid to use their expensive coverage. Doctors and patients feel hamstrung by bureaucracy while powerful public and private operators control the levers of power.

America can fix our problems by holding the health care establishment accountable to patients and consumers. We can do this by engaging private sector innovation and energy and by empowering competition so companies respond to patients' demands for better and more affordable care.

Patients have a vested interest in the outcome of our policy fight:

- Government programs are **running out of other people's money** even as those on the Left continue their incessant efforts to drag all Americans into government programs.
- Too many companies with **innovative ideas have been snuffed out** by the government behemoth and its oppressive regulation. The ones that succeed are those who answer to their government overlords, not to patients like us. Large bureaucratic systems, including health plans and hospitals, can become unresponsive to consumer demands.
- And we must do better at **protecting the most vulnerable** to make sure they have access to quality care. People on public programs such as Medicaid are locked into a program with limited access² to the best doctors and hospitals with coverage that for many is no better than being uninsured. They should be free to choose plans better suited to their needs.

Innovation is being undermined by Biden administration policies, with price controls and costly regulations targeting pharmaceuticals, nursing homes, hospitals, physicians, and even employer-sponsored health insurance that will impact every patient's access to care and coverage.

If we continue on this path, we will be relegated to paying for ever more expensive care for sick people who have fewer options for treatment. Hospitals can never be big enough when they are just treating symptoms. Continued progress in the health sciences is the only way out of these problems.

Our system will only be sustainable with new and better technologies to diagnose and treat illness and keep people out of hospitals and surgical wards. Research may begin with expensive treatments for a small number of patients with a rare disease, but this research can vastly expand medical knowledge and lead to treating and curing millions more patients in the future as the science evolves.

And, yes, we need **new payment policies** to meet the financial challenges, including genuine competition in pricing.

The future of health care in America depends on it with policies that support technological advances as the most humane, effective, and even economical path forward.

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#2 Price Controls or Progress?

Many believe we are tumbling toward total government control over health care in America. But we must continue the fight against oppressive regulations, special interest payments, and price fixing that lead to shortages and distortions throughout the system. **This is our front in the battle for freedom.**

The Left argues that all of our problems stem from the free market and wants to give the government total control. They believe only they can deliver affordable health care through “Medicare for All.”

While their fantasy of “free care anytime, anywhere” is superficially appealing, **support collapses¹ for government-run health care when the American people learn it would:**

1. eliminate the private insurance they have now
2. dramatically increase their taxes and
3. limit their access to the latest medical treatments, medical specialists, and cures.

The American people want private health care,² and many rely on their employers³ to negotiate on their behalf.

A survey by PR giant Edelman⁴ shows that Americans trust their employers much more than government when it comes to health care and information.

Gallup⁵ also finds that Americans maintain a strong preference for private-sector health coverage.

The Council for Affordable Health Coverage⁶ finds that Americans prefer job-based insurance to government-run insurance and that those who are uninsured or on government plans should have a choice of private plans.

Employers are trusted agents, and people value their employer-based health insurance. Despite its many imperfections, the U.S. health care system still works because of the dominant private sector that responds to **market signals for quality and cost.** Without that, things would get far worse.

We need to **protect what works** and correctly **diagnose what needs fixing.**

- The Left continues to expand costly regulations while spending more and more taxpayer money to prop up government programs desperately in need of modernization. Our problems are rooted not in too little but in too much government control.
- Our vision relies on mustering private sector innovation to advance medical progress. **Our policies would empower a truly competitive health care system centered on patients and governed by sensible regulations and improved payment policies.**

We can't price control our way to better health. Innovation and medical progress are essential for breakthroughs that support longer, healthier lives.

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#3 Protecting Private Coverage

Too much government control in our health sector drives higher costs and adds to our headaches in access to care, shortages in medical supplies, long wait times to see doctors, and many more distortions.

It could get worse.

The Left is careful not to talk about their next big goal in an election year, but they have a plan in their march toward single payer.

It's a "public option" insurance plan. This is the vehicle for **liberals' scheme to collapse the private health insurance market** so that we default into total government control.

Today, employers provide private health coverage to more than 150 million Americans. Private health coverage is America's preferred choice. Surveys show 54% of employees are highly satisfied¹ with their coverage compared to 22%² who want a government-run system.

Employers are the firewall between socialized medicine and us. But President Biden wants to break it down by creating a government-sponsored health insurance plan that would deploy price controls and heavy taxpayer subsidies to snatch customers away from their private insurance and eventually crush the plans.

We already have seen this happen.

The individual and small group markets have been decimated by Obamacare. In 2000, nearly half of small businesses provided health insurance to their employees, but only 31% do now.³ They can't compete against the massively subsidized ACA exchange plans. As a result, **the market that serves small business is in a free fall.**

This could happen with the rest of job-based insurance, too, if the Left pulls the "public option" pin.

We must protect and build on the private health sector with policies to create a better-organized market—one where medical plans, professionals, and facilities are competing to provide the highest quality, most affordable care to patients instead of answering to their government overlords.

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#4 Safeguarding Healthy Aging

BETTER OUTCOMES FROM BETTER TREATMENTS

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Without continued innovation, Americans would be sicker, die sooner, and have a lower quality of life.

The Left focuses on getting illusionary short-term savings on current drug prices but ignores the longer-term costs to government—and harm to patients—of their backward policies.

Most of the progress in modern medicine has come from new and more effective medicines, biologics, devices, and diagnostics. They have contributed more to improvements in life expectancy and quality of life than any other type of health care services, yet they are in the bullseye with politicians.

In Medicare, spending on medicines not only has improved health outcomes, it also has contributed to a slowdown in the overall rate of growth in per capita spending. Seniors appear to be having **fewer heart attacks and strokes**, likely as a result of effective cholesterol and blood pressure medicines.

This is **containing the growth of overall Medicare drug spending**, even as hospital spending soars. Researchers found¹ that half of Medicare's spending slowdown from 1999-2012 was attributable to slower growth in spending on cardiovascular diseases. And roughly half of the reduction in major cardiovascular events was **attributable to medications controlling cardiovascular risk factors**.

We need to ask ourselves how much more will we spend on health care *without* medical innovation!

The CBO also doesn't include in its calculations **the human cost and personal suffering** of patients when research stalls...The loss of the contributions those patients could have made to society...The toll their diseases take on families who are impoverished economically and in the quality of their daily life...The children who die before they are five, causing a lifetime of anguish for their families.

Importing European price controls will lead to fewer new drugs and, in the future, fewer new generics as patents expire.

Policies that curtail research are literally going to kill people.

SOURCE

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#5 The Dangers of Foreign Control

American leadership in the world is vitally important and requires policies that support rather than suffocate medical innovation.

Yet the Biden administration is undermining U.S. biomedical research. While President Biden talks about his Cancer Moonshot, his policies curtail U.S. research into new and better treatments for cancer (and other diseases) through the misnamed Inflation Reduction Act (IRA).

- The IRA's drug price fixing regime will lead to at least **139 fewer medicines**,¹ costing more than 330 million life years.
- And it will lead to a loss of high-paying, valuable jobs, putting at risk 135,000 direct jobs in the life sciences industry in the U.S. and 676,000 jobs in related fields. **Fewer scientists will mean fewer cures.**

Price controls aren't the only tools the Left is using to disrupt pharmaceutical innovation. **The Biden administration wants to "March-In"² to override patent rights** for technologies that partially use taxpayer-supported research if the government doesn't like the final price of the product. Investors will turn away.

The Chinese government would like nothing more than to see U.S. innovation decline so we would become reliant on them for medical research. Continued American leadership in medical research matters greatly so we don't become dependent upon China or other adversaries for new medicines.

China³ is catching up. It conducted only 3% of global clinical trial activity in 2007 but 28% now, compared with the U.S. at 34%.

We have seen the cost Americans have paid in drug shortages as we outsourced manufacturing to China and to other lower-cost-of-living countries. We would expose ourselves to even greater vulnerability if we suffocate U.S. pharmaceutical research, opening the door for China to fill the void. If we develop the drug, we control it.

American citizens also must be protected from dangerous policies⁴ that the **World Health Organization** and other global entities seek to impose.

It's imperative that our nation's laws prevail,⁵ that we protect our research and manufacturing capability, and secure individual control over health care decisions and the data captured in our medical records.

To control our destiny, we must continue medical innovation.

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#6 European Freeloaders

WHAT THE FRENCH PAY

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The United States is the medicine chest for the world with the majority of all new drugs in the world developed by U.S. companies. Our competitive market leads the world in supporting timely patient access to breakthrough medicines and a research-and-development ecosystem that creates millions of jobs in the life sciences and health care sector.

But these technologies are expensive to develop, and **other developed countries systematically freeload off our innovation.**

President Biden simplistically says we all should be able to **get the same drug prices the French pay**, for example. It is easy for the president to say the U.S. should just pay the manufacturing costs and ignore the billions of dollars invested in research that created the drug in the first place.

But without such substantial investments, most drugs never would have been invented.

Importing European-style price controls on U.S. medicines will mean less access to fewer new drugs and cures.

The French—and those in other countries—**pay in other ways for their country's price controls.**

The French¹ have access to only about half² of the newest drugs, so if they get cancer, they are much more likely to get older, less effective oncology drugs.

More medicines are available to U.S. patients,³ and sooner.

Citizens in price-controlled countries also pay in lower **survival rates**. For example, the five-year survival rates⁴ for breast cancer are better in the U.S. than in the U.K., according to a long-term study. A separate analysis showed higher U.S. health care spending for cancer led to greater survival gains⁵ than their European counterparts.

Government-run health systems literally **put a price on the lives of their citizens** to weigh the cost of a drug against the value of a patient's life. These "Quality Adjusted Life Year" (QALY) calculations are notorious for **undervaluing the lives of disabled and severely ill patients.**

American innovations are changing the lives of patients, not only in the U.S. but around the world. But European countries, which have been freeloading off American military power for decades, are also **freeloading off our pharmaceutical R&D prowess.**

Instead of importing destructive price controls, the U.S. must require France and other developed countries to **pay their fair share** of this life-saving research. **This must be addressed as a trade issue**, not a domestic health care issue.

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#7 The Long-Term Value of Today's Innovations

The **Congressional Budget Office** has consistently undervalued medical innovation in its analyses. That leads Congress to focus on micromanaging prices and spending to try to get short-term budget savings.

Congress needs better analyses that accurately incorporate¹ the value of innovation to help in its decision making.

What is the cost to taxpayers and consumers of drugs not developed? When new and better drugs are not created, government never sees the savings it would have reaped from keeping people alive and out of hospitals. **Patients pay the price** of these short-sighted government policies.

We urgently need 21st-century solutions that enable us to **get more while paying less**. The cost to individuals, to the system, and to society of **NOT continuing medical progress is too high a price to pay**.

We are on the cusp of a Renaissance in medicine with an understanding of science and human physiology that will lead to **modern medical miracles we can only imagine today**.

Even with America's distorted payment policies, rebates, and legal and regulatory jungles, **competition still drives prices down**. For example:

- **Cures for hepatitis C**, launched in 2017, initially cost \$84,000 for the course of treatment, but after competitors entered the market, the price has dropped² to \$24,000 or less. By 2026, Medicaid will save \$46 billion³ because patients are being cured by the medicines instead of spending upwards of \$500,000 for each liver transplant and continuing care.
- Fierce competition among **generic and biosimilar producers** drove \$408 billion in health savings⁴ for American patients in 2022 and nearly \$3 trillion over the last decade.
- **Loss of patent exclusivity** lowered net spending⁵ on brand medicines by \$70 billion over the past five years, completely offsetting the \$68 billion spent on newly launched brand medicines over the same period.

The CBO opened the door to considering the long-term cost savings of early treatment of hepatitis C. "Savings from health care costs that would be avoided by increased hepatitis C treatment would more than offset direct spending on that treatment," it wrote in a recent study.⁶ That is an important first step, and CBO should be encouraged to continue this approach.

Ninety percent of all drugs dispensed are generics. The other 10% represent 80% of drug spending. **The prices and spending on these branded drugs drive the debate over prescription drugs, and they should be our focus with new payment policies.**

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#8 Modernizing Payment Policies

Life-changing gene and cell therapies are trapped in a 20th-century payment system.

“To save more lives, our payment innovations must match our medical innovations,” says Rep. Michael Burgess (R-TX), a physician. We need new payment pathways¹ that address affordability and access for these new therapeutics “without heavy handed, innovation-killing price controls.”

He criticizes the Biden administration’s approach as **“a scattershot collection of rules and roadblocks”** when what we need instead is “a moonshot for cures and treatments.”

Dr. Burgess’ plan:

- **Pay-for-performance** for high-cost cell and gene therapies by tying reimbursement to the effectiveness of the therapy. Outcomes and value would be part of the payment equation.
- A **“warranty approach”** would mean the drug developer would refund a pre-negotiated amount of the drug’s price to the payor and patient if the patient’s health does not improve as expected.
- **Spread payments over time:** The cost of a gene therapy cure can be \$1 million or more for a single patient. But the long-term benefit of that cure could save at least that much in averting expensive medical care over many years. Spreading the gene therapy costs over time could ease high up-front costs and control out-of-pocket spending for beneficiaries.
- **Pooling risk:** To address the issue of patients switching health plans to game the system, payors could collaborate to pool money across different insurance plans to spread liability across both private and public payors. The funds in these risk pools also could be used to lower patient costs.²

Taking this long view is the most humane and sensible way to reform payment policies.

Dr. Burgess also insists the **CBO needs to modernize its scoring metrics**. He is sponsoring legislation that would require CBO to consider the longer-term value of medical innovations in its budget estimates.

Further, streamlining and modernizing the FDA’s drug approval process is vital to reduce the up-front costs of drug development—an estimated \$2.6 billion—so drugs can reach the market sooner with better safety assessments.

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#9 Markets Not Monopolies

We need a new approach where government and private players work together to enhance patient well being, with government deploying appropriate regulations and guardrails while encouraging private innovation.

Americans would tolerate neither a totally government-run health sector nor an unfettered private market.

When governments are trying to manage health care, they have only a few blunt instruments, including price controls, regulations, and penalties. We have little recourse when distant bureaucracies make decisions we don't like or that even harm us.

In a politically controlled system, periodic elections may or may not produce the outcome we want, and the gears of government turn very slowly even when change is mandated. Unchecked government power is unwise, dangerous, arbitrary, and inefficient. Likewise for unchecked business monopolies.¹

But when given the chance to spend our own money, we have more power to force markets to respond than with one vote at the ballot box every two years. One person with money to spend in competing markets is much more powerful than one person, one vote on limited choices, only once in a while.

We have an opportunity to shift the debate with new policy options that prioritize patients rather than bureaucracy.

Private competing companies, along with smaller innovative firms nipping at their heels, are far more effective in answering consumer demands for choice and competitive pricing than a single government monopoly every could be.

The difference is the willingness to take risks. The private sector does that every day while the government does its best to avoid it—and avoid accountability for bad decisions.

Companies are forced to rebalance and recalibrate every day. They are always looking over their shoulders to see if their competitors are doing a better job of answering the demands of consumers for lower prices, better quality, and more user-friendly solutions. Government bureaucrats are much more worried about making a mistake and being held accountable so their default is inaction and shifting the blame.

Private markets also recognize there inevitably are tradeoffs between cost and quality. They are constantly searching for **the right balance to attract the greatest number of consumers.**

Politicians try to please everyone, but **markets work to please you.** That creates a diversity of choices, with a greater likelihood one will suit you.

Private markets don't promise perfect results, only better ones.

SOURCE

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#10 Vision: “The Care of Health”

PATIENTS ARE THE FIRST PRIORITY

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Personalized medicine¹ is the extraordinary promise of the 21st century—but it is an extraordinarily hard promise to deliver even as countless dedicated scientists work overtime, sometimes for years, to deliver these modern medical miracles. And none of this will be delivered without the tens of billions of dollars in private investment that fund this research.

Innovation is an ecosystem that requires minute and complex interactions among countless professionals and entities to create a chain of progress.

New and better diagnostics can pinpoint cancer and identify disease at the genetic level. But the diagnostics are futile if we aren't also investing in treatments for these patients.

What is it worth to a society to be able to cure a disease that is fatal for children before they reach age five?

What could even a year of delay in getting a new drug mean for a patient diagnosed with a fast-spreading cancer that could be arrested with early treatment?

Without a vision of unique American greatness—in saving and improving lives of our citizens and billions of others around the planet—America will decline.

Creation of modern medical miracles in the life sciences must be our 21st century goal.

We can create a truly competitive, innovative market that fosters scientific progress, lowers costs through competition, and leads to a better quality of life through better technologies.

Yet we are stuck in debates over augmenting and adjusting the current outdated regulatory and payment system. Too many political leaders are convinced that more government intervention is needed for every problem in our health sector. **But when government steps in, it too often tramples progress.**

Many big health companies are happy to play along as agents of government if they can still make a profit. But they get trapped in the rusty wheels of government and have little incentive to innovate, and instead endlessly generate billable events.

This has to stop. We need to be pro-patient, not pro-government—with policies friendly to the revolutionary progress that will be **possible in the 21st century—the century that can be the golden age of biotechnology, turning death sentences into cures or manageable chronic diseases.**

With the right incentives, we can unleash American creativity, not just to do better at curing disease, but to do *much better* in keeping people well by **prioritizing the care of health.**

SOURCE

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#11 Competition Works, Government Micromanagement Doesn't

PROVEN SOLUTIONS

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All Americans should have the dignity of private insurance to access the doctors and hospitals of our choice. We don't want a system where health care is micromanaged from Washington but one with better options tailored to our needs—giving us choices we may prefer and that actually save money.

That means...

- empowering the private sector to create new options for accessing care
- freeing states to approve many more options of health plans
- sensible regulatory oversight
- subsidies that follow the person, like school choice for health care
- giving you more control¹ over where and how your health care dollars are spent, with trusted agents, including your employer, on your side.

We want to put you, your doctors, and your trusted partners in charge, not distant bureaucrats who don't know you or your family.

The health sector is the most heavily regulated part of the U.S. economy. **The right set of policies that provide clearer direction and issue fewer commands will help produce untold benefits.**

We know this works. The Medicare Prescription Drug Benefit, for example, is designed to allow seniors to choose from an array of drug and health plan options, with transparency about costs and which drugs are covered by each plan. Subsidies follow patients to pay some or even all of the premium.

The Part D program is unique in that it has cost far less for patients and taxpayers than the Congressional Budget Office envisioned when the law was passed in 2003—and with more than 9 out of 10 seniors today saying they are happy with their coverage.²

Already the Biden administration is making changes to Part D that are degrading the program,³ leading to fewer plan choices, fewer drugs covered, and premiums which are expected to increase by more than 20% next year.⁴

Competition works.

Government micromanagement doesn't.

The Medicare Prescription Drug program can be a model to transform the rest of our health sector and avoid the rationing, bankruptcy, and waiting lines that are inevitable if we don't make changes now.

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#12 Healthcare and Democracy

21ST CENTURY VISION

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The Constitution gives each one of us freedom to make our own choices and live our own lives within the confines of laws designed to protect a civil society.

But not in healthcare. Our most basic choices that literally involve life and death are often micromanaged by remote bureaucrats and politicians who have never met nor will ever care about us as individuals.

It's time to demand more choices in that area of our lives which is most precious: our health. We need a system that **gives us a voice and a choice** in prioritizing the care of **health** instead of continuing to spend trillions of our health care dollars in a giant game of chess where we are mere pawns.

Market innovators can create new ways to care for the whole patient across the care experience, respecting and empowering them as they make choices about plans, providers, and treatment options.

But first, government needs to get out of the business of micro-control and focus instead on overseeing markets and companies' accountability to consumers.

A limited but effective role of government would:

- **set and enforce stronger rules of the road to support health care competition**
- **root out inefficiency and abusive practices**
- **demand accountability to the patient and consumer.**

We can build a health care system that:

- respects the dignity of every human being
- prioritizes protection for the poor and most vulnerable
- is centered on the doctor-patient relationship
- provides freedom to get the care and coverage you need
- builds trust through transparency
- lowers premiums and out-of-pocket costs through choice and competition

We can do this, America!

An American Renaissance in the Care of Health

For more information, visit galen.org
or write to galen@galen.org.

Keep American Innovation Great!

HEALTH POLICY ACTION ITEMS

SUMMER 2024

- #1 **The Future Relies on Progress**
Support technological advances as the most humane, effective, and economical path to achieve better health
- #2 **Price Controls or Progress?**
Give those on government health plans the option of private coverage
- #3 **Protecting Private Coverage**
Safeguard the market for private insurance that Americans overwhelmingly prefer
- #4 **Safeguarding Healthy Aging**
Rely on innovation, not price controls, to reduce spending
- #5 **The Dangers of Foreign Control**
Protect American leadership in medical innovation
- #6 **European Freeloaders**
Enforce trade policies to stop other developed nations from freeloading off U.S. innovation
Avoid payment schemes that put a price on the lives of Americans in accessing treatments
- #7 **The Long-Term Value of Today's Innovations**
Require CBO to consider the long-term value of new medicines and other innovations in its analyses
- #8 **Modernizing Payment Policies**
Develop novel payment policies that facilitate rather than impede 21st century medical miracles
Streamline FDA approval processes so safer drugs reach the market sooner
- #9 **Markets Not Monopolies**
Reframe policies so government becomes a partner rather than an adversary to innovators
- #10 **Vision: "The Care of Health"**
Prioritize patients and the care of health through personalized medicine
- #11 **Competition Works, Government Micromanagement Doesn't**
Build on the competitive Medicare Advantage and Part D models that lead to more choices and lower costs for patients and taxpayers
- #12 **Healthcare and Democracy**
Ferret out waste to make sure taxpayer dollars are being spent on health care, not scams

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