An enormous surge in uninsured sick people is coming. Here’s how to pay for them.

By Jonathan Gruber

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The novel coronavirus crisis has placed unprecedented stress on health systems around the world. Unchecked spread of the virus in northern Italy has crushed their hospitals, resulting in rationed care and hundreds of extra deaths. While the scope of the crisis in the United States has yet to reach that level, many feel that it is just a matter of time.

As such, we have placed enormous, and appropriate, focus on making sure that we have the supply of space and materials — especially ventilators and personal protective equipment — to treat these cases. But there’s another issue that has not had sufficient focus: How do we pay for all this care?
In normal times, we would hope that the fragmented U.S. health-care system would handle payment issues. The vast majority of those with private insurance would go to the (typically limited) set of providers covered by their insurance plan, along the way paying the deductibles and co-payments that they owe. Those with public insurance would be much freer to go to a wide set of providers. And the uninsured would be treated for free at hospitals as “uncompensated care,” with their costs ultimately borne by the hospitals (and likely passed to the insured in the form of higher bills).

But these are not normal times. The number of privately insured is likely to shrink enormously as workers are laid off and lose their employer-sponsored insurance. The resulting rise in uncompensated hospital care could be enormous. In addition, many insured patients with covid-19 have not yet tapped into their deductibles for the year, so they will face the entire deductible for the costs of their care at exactly the moment when they are having trouble paying other bills.

Moreover, the overload on our health-care system means that patients need to be able to go to the provider that is best for them, not the provider that is in their network. If we are to reduce the deaths that come from limited medical resources, we need to make sure that resources are deployed as effectively as possible. That means that if a ventilator or bed opens up in a hospital, the sickest patients need to move there regardless of whether that hospital is in their network.
We need those who are ill to seek care right away, not delay it because they are worried that they can’t afford the costs. And we need those being treated to go to the best place for their care, not waiting somewhere else because their insurer has restricted where they get their care. If we don’t solve these problems, the restrictions of our current payment system could mean hundreds or thousands of needless deaths.

Therefore, urgent action by our state and federal governments is required to address these shortfalls. The $2.2 trillion economic rescue package Congress recently passed is a start, in particular through the provision of more than $100 billion of funds for hospitals. But it isn’t enough. We need at least three additional steps.

First, we should suspend insurance network restrictions for covid-19 patients. Patients should be able to go to the provider that is best for them, and for the community, regardless of network restrictions.
Second, this raises the problem that prices paid for care vary enormously by provider. If patients go to out-of-network hospitals with whom the insurer has not negotiated a rate, they and their insurer can face outsize bills. This is the surprise billing problem on steroids. As a result, we need an emergency regulated rate for covid-19 care that is common across providers. This would be a short-term emergency regulation. After the crisis is over, a reconciliation commission can be established to ensure that the rate was fair and reallocate if it was not.

Finally, state and federal governments should reserve money in an emergency fund to pay for covid-19 uncovered costs. Hospitals could bill this fund for treating the uninsured, as well as the cost sharing that insured patients would normally pay for their care. And once again, there could be a reconciliation after the crisis is over to ensure that insurers pay for any patients who were wrongly billed to the fund.

The United States is embroiled in a heated debate over how to fix our health-care payment system. Now is not the time to re-open that debate and try to resolve it. We need to move quickly to make sure that financial issues don’t place any unnecessary barriers in the way of effective treatment of covid-19 patients. Regardless of our views of the U.S. health-care payment system, we must all agree that its restrictions should not worsen this pandemic.

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