

No Money, No Medicine, and No Help from the Government

By now it is certainly no secret that the aging of the Baby Boomers will stretch the financial resources of this country, particularly the inevitable medical bills of the generation that, in addition to being the largest in history, is expected to be the longest-living to date. The existence of these future bills is not debatable; the question merely becomes “who pays?”

We have been following developments in the UK in recent years, as that country has served as a bellwether for various trends, particularly in housing and interest rates. This morning the Wall Street Journal published a short piece on healthcare in Britain that, disturbingly, will likely prove to be a sign of things to come in the United States:

U.K. Revises Alzheimer’s Plan

In a closely watched test of what governments are willing to spend on health care, Britain partly backed away from plans to stop paying for drugs for Alzheimer's disease, instead offering to cover them for people with moderate Alzheimer's only.

Drug companies and patient-support groups partly welcomed the compromise, announced late yesterday, but noted it still would leave those with mild and severe Alzheimer's without free treatment. Britain's latest ruling still isn't final; a final decision is expected in July.

This past March, an arm of Britain's government health-care system decided Alzheimer's medication wasn't effective enough to warrant its cost. It issued a preliminary ruling calling on doctors to stop prescribing the drugs to all new patients. Patients, physicians and drug companies protested, prompting the British agency, the National Institute for Health and Clinical Excellence, to review its decision....

Faced with financial constraints, the British government has been forced to deny medicine to some sufferers of Alzheimer’s disease, arguing that the benefits didn’t justify the costs. This sets a very ominous precedent. While it is easy to put a price tag on cost, how exactly does one measure the benefit? Will treatment be denied to those that are “too far gone”? And most importantly, will that decision be made by a doctor based on professional opinion, or will it be made by an accountant with a pocket calculator?

The UK and Canada have had a system of socialized health care for several years. While the US has thus far resisted implementing a comparable plan, the American system remains highly dependent on the Federal Government, particular due to the size and influence of programs such as Medicare and Medicaid. Both programs routinely make decisions about how much they are willing to spend and for what procedures or medicines. These Federal agencies are already the biggest players in the market, and their share of the buying is only going to increase.

As the Boomers age, the total number and the percentage of the population using Medicare as their primary provider of healthcare will rise substantially, even if the minimum age eligibility is raised or if means testing is put in place. As a result, an increasing number of Americans will depend on the government’s willingness to pay. Looking at the explosion of government debt in recent years (even in the midst of a boom),

this is, to say the least, living dangerously. The situation only worsens if, as we forecast, government revenue declines significantly due to a slowing economy at the same time these costs are sky-rocketing.

There are several often treatable diseases that tend to appear as people age, such as diabetes and heart disease. Will aging Boomers have to “prove” how sick they are to get their insulin or blood thinners? What if they appear “too sick”? We are at the very early stages of what is developing into a dangerous and difficult situation – who pays, how much do they pay, and what do they pay for? Most importantly, who decides?