

Short Communication

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Scrap the System and Start Anew: How to Fix American Healthcare

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The healthcare system in America is unsustainable. Healthcare already represents almost one-fifth of our nation's GDP and this figure is only projected to grow more as the baby boomer generation fully retires. The cost of healthcare and the weight that it puts on the rest of our society and federal budget is well understood as one of the biggest problems America faces today.

But identifying this as a problem is the easy part.

The difficult part is figuring out what we could do about it that would be bold enough to truly change our trajectory.

The impossible part is building enough political capital and convincing the public that a radically different approach is necessary.

Unfortunately, true reform of the healthcare system seems out of reach.

As a result, policymakers focus on small ideas to address small problems in healthcare. Even the biggest healthcare legislation of the last 20 years, the Affordable Care Act, largely doubled down on the current system while trying to close some coverage gaps and incentivize value-based care. Despite decades-long efforts to identify value-based care models that can actually bend down the cost curve of healthcare, the cost of healthcare continues to rise faster than inflation.

Big ideas that can truly avert our current collision course with healthcare insolvency are too easily picked apart and put a target on your back, and thus they are avoided by policymakers, but only big ideas can actually change the trajectory of our healthcare ship and avoid collision.

Here is one big idea.

A New Healthcare System Could Be Built on Two Fundamental Pillars:

Pillar 1: Every American gets health insurance from the federal government.

Pillar 2: This federal insurance is only designed to prevent medical bankruptcy.

This solution combines thinking from the left (universal coverage) with ideas from the right (a competitive provider market with

transparent prices) in a bid to break America free of the healthcare costs slowly strangling it to death. The premise is quite simple, the government's primary goal in this healthcare system would be to prevent its citizens from going into significant medical debt.

This federal health insurance program (which must be universal for this to work) would simply cover all medical expenses AFTER a citizen's deductible was met. Deductibles would be based upon income and could range from 2% of income on the low end to as high as 10% or 15% of income for higher earners.

Patients would be responsible for 100% of their healthcare expenses up until their deductible. Secondary insurance products and markets would be banned.

How is this Better?

This system would:

1. Actually create a competitive market for healthcare products, drugs, and services, bringing costs to patients down.
2. Cut red-tape, significantly lowering administrative costs for providers.
3. Ensure that no one goes bankrupt because of their healthcare needs.

This would be a dramatic change in the way patients consume healthcare. Costs of services would be known upfront and paid directly from the patient to the provider. By design, the vast majority of healthcare services would be transactional cash services, much like most other sectors of our economy. Only once someone has hit their deductible would the federal government's universal insurance kick in and fully cover the cost of care.

Not wanting to spend 5 to 10 percent of our annual income on healthcare if we can avoid it, Americans would seek pricing information and make cost conscious decisions on healthcare. No longer able to hide behind the obscurity of the "oh don't worry your insurance will cover it" mentality, providers would need to be transparent and competitive with their peers on their pricing structure.

Could we utilize Health Savings Accounts to encourage Americans to save up a medical rainy day fund? Absolutely.

Will this require sophistication and coordination between HHS and the IRS? Certainly.

Would administrative burden and claims submission go away? Not entirely, as deductibles would still need to be tracked.

However, this system addresses the fundamental flaw of single-payer systems (government pricing > market shortages > long wait times) by keeping the government out of the majority of healthcare transactions, a market price for each and every healthcare service and product will emerge. In turn, the federal government could follow, not dictate, healthcare prices.

While it still may not be perfect, basic supply and demand economics for healthcare services would be unleashed getting us closer to market equilibrium than the single payer systems of Europe (and their wait times).

Medicare? Gone. Medicaid? Gone. Employer sponsored health plans? Gone. Healthcare insurance as we know it would be entirely eliminated.

Third party payers got us into this mess. They are not part of the solution.

This proposal also corrects the fundamental flaw in conservative attempts to reform healthcare by immediately and directly creating the market conditions necessary for any of their free-market ideas to work. The notion that enough people would voluntarily opt for high deductible health plans to create the competitive healthcare market environment they wish to bring about would never come to fruition if traditional first-dollar-coverage options were still available.

The only way to get price conscious healthcare consumers is to force everyone to be a price conscious healthcare consumer. A universal, income-based deductible guarantees a transition to a competitive healthcare market.

Money should be a factor in patient and provider decision making but no one should ever have to choose between their health and bankruptcy. A universal, income-based deductible can thread that needle.

Is this scary? Of course! Change usually is scary.

But fear cannot prevent us from doing what is necessary. Tinkering around the edges of our fundamentally broken system has not, and will not, correct the course of healthcare. We must be bold to be better.

While there are considerable healthcare interests that benefit from the always-outpacing-inflation setup of our current system. Unsustainable practices, by definition, must end. One day, when healthcare represents 30 or 35 or 50 percent of our entire economy, we will reach a breaking point and true reforms will finally be considered. The sooner we have that conversation, that real, and difficult, and politically inconvenient conversation, the better.

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