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HANDBOOK ON AFFORDABILITY

5. Health Care

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By most any measure, the United States has the most expensive health sector in the world. Prices are higher than in other nations. Per capita health spending is more than twice the Organisation for Economic Co-operation and Development (OECD) average. In 2025, US health spending was equivalent to 18.5 percent of national income, well above the OECD's 2024 average of 9.3 percent.

Most proposals to address health care affordability seek to increase government health care subsidies. Yet subsidies cannot solve the United States' health care affordability problems—they *are* the problem. Yes, subsidies enable more medical consumption for recipients and increase incomes for the health care industry. But they don't make health care cheaper to produce. The first-order effect is to shift who pays—from patients to taxpayers—and in doing so reduce taxpaying households' ability to fund their own care (or anything else).

Worse, subsidies can increase the underlying prices and health insurance premiums, which makes health care less affordable and makes subsidies seem more necessary. Subsidies and mandates that expand insurance coverage reduce the share of health spending that patients pay themselves, which makes patients, insurers, and providers less sensitive to rising prices and unnecessary treatments. Government subsidies can also lead producers to increase private-sector prices through additional channels apart from how they distort incentives for patients.

If subsidies reliably delivered affordability, the US would be a patient's paradise. Instead, it is the world leader in subsidizing and mandating health spending. Between tax-financed government programs and compulsory private spending, government compels US residents to spend 14 percent of national income on health care, a larger share of gross domestic product than *total* health spending in any other advanced country. Subsidies and compulsory spending are so extensive, US patients are less sensitive to prices and wasteful spending than patients in nearly every other advanced nation.

Rather than create more government subsidies, policymakers should eliminate supply-side regulations that reduce price competition and affordability. Health insurance regulations cause premiums to double for many consumers; eliminating them would cut many premiums in half. Clinician licensing regulations increase prices by blocking specialization and the division of labor (and the integrated health systems that make greater use of the division of labor).

Making health care affordable requires wholesale reform of the demand side of health care too. But the measures below offer immediate, supply-side policy changes that would broaden choice and improve affordability.

FEDERAL POLICIES TO IMPROVE HEALTH CARE AFFORDABILITY

- **Remove federal and state regulatory barriers to quality, affordable health insurance.** In the individual market, federal and state health insurance regulations are causing premiums to double for most enrollees, while denying consumers their choice of doctors and hospitals. The evidence comes from a market that Congress exempts from all federal health insurance regulation, including Obamacare. In 2018, President Trump removed arbitrary restrictions the Obama administration had imposed on that market. Trump interpreted the law as allowing insurers in the "short-term" health insurance market to sell long-term health insurance—an interpretation that multiple federal courts upheld. The Congressional

Budget Office found that deregulation made comprehensive coverage available to most consumers at premiums 60 percent below the lowest-price Obamacare premiums, with broader choice of doctors and hospitals. Moreover, deregulation did so without disrupting Obamacare. Former President Joe Biden revoked that regulatory relief. Congress should make it universal and permanent.

- **Recognize medicines and medical devices approved in other countries.** The Food and Drug Administration (FDA) routinely blocks access to medicines and lifesaving vaccines because the agency does not recognize regulatory certifications from other countries. From 2000 to 2010, the FDA blocked 37 novel medicines already available in Canada and/or Europe—including medicines for diseases for which it was blocking *all* therapies. The FDA already recognizes manufacturing-facility inspections by regulators in the European Union, Switzerland, and the United Kingdom. European Union nations all recognize one another's regulatory certifications. Congress should recognize safety and efficacy certifications by other countries' regulators, which would remove the regulatory barriers that prevent US residents from purchasing medicines available in other nations. US doctors and patients could access often lower-price drugs and medical devices from European Union nations and other nations that already recognize other countries' regulatory certifications, such as Canada, the United Kingdom, Switzerland, Australia, New Zealand, and Israel. The FDA's monopoly on drug approval produces what all monopolies do: a high-cost, low-quality product. Ending the monopoly would allow innovation and competition in the challenge of certifying drug safety and efficacy without delaying access or stifling innovation. The World Health Organization writes that regulatory recognition and similar measures "will benefit . . . patients, health care providers and industry."
- **Eliminate prescription regulation.** The FDA makes medicines less affordable by requiring patients to obtain unnecessary and costly prescriptions. Adults can safely self-medicate with many medicines—including birth control pills, HIV prophylaxis, and GLP-1s—for which the FDA currently requires a prescription. Overall, prescription regulation increases prices, increases the nonprice costs of obtaining medicines, reduces access, and ironically reduces patient safety. While direct-to-consumer platforms such as TrumpRx, Cost Plus Drugs, Amazon Pharmacy, and GoodRx can theoretically reduce prices by injecting transparency and competition, the more effective reform would be to strip the FDA of its power to require prescriptions.
- **Remove unnecessary prescription requirements.** If Congress cannot take prescription regulation power from the FDA, then Congress should enact rules that automatically remove prescription requirements after a certain period of time, which would allow consumers to purchase more medicines directly. Greater over-the-counter access would reduce the price and nonprice costs of medicines.

STATE AND LOCAL POLICIES TO IMPROVE HEALTH CARE AFFORDABILITY

- **Remove state regulatory barriers to quality, affordable health insurance.** Like the federal government (see above), states can use deregulation to provide relief from excessive health insurance premiums. In 2014, when former President Barack Obama saw that Obamacare's health insurance regulations would increase premiums and deny care to patients in US territories, he exempted territories from those regulations. Each state can grant its residents access to that same exemption, opening their markets to high-quality, affordable health insurance, by deeming health plans available in US territories to be in compliance with that state's laws. Insurers including Aetna, Blue Cross Blue Shield, Cigna, Humana, and UnitedHealthcare already operate in territories and collectively have networks in all 50 states.
- **Eliminate clinician licensing.** Licensing protects doctors, not patients. What protects patients

is a complex web of board certification, hospital affiliation and training verification, competition, innovation, reputation, other private-sector organizations and protections, fraud prosecutions, medical-malpractice liability, and the incentives that medical-malpractice liability insurers create for providers to improve quality. Licensing increases health care prices. One study found "more rigid regulations increase the price of a well-child visit by 3–16 percent." When low-quality care harms patients, licensing boards are the last to the party. Physicians have no fear of their regulators. Patients would suffer no loss of consumer protection from licensing repeal.

- **Recognize clinician licenses from other states.** If states cannot repeal licensing outright, they could recognize licenses issued by all other states. One study found that universal licensing recognition "increased the proportion of people who have personal doctors or health care providers, especially older adults, and reduced the proportion of people who did not see doctors because of costs." If states cannot recognize all other states' clinician categories and licenses, they should do so for as many states as possible.
- **Free all clinicians to practice to the full extent of their training.** Licensing prevents lower-price clinicians from providing services they are competent to provide, thereby forcing patients to go to higher-price clinicians without any improvement in quality. There are many opportunities for regulators to reduce medical prices by expanding clinicians' scopes of practice. There is strong evidence that nurse practitioners provide primary care comparable to that of physicians. As the study above found, just allowing nurse practitioners to prescribe reduces well-child-visit prices by 3–16 percent. Seven states, the US Public Health Service Commissioned Corps, and the Military Health System permit appropriately trained clinical psychologists to prescribe psychiatric medications. Colorado, Idaho, and Montana, along with the United Kingdom and the Canadian provinces of Alberta and Ontario, enable pharmacists to test and prescribe medicines for routine, self-limited health issues and conduct preventive screenings—this saves patients time and money they would spend getting these routine services from physicians' offices. Removing regulatory barriers to the division of labor would increase competition and consumer choice, reducing prices. Conversely, states should avoid licensing new and emerging health care professions such as lactation consultants and sexual assault nurse examiners, because regulation would reduce patients' access to their services.
- **Remove employment barriers to international medical graduates (IMGs).** Many competent health professionals from other nations could help expand the US clinician workforce and improve access to care. Most states require these professionals to complete a residency program in the United States first. States could grant provisional licenses to IMGs who legally reside in the US and have held a license and practiced in other countries for a reasonable period. By the end of 2025, 18 states had enacted or proposed reforms to allow provisional licensing.
- **Recognize competing medical school certifications.** States grant monopolies over medical school accreditation to the Liaison Committee on Medical Education for MDs, to the American Osteopathic Association for DOs, and to the Accreditation Council for Graduate Medical Education for both MD and DO residency training programs. Recognizing additional certification organizations would enable more medical schools and residency programs to compete to train physicians, increase the supply of the medical workforce, and help reduce prices for physician services.
- **Repeal "certificate of need" (CON) laws.** CON laws require health care providers like hospitals to get permission from a government panel before entering the market. They are cronyism. Incumbents use CON regulation to limit competition from new providers, which can reduce access and choice for health care consumers. By restricting supply, CON laws may increase prices and reduce health care quality. Repealing these laws would open the health care provider market to new and innovative entrants, boosting competition and consumer choice.