

The Affordable Gym Act

A n acquaintance approached me recently about what he described as a great investment opportunity. Despite my skepticism, I was just intrigued enough to listen to the pitch. The venture was a fancy new gym with a monthly membership fee. It soon became apparent that the business model of the gym was really all about getting people to sign up who would rarely use it. The staffing and facilities of the gym could accommodate only a small fraction of the proposed membership, and a small group of heavy regular users would consume a disproportionate percentage of the resources. To make a nice profit, the gym needed a large group of members who would not actually show up very much. These “infrequent or nonuser” members would subsidize the needs of the regular users. My acquaintance explained that investors could generally count on a large number of well-intentioned individuals who would ultimately become infrequent or nonusers. Eventually, they would realize their economic folly and terminate their membership, at which time management would need to find new infrequent or nonusers. If too many members became regulars, the entire system would collapse owing to increased costs and reduced availability.

To be sure, no one needs a gym membership the way he or she needs health care, and the legitimacy of universal access to health care is beyond the scope of this discussion. I was struck, however, by similarities of this economic model and that of the Affordable Care Act (ACA).

Imagine if the US government passed the Affordable Gym Act. All Americans would be required to join a gym. If people liked their current facility, they might (or

might not) be able to keep it. The government would expect the health club industry to come up with new affordable gym plans based upon the new economic reality. The vast majority of people would not regularly go to the gym, but they would pay monthly fees nevertheless. A Southern California runner who historically only used a gym a few times a year when it rained would still be required to join a gym. Previously, he or she probably would have paid a daily fee to use a gym on those rare rainy days. Now, he or she would be legally compelled to become a yearly member. This business model would drive down the cost of gym membership nationwide to make it affordable for all, and the system would work great for a while. Eventually, though, the infrequent or nonuser members would question why they were paying for gym memberships that they almost never used.



At the time of this writing, there is concern that young, healthy, infrequent users of health care are signing up for the ACA in disproportionately small numbers.¹ The early numbers have been interpreted in predictable ways by both sides of the political debate. Regardless, if enrollees in the ACA are old or unhealthy and if they use health care services too frequently, the system will collapse. A central tenet of the economic theory behind the ACA is that young, healthy people who currently spend little on health care will sign up for insurance, with the understanding that, when they require care in the future, the system will be there for them. In this regard, the US health care system now resembles Social Security, and the future economic viability of both is questionable. ■

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1. Shear MD, Pear R. Older pool of health care enrollees stirs fears on costs. *The New York Times*. http://www.nytimes.com/2014/01/14/us/health-care-plans-attracting-more-older-less-healthy-people.html?hp&_r=0. Published January 13, 2014. Accessed January 20, 2014.