

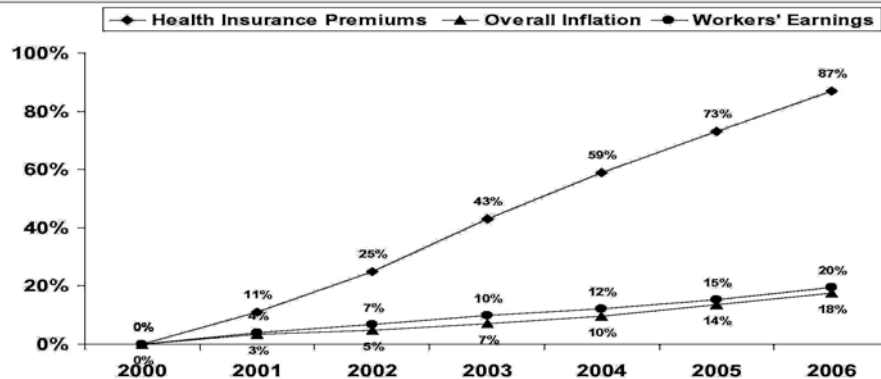
Paying for Real Health Care Reform: Single Payer vs. Democratic Candidates' Proposals

Leonard Rodberg, PhD
Urban Studies Dept., Queens College and
NY Metro Chapter, Physicians for a
National Health Program

January 23, 2008

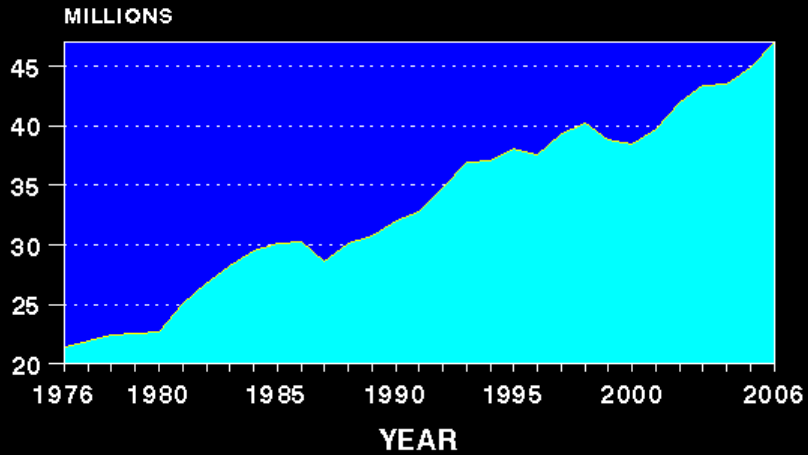
Why Health Care Is On the Political Agenda Today: Costs are Rising

Cumulative Changes in Health Insurance Premiums, Overall Inflation, and Workers' Earnings 2000 - 2006



Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2001-2006; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2001-2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 2001-2006.

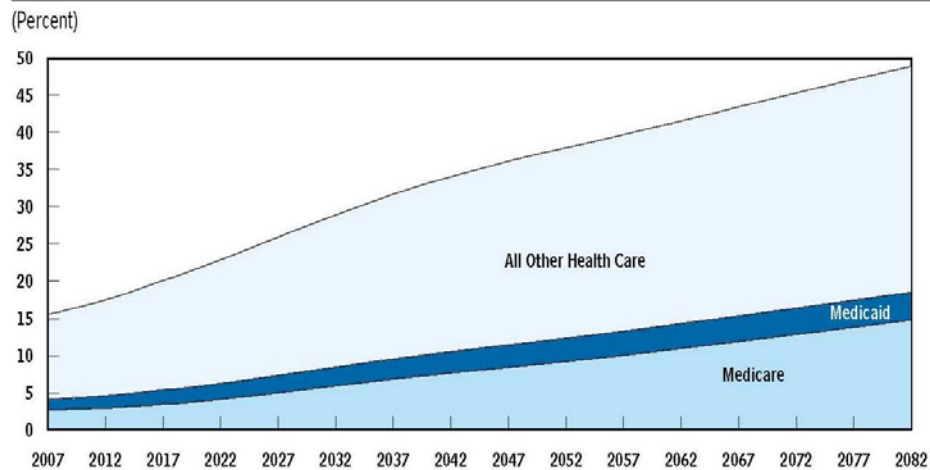
...And The Number of Uninsured Keeps Going Up



Source: Himmelstein, Woolhandler & Carrasquillo - Tabulation from CPS & NHIS Data

..And Costs Will Continue to Rise

Projected Spending on Health Care as a Percentage of Gross Domestic Product



Source: Congressional Budget Office.

High Cost of Health Insurance Premiums: It's Even Too Expensive for the Middle Class Today

National Average for Employer-provided Insurance:

Single Coverage	\$ 4,479 per year
Family Coverage	\$12,016 per year

Note: Annual income at minimum wage = \$11,700

Annual income of average Wal-Mart worker = \$17,114

Source: Kaiser Family Foundation/HRET Survey of Employee Benefits, 2007

The Lesson from Massachusetts

Starting in July 2007, Massachusetts began a plan intended to lead to universal health care:

- Every resident is required to have insurance.
- Persons with incomes below 300% of the poverty level receive subsidies.
- Above 300% there is no subsidy, but the Connector, the new agency running the program, negotiated with private insurance companies to obtain “affordable” policies. The following slide shows they have clearly failed.

Lowest-cost – but Very Costly – Unsubsidized Insurance under the Massachusetts Plan

Family Characteristics Annual Income	Annual Cost	Deductible*
30-year old individual \$30,636 or more	\$2,091	\$2,000
30-yr old couple w/2 children \$61,956 or more	\$7,514	\$3,000
55-year old couple \$41,076 or more	\$8,909	\$4,000

* Also MD & hospital co-pays, no drug coverage
Source: www.mahealthconnector.org (Boston Area)

The Single Payer Alternative

We in PNHP believe that the only solution to the rising cost of health care, and the spreading of uninsurance and underinsurance, is to adopt a single payer national health insurance program.

Such a program would provide comprehensive care and be financed through progressive taxation. HR 676 embodies this vision.

Conyers/Kucinich/et al
Expanded and Improved Medicare for All
“single payer national health insurance”
HR 676

- Automatic enrollment - everyone receives a card assuring payment for all needed care
- Free choice of doctor and hospital
- Doctors and hospitals remain independent, negotiate fees and budgets with public agency
- Public agency processes and pays bills
- Financed through progressive taxes

Common Misconception
about Single Payer

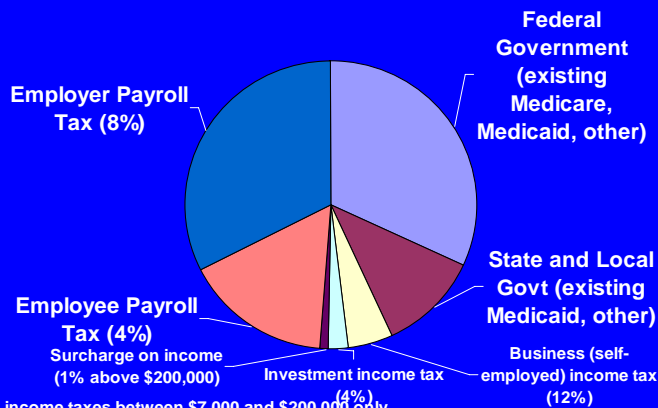
It is widely believed that we just can't afford to cover everyone and that, if we tried, taxes would go through the roof. However, numerous studies conducted since 1991 have shown just the opposite: Everyone could be covered while spending no more than we now spend.

Studies of Single Payer Plans

Government Accounting Office	US	June 1991
Congressional Budget Office	US	December 1991
Congressional Budget Office	US	July 1993
Lewin Group	New Mexico	November 1994
Lewin Group	Minnesota	February 1995
Solutions for Progress	Delaware	April 1995
Lewin Group & Solns for Progress	Massachusetts	December 1998
Lewin Group	Maryland	June 2000
Lewin Group	Vermont	August 2001
Lewin Group	California	April 2002 & January 2005
Solutions for Progress	Rhode Island	November 2002
Mathematica, Inc.	Maine	December 2002
Missouri Foundation for Health	Missouri	October 2003
Lewin Group	Georgia	June 2004
Kenneth Thorpe, Emory University	US	August 2005
Lewin Group	Colorado	August 2007
<i>Coming: Urban Institute</i>	<i>New York</i>	<i>May 2008 ?</i>

All reach the same conclusion: Everyone could be insured for comprehensive care for no more than we are now spending.

How Would Single Payer Be Paid For? One Example of Revenue Sources from a Recent Study of a California Plan



Note: Payroll and income taxes between \$7,000 and \$200,000 only.
Source: Health Care for All Californians Act: Cost and Economic Impacts Analysis, The Lewin Group, January 2005

Covering Everyone While Spending No More than Now

- Such a “Medicare for All” plan covers everyone without costing any more than we are now spending.
- On the one hand, there would be additional costs to cover those who have no insurance or who have very poor insurance. And co-pays and deductibles that keep people from getting the care they need would be eliminated, so this adds additional cost.
- On the other hand, there are substantial savings from (i) using global annual budgets for hospitals instead of costly, complex billing systems, (ii) simplifying physician reimbursement, (iii) eliminating insurance company profits and marketing costs, (iv) negotiating better prices for drugs and equipment, and (v) emphasizing primary care.

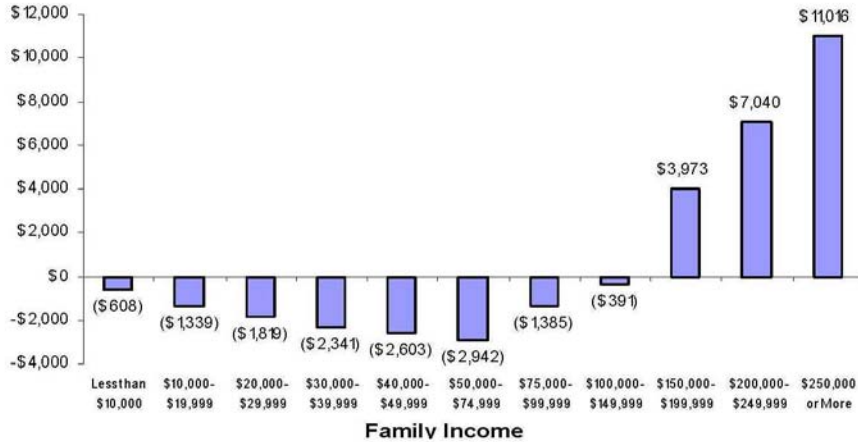
Covering Everyone and Saving Money through Medicare for All

<u>Additional costs</u>		<u>\$ B</u>
Covering the uninsured and poorly-insured	+6.4%	134
Elimination of cost-sharing and co-pays	<u>+5.1%</u>	<u>107</u>
<u>Savings</u>	Total Costs	+11.5% 241
Reduced hospital administrative costs	-1.9%	-21
Reduced physician office costs	-3.6%	-76
Reduced insurance administrative costs	-5.3%	-111
Bulk purchasing of drugs & equipment	-2.8%	-59
Primary care emphasis & reduce fraud	<u>-2.2%</u>	<u>-46</u>
	Total Savings	-15.8% -313

Source: Health Care for All Californians Plan, Lewin Group, January 2005

Most Families Would Save Money

Change in Average Health Spending per Family by Income Group



Source: Health Care for All Californians Plan, Lewin Group, January 2005

Those Employer Currently Offering Coverage Would Save. There Would be Modest Costs for the Rest

Change in Private Employer Health Spending Per Worker by Firm Size and Current Insuring Status



Source: Health Care for All Californians Plan, Lewin Group, January 2005

The Presidential Candidates' Plans

- No Republican candidate is offering a plan for universal health care.
- Each of the leading Democratic candidates is proposing such a plan, but they are proposing something very different from the PNHP plan, what we call the Mandate Model.
- These plans would require everyone to have insurance and require the insurance companies to accept anyone who wants to buy it.

The Mandate Model



- **Individual mandate with guaranteed issue and community rating**
- **Employer mandate or contribution to public fund**
- **Government assistance in purchasing private insurance (“Health Markets”, “Health Choices Menu”)**
- **Offer of government/public program (“single payer”?) as well as private insurance plans**
- **Subsidies to make premiums “affordable”**

Common Features of these Mandate Plans

- **The problem is defined as: Too many uninsured**
- **The solution: Require everyone to have insurance, insurance companies to sell to all**
- **Employers contribute but don't necessarily offer insurance**
- **Continued reliance on private insurance**
- **No regulation of insurance company premiums or their reimbursement practices**

Covering the Uninsured: What Will It Cost? #1

According to a study by the Urban Institute:
The uninsured would use **\$48-98 billion** in additional medical care if they were fully insured.

Total additional health care spending, including insurance company overhead, would be **\$63-126 billion**.

Source: J. Hadley and J. Holahan, "Covering the Uninsured: How Much Would It Cost?", *Health Affairs*, w3-250, June 4, 2003 (figures converted to 2006 dollars).

Covering the Uninsured: What Will It Cost? #2

Clinton/Edwards estimate \$100-120 B federal cost

One way to estimate this cost:

- Number of uninsured = 47 million
 - Average cost of private insurance = \$4,500/person
 - Total cost = $\$4,500 \times 47,000,000 = \212 billion
 - Current expenditures on uncompensated care =
5% of \$2,100 billion = \$105 billion
- If everyone is covered = \$107 billion

The “Public Option”

Each of the Democratic candidates’ plans includes a “public option”:

- There would be a choice of a public, Medicare-like plan as well as private commercial insurance.
- Such a public plan will probably be less expensive than the private plans (Medicare’s overhead is 3%; the insurance companies’ overhead, including marketing and profit, average 20%.)
- The insurance companies recognize this “problem” and have already expressed their strong opposition to such a plan.

Covering the Uninsured: What Will It Cost? #3

If the candidates' plans were implemented with:

- The "public option" on a level playing field for individuals and small businesses (< 100 employees)
- Everyone signed up

Result:

- Additional federal government spending = \$82 B
- Number of people in the public plan = 40 million
(2/3 of those eligible choose the public plan!)

Source: Cathy Schoen et al, "Bending the Curve: Options for Achieving Savings and Improving Value in US Health Spending," Commonwealth Fund, December 2007, Appendix, based on Lewin Group estimates.

Who Benefits?

- These Mandate plans would benefit – if they can afford it -- only the uninsured, along with the insurance companies, who would gain lots of new customers.
- These plans leave the rest of us, who already have insurance, with our current wobbly insurance policies.
- They would not help the millions who are now underinsured, or who will become underinsured in the future.

It's Not Only the Uninsured; it's the Underinsured

“Employment-based insurance is disintegrating in both the *population that is covered* and the *benefits provided*.”

-- Peter P. Budetti, MD, JD, “Market Justice and US Health Care,”
JAMA, January 2, 2008.

“The trouble for most families is not the lack of insurance, it's the insurance they already have.”

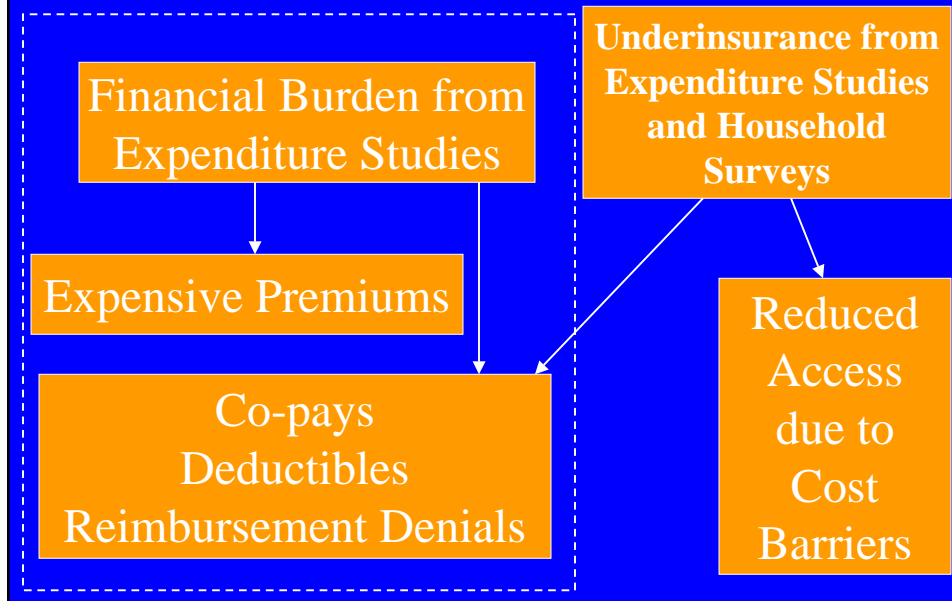
-- Rose Ann DeMoro, California Nurses Association

The Mandate plans do nothing to change existing insurance, or insurance company behavior.

What is Underinsurance?

- Underinsurance shows up as excess spending when insurance doesn't cover the cost of care. A number of studies have looked at this spending, using the federal government's Medical Expenditure Panel Survey.
- Underinsurance also results in reduced access to care, as people avoid seeking care or buying medications because of the out-of-pocket costs. These are not captured in an expenditure survey.

Finances and Underinsurance



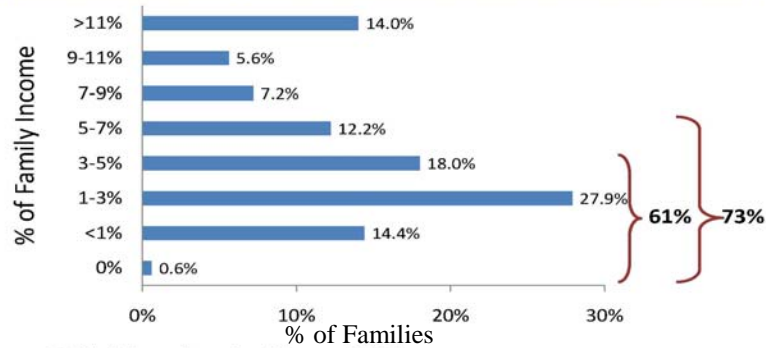
The Extent of Underinsurance

- 4 in 10 Americans are uninsured or underinsured
- 29% with insurance postponed needed medical care because of cost
- 37% with insurance had outstanding medical debt
- About 1 million people each year declare bankruptcy as a result of their medical bills
- Three-fourths of these had insurance when they got sick

-- Consumer Reports, September 2007; D. Himmelstein et al, "Illness and Injury as Contributors to Bankruptcy", *Health Affairs*, w5-63, 2005

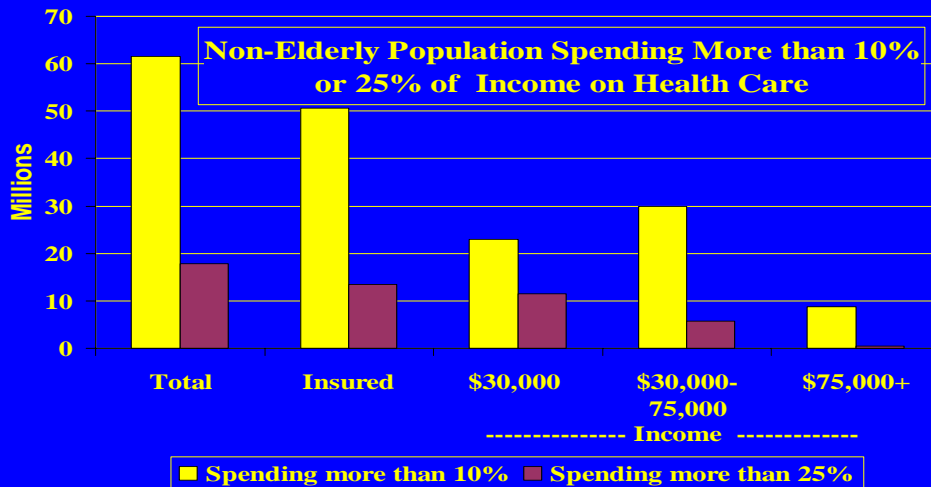
Most Spend 7% or Less of Their Income on Health Care – Many Spend a Lot More

Family Medical Expenses as Percent of Family Income (premiums & other).



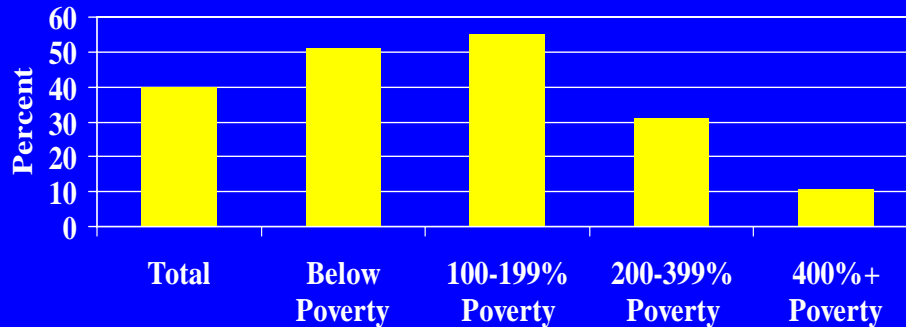
Source: Elisabeth Benjamin, Community Service Society, Testimony before the NYS Partnership for Coverage Hearings, Old Westbury, NY, Dec. 5, 2007

Millions of the Insured of All Incomes Face Financial Burdens



Even Those on Medicare are Underinsured

Medicare Recipients Spending More Than 20% of their Income on Health Care

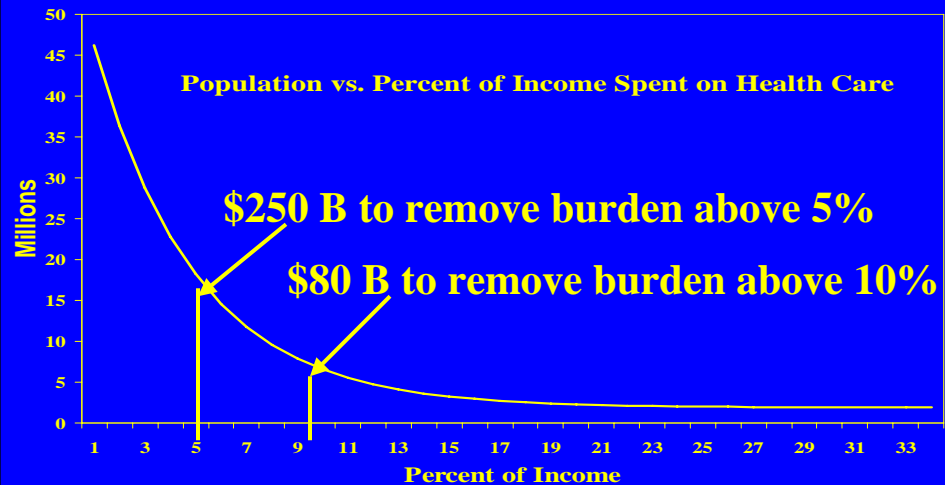


Source: Patricia Neuman et al, "How Much 'Skin in the Game' Do Medicare Beneficiaries Have? The Increasing Financial Burden of Health Care Spending, 1997-2003", *Health Affairs*, Nov-Dec 2007

Removing the Financial Burden

- No one has yet estimated what it would cost to eliminate these burdens within the Mandate Model.
- The following slide presents an estimate, from these expenditure studies, of the number of people spending each percent of their income on health care.
- As this graph shows, most people spend very little, but some spend a great deal.
- I estimate that the cost to eliminate these financial burdens will be between \$80 and \$250 billion, depending on how much families should be expected to spend on health care.

The Cost to Remove Financial Burdens



These are in addition to the cost of covering the uninsured!

Author's estimate, from published sources.

Single Payer Can Remove That Burden without Spending Any More Than We Spend Now

- As we showed earlier, a single payer plan can remove this burden without costing any more than we now spend.
- Under such a plan, current spending on private health insurance premiums and out-of-pocket costs would be replaced, for most people, by a 4 percent tax on their income.
- All of us, of course, are already paying a great deal in federal and state taxes to support our health care system through Medicare, Medicaid, and other health spending; we're just not getting any health care for it.

The Problem of Underinsurance is Going to Get Worse

“The same affordability issues that low-income families experienced a decade ago have begun to affect middle-income families today...is likely to increase in future years as health care costs continue to outpace growth in family incomes.”

-- Jessica Banthin, Peter Cunningham and Didem Bernard, “Financial Burden of Health Care 2001-2004”, *Health Affairs*, Jan-Feb 2008.

Remember, the Underinsured are Not “Them”, They’re “Us”

- The underinsured are people who needed medical care that their insurance did not cover
- All of us will find ourselves in that situation at some point
- In other words, we’re all underinsured; it’s just that we won’t know it until we are sick

The Mandate Model does nothing about underinsurance: we will “keep what we have”

It's Not Only the Cost of Care -- it's the Growth in Costs that Must be Addressed

Single payer offers tools to contain costs –

- Budgeting, especially for hospitals
- Investment planning
- Emphasis on primary care and coordination of care

Mandate plans offer hopes –

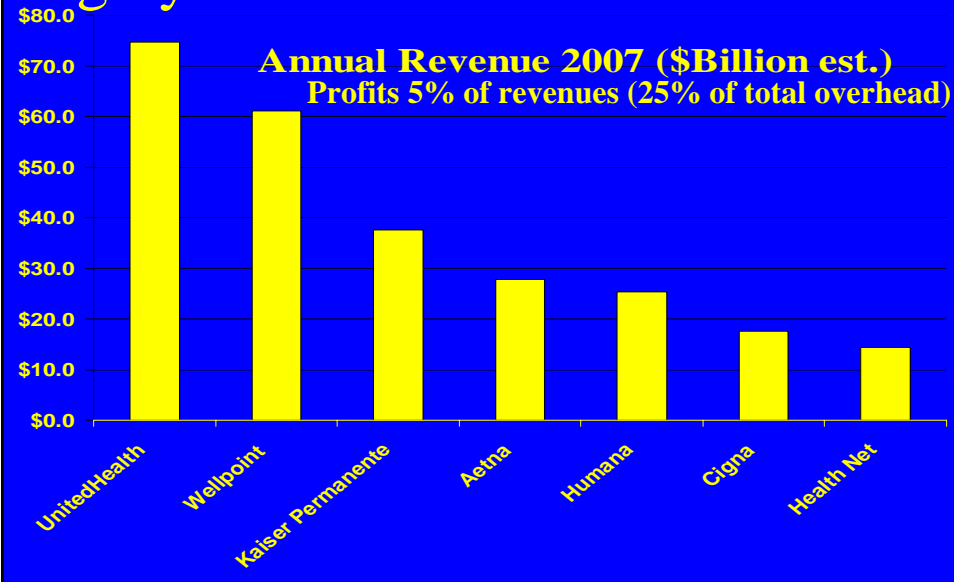
- Computerization
- Chronic disease management
- Insurance company competition

There is no data or experience to suggest that these will cut costs or limit the rise in cost.

The Mandate Model Offers Hopes, Not Plans

- Computerization, while it can contribute to better health care, will cost tens of billions of dollars to implement and may produce no savings for many years.
- Disease management, too, can improve patients' health, but it is likely to cost more, not less, to implement.
- Relying on competition among insurance companies ignores the growing concentration in the insurance industry, where two companies now control much of the industry. In such an oligopoly situation, companies don't compete on the basis of price but through name recognition and "features."

The Insurance Industry Today: Highly Concentrated and Profitable



The Bottom Line

The candidates' Mandate Model will –

- Make the world's most costly health system even costlier
- Not improve insurance coverage for the average person
- Not make affordable insurance available
- Not address the problem of underinsurance
- Not contain the continuing growth in cost

Only national health insurance will –

- Cover everyone for comprehensive services
- Cost no more than we are now spending
- Provide mechanisms for containing the growth in cost