Position Paper: Single Payer Healthcare

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Issue

The United States has a fragmented "system" of healthcare coverage funded by private insurance, governmental programs and individuals' out of pocket payments. We spend more on healthcare than any other industrialized country yet health outcomes are poorer than those of comparable nations and coverage is not universal.

Our Position

We support a single payer or single payer hybrid model of healthcare funding.

Why we have this position

We feel quality healthcare is a right and should be affordable and accessible to all. A single payer or hybrid system is the best means to achieve universal coverage because it is the most cost-effective model, the least complex administratively, and offers opportunities for better quality control.

Background

A single payer healthcare system is one where the insurer, usually a government, pays for all covered health care costs. A hybrid system includes private insurance as part of the system.

Three main models of universal healthcare systems, based on single-payer or hybrid systems, have been implemented around the world:[1]

Beveridge Model:

This system, established in postwar England, Spain, New Zealand, Hong Kong, Cuba, and most Scandinavian countries, is named for the British social reformer, William Beveridge. This model is typically referred to as "socialized medicine". Healthcare is universal and is funded by taxes. Most clinics and hospitals are owned and run by the government. Physicians and other providers are generally government employees. However, private insurance is still available for purchase by those individuals who can afford it and who prefer non-governmental healthcare providers and facilities.

Bismarck model:

Prussian Chancellor Otto von Bismarck originated this system in 1883. This model and variations of it are implemented in Germany, France, the Netherlands, Switzerland, Japan and, to some degree, in Latin America. This system is not technically a single payer system because it consists of non-profit insurance companies (called "sickness funds") which are financed jointly by employer and employee payroll deductions. These monies are deposited with the government which then disburses the funds to insurers. Insurers are required to cover everyone. Funds from governmental general revenues cover the cost of insurance for non-contributors. Coverage and reimbursement is strictly regulated

by the government which results in tight cost control. Most facilities and providers are private. Insurance, outside of the system, is available for purchase.

National Health Insurance model:
This model combines elements of both the Beveridge and Bismarck systems. Canada, Taiwan and South Korea have implemented this type of healthcare system. Similar to our traditional Medicare system, all citizens pay into a government run insurance program that deals directly with doctors and hospitals which are privately operated. Fees and coverage are regulated by the government. Individuals can purchase supplemental, private insurance policies to pay for medical and dental care that is not covered by the governmental insurance.

Details

What are the benefits and negatives of a single payer system?[2]

Pros:

- Universal coverage.

- Reduced healthcare costs without sacrificing quality outcomes based on other countries' experiences. For example, Canada's spending is $2,233 less per person than in the United States yet has a life expectancy rate which is 2 years higher than that of the US and a lower infant mortality rate as well. Some of the reasons that total costs are lower under single-payer systems include lower administrative costs and little need for advertising. Administrative costs are about 2% for a single payer program such as traditional Medicare vs. approximately 12% for many private insurers. Competitive advertising can account for more than 15% of total expenses for private insurers but virtually nothing for single payer.[3]

- Potential for spending leverage and cost containment. The most important source of cost savings under single-payer is that large government entities are able to negotiate much more favorable terms with service providers. In 2012, for example, the average cost of coronary bypass surgery was more than $73,000 in the United States but less than $23,000 in France."[3]

- Simplified billing for providers and hospitals.

- Private care can still be available. (This can also be a negative, however, as it can create a two-tiered system.)

- The U.S. has several single payer type systems already in place, so transitioning using these structures may be easier.

- Bonuses or incentives, for example, based on outcome, providing care in underserved areas, etc. could be built into the program.

- Health insurance costs for individuals and employers could be significantly reduced or eliminated which could counter-balance possible tax increases.

Cons:

- Medical providers may opt to serve only private-pay patients unless there is a legal mandate prohibiting this. This could result in a two-tiered healthcare system.

- Does not solve and may exacerbate the doctor shortage.

- Funding sources need to be resolved.

- May reduce healthcare innovation, particularly for pharmaceuticals and equipment, due to lack of monetary incentives.

- Wait times for specialists could be long and not all conditions and treatments may be covered.

What type of single payer system would work best in the U.S.?

The U.S. has several systems that incorporate elements of single payer models, although they cover only certain populations.

- The Veterans Administration health care system is a Beveridge model system. Medical facilities are owned and run by the U.S. government and all staff are employees. Some HMOs (Health Maintenance Organizations) are based on a similar model whereby facilities are owned by the HMO and providers are salaried.

- The traditional Medicare system is a National Health Insurance system which is paid for by a combination of taxes and premiums. The government pays private providers and hospitals directly. Costs and coverage are regulated by the government.

- Tricare for military and some retired military personnel contains some elements of the Bismarck model. The government pays private insurance companies to administer plans which are tightly regulated

- Medicaid, which covers low income, elderly and disabled individuals, varies by state, but generally involves government payments to private providers for allowable services.

Any one of the above existing systems could be expanded to provide universal coverage. However, the most discussed possibilities to date have been “Medicare for All”,

"Medicaid for More"[4] and various other single payer hybrid proposals which include public option plans.

Medicare for All

"Medicare for All" has been proposed most notably by Senator Bernie Sanders.[5] This label resonates well with many individuals because Medicare is a well-known, popular and successful program with low administrative costs. However, Sanders' plan would actually expand Medicare by increasing covered services and eliminating deductibles, copays and premiums. Private insurance companies, which are currently part of the system (Medicare Advantage) would be eliminated.[6]

His proposals for paying for such a system include: a 6.2 percent payroll tax on employers, an additional 2.2 percent tax on individual incomes, and several taxes on wealthier Americans and corporations. In addition, the elimination of employer tax deductions for insurance premiums would save trillions of dollars.[6]

Sanders estimates the cost to be a little over $1.6 trillion per year and his funding mechanisms would generate sufficient revenue—about $16 trillion over ten years. Coincidently, (or not), $1.6 trillion per year is nearly identical to what the U.S. government is currently spending on healthcare. However, the Urban Institute estimates that this plan would cost closer to $32 trillion over 10 years.[7]

Medicaid for More

Hawaii senator Brian Schatz has proposed "Medicaid for All (who wish it)" as a public option plan.[8] His proposal allows states to offer Medicaid to anyone who wishes to purchase coverage. Current low-income enrollees would keep their coverage and those receiving ACA subsidies would continue to do so. Reimbursement rates to doctors and hospitals would be increased to match Medicare rates to encourage service providers to accept enrollees. Since premiums would cover the cost of this plan, no increased taxes are anticipated. Because Medicaid varies by state, some federal standards would need to be developed and legislated to avoid 50 different "Medicaid for More" plans.

Public Option Alternative for Employers

Some plans propose offering a public option to employers rather than solely to individuals.[9] To be attractive to employers and individuals, these public option plans would need to offer coverage competitive with the private insurance marketplace at a lower price. To avoid creation of a two-tiered healthcare system, the plans would need to reimburse service providers at rates comparable to those of private insurers.

Arguments for a Single Payer Hybrid Plan

Although hybrid plans are not pure single payer systems, given the current political climate and the near impossibility of abolishing private insurance carriers, a hybrid plan which includes a public option is potentially the first step toward universal healthcare.

An analysis by Jacob S. Hacker, a professor of political science and director of the Institution for Social and Policy Studies at Yale, contends that a public option is politically feasible because it is not a threat to private healthcare plans. He cites the following advantages of a public option plan: [10]

- A public option is crucial to making a system of broad coverage work. He notes that in many sections of the country, there is already only a single payer, albeit a private plan as the payer. Such lack of competition makes regulation difficult and hurts consumers who face higher costs. A public plan would provide a competitive benchmark both for coverage and premium rates.

- More people covered results in a larger pool for all plans. A public plan provides everyone with a choice. The result will be greater numbers of covered individuals and a broader pool for all plans, public and private.

- A public plan can offer a broader network of providers, thus making it attractive to more consumers.

- Cost containment may be the biggest advantage of a public option plan. A public plan may be able to set reimbursement rates, just as Medicare has done, resulting in slower cost growth than that of private insurance. However, reimbursement rates must not be so low that providers refuse to take those individuals insured by a public plan.

Summary

Single payer and hybrid systems in other industrialized nations have resulted in lower healthcare costs and better health outcomes as compared to healthcare in the United States. The U.S. already has several structures in place that could be used as a foundation for a universal single payer or hybrid system. The major obstacles are identification of funding and opposition by private insurance companies. A transitional approach which offers a quality, lower cost public option to employers and individuals, while retaining private insurance options, may be the most realistic mechanism at this time.

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