Funding a National Single-Payer System

"Medicare for All" would save billions, and could be redistributive.

BY GERALD FRIEDMAN

"The Expanded & Improved Medicare for All Act" (HR 676) would establish a single authority responsible for paying for health care for all Americans. Providing universal coverage with a "single-payer" system would change many aspects of American health care. While it would raise some costs by providing access to care for those currently uninsured or under-insured, it would save much larger sums by eliminating insurance middlemen and radically simplifying payment to doctors and hospitals. While providing superior health care, a single-payer system would save as much as $570 billion now wasted on administrative overhead and monopoly profits. A single-payer system would also make health-care financing dramatically more progressive by replacing fixed, income-invariant health-care expenditures with progressive taxes. This series of charts and graphs shows why we need a single-payer system and how it could be funded. D&S

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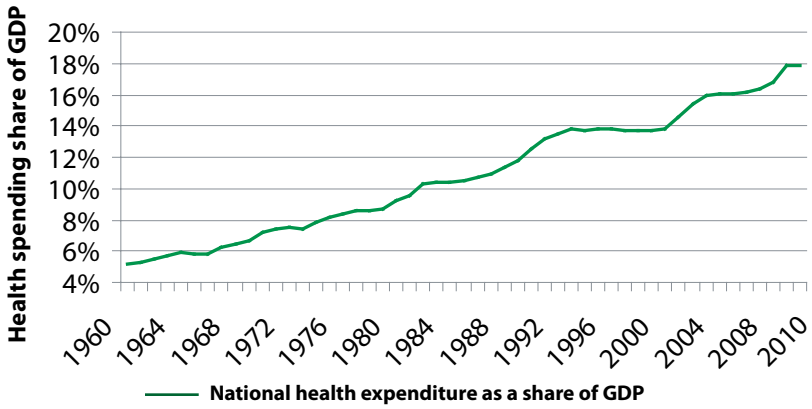
Figure 1: Health-Care Spending and GDP, 1960-2010

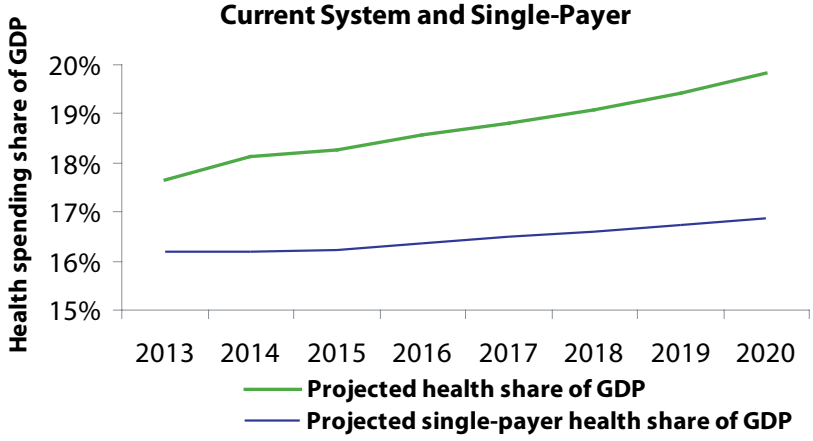


Source: Centers for Medicare and Medicaid Services, National Health Expenditures (cms.gov/National-HealthExpendData/); author's own calculations for projections of single-payer costs.

Health-care costs have risen much faster than income in the United States over the last 50 years, rising from 5% of Gross Domestic Product in 1960 to nearly 18% today. Some of the increase in costs in the United States, as with other countries, is associated with improvements in care and longevity. Costs have risen much faster in the United States, however, because of the growing administrative burden of our private health-insurance system.

With $570 billion in savings on administration and monopoly profits, a single-payer system would reduce dramatically the burden of health care costs on the United States economy. Over time, furthermore, a single-payer system would allow us to slow the growth in health-care spending.

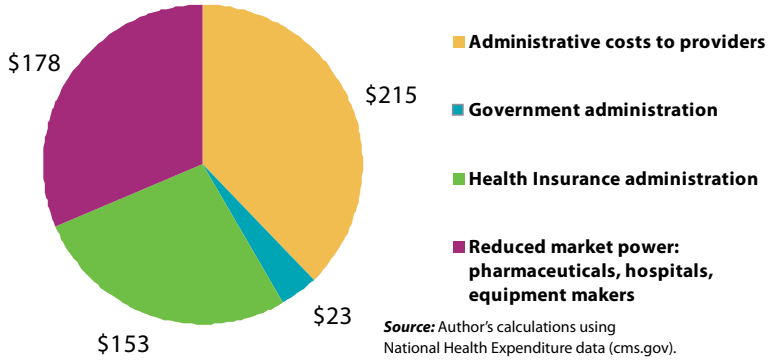
Figure 2: Projected Health Care Spending of GDP: Current System and Single-Payer



Sources: Centers for Medicare and Medicaid Services, National Health Expenditures (cms.gov/National-HealthExpendData/); author's own calculations for projections of single-payer costs.

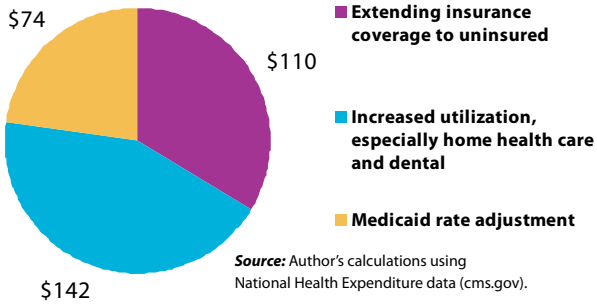
A single-payer system would produce huge administrative savings by simplifying billing operations within providers' offices and hospitals, and by redistributing the monopoly profits currently enjoyed by pharmaceutical makers and other companies.

Figure 3: Sources of Savings from a Single-Payer Health Plan (in Billions)



Source: Author's calculations using National Health Expenditure data (cms.gov).

Figure 4: Increased Spending Associated with a Single-Payer Plan (in Billions)

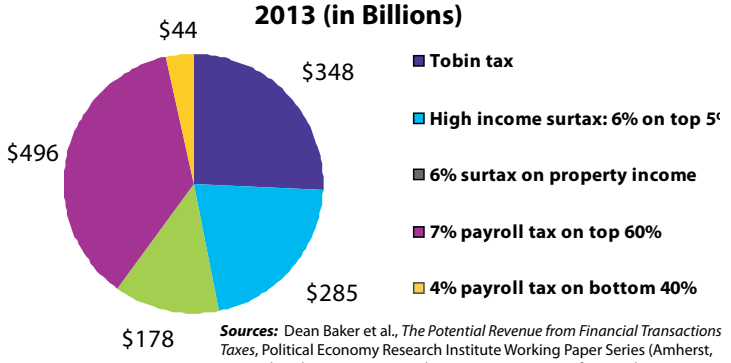


Source: Author's calculations using National Health Expenditure data (cms.gov).

The savings produced by a single-payer system would allow us to correct some of the problems within the current health-care system. In addition to extending coverage to all of those currently uninsured, we could also improve the coverage for those with inadequate insurance. Finally, we could correct the inequity in the current financing system by reimbursing providers equally for caring for the poor under Medicaid.

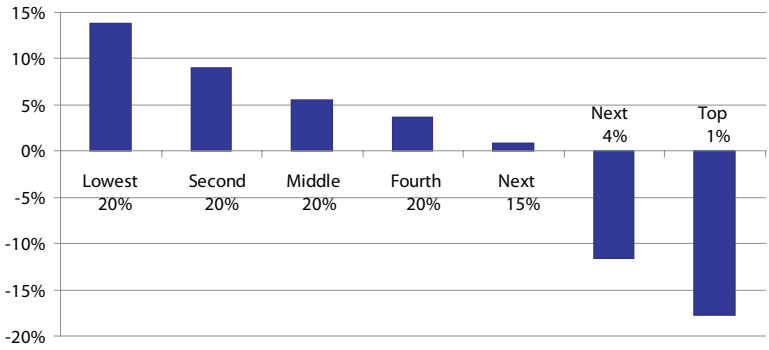
The single-payer system would be paid for by a variety of taxes. The Tobin tax is a tax on financial transactions that would raise revenue while discouraging the types of speculative finance that led to the current economic crisis. The remaining revenue would come from taxes targeted at those best able to pay, including those with high incomes and with incomes from property (including capital gains, dividends, interest, profits, and rents).

Figure 5: Funding for a Single-Payer Plan, 2013 (in Billions)



Sources: Dean Baker et al., *The Potential Revenue from Financial Transactions Taxes*, Political Economy Research Institute Working Paper Series (Amherst, MA.: Political Economy Research Institute, University of Massachusetts-Amherst, December 2009); author's calculations using national income data from the Bureau of Economic Analysis, bea.gov.

Figure 6: Changes in Disposable Income* with a Single-Payer Plan (by Income Group)



*"Disposable Income" is income after taxes and health-care spending.

Source: Data on the distribution of income and its sources from the income tax as prepared by Emmanuel Saez and Thomas Piketty (elsa.berkeley.edu/~saez/).

With private health insurance, health-care expenditures are largely fixed with respect to income and, therefore, are a heavier burden on the poor and middle classes than on the wealthy. By linking health-care expenditures to income, a tax-funded single-payer system would provide savings for all Americans below the wealthiest top 5%.