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POLICY NOTE

Is a Single-Payer Health Care System Right for America?

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Key Findings

1. As the debate over health care reform rages on, more Americans are considering adoption of a single-payer health care system.
2. The demand for health care far outweighs the supply of care in every industrialized country.
3. Canada has had a single-payer health care system for over 30 years. Health care costs have skyrocketed in Canada and now represent the largest expense for every province's budget.
4. Medical care is rationed in Canada through the use of long waiting lists and through limits placed on the number of certain medical procedures.
5. A single-payer system discourages innovation.
6. Under a single-payer system, health care spending must compete with all other government activity for funding.
7. To control costs, increase choice and maintain and improve quality, patients must be allowed to control their own health care dollars and make their own health care decisions. A single-payer system would move policy in the other direction.

Introduction

As the debate over health care reform rages on, more Americans are considering adoption of a single-payer health care system. The Affordable Care Act (ACA), also known as Obamacare, is a highly complex law and has made our current health care delivery system more confusing.[1] A single-payer system is attractive to many people because of its perceived simplicity – the U.S. government would provide direct health services to all Americans.

To begin with, there is a great degree of confusion concerning the terminology used to describe various health care delivery systems. "Single-payer" health care is a system in which residents are required to pay the government through taxes – in amounts determined by the government – to cover health care costs, rather than purchasing health insurance from private companies in a voluntary and competitive marketplace.[2]

Doctors and other providers in a single-payer system may or may not be government employees. The most recent term for a single-payer system in the United States is "Medicare for All," under which doctors, clinics, and hospitals are private, but the government is the sole price-setter and bill-payer.

"Socialized medicine" is a term usually reserved for health care systems that are paid for by taxes and that employ all doctors and providers as government workers.[3] The Veterans Administration system in the U.S. is a typical example, in which the hospitals and clinics are owned by the government and the doctors and nurses are all government employees.

"Universal" health care refers to a national system in which every citizen has health insurance paid for through taxes.[4] The insurance may be administered by the government or by private companies with complete oversight by the government. Having "universal" insurance coverage, however, does not guarantee a person actual access to timely health care service.

Virtually every industrialized country has a universal system. Only Canada, and to a certain extent Taiwan, have pure single-payer health care. This Policy Note examines the effectiveness of single-payer health care and what such a system would look like if enacted in the U.S. This paper also discusses policy

1 "The impact of national health care reform on Washington state," by Roger Stark, MD, Policy Brief, Washington Policy Center, January 1, 2010, at http://www.washingtonpolicy.org/publications/detail/the-impact-of-national-health-care-reform-on-washington-state

2 "Single-payer health care," definition, Wikipedia, at https://en.wikipedia.org/wiki/Single-payer_healthcare

3 "Socialized medicine," definition, Wikipedia, at https://en.wikipedia.org/wiki/Socialized_medicine

4 "Universal health care," definition, Wikipedia, at https://en.wikipedia.org/wiki/Universal_health_care

alternatives to a single-payer system that would put patients, not the government in charge of directing their own health care.

Background

Citizens and elected officials in the U.S. have debated the merits of various universal health care proposals for over 100 years. President Franklin Roosevelt pushed for government-run health care under his New Deal initiative. Because of voter mistrust, Roosevelt removed medical services but he retained the Social Security retirement system as an important foundation for his expansion of government.

Thirty years later, President Johnson and Congress passed the Medicare and Medicaid entitlement programs. Medicare is essentially a single-payer system for seniors. People 65 years of age and older now have no other choice for major medical health insurance. Medicaid is a pure welfare entitlement for low-income people, paid for by state and federal taxpayers.

In 2010, President Obama signed the Affordable Care Act into law. The ACA further entrenched government into the U.S. health care system by expanding the Medicaid entitlement and by providing taxpayer subsidies to help individuals purchase health insurance in government-mandated exchanges.[5]

Although the ACA did not deliver "Health care for all" as advocates promised and only insures an additional 20 million people (about six percent of the U.S. population), its mandates and regulations effect all areas of the U.S. health care system. It has driven health care costs up, has fragmented health care delivery, and has put the country's health care system in jeopardy.

Consequently, many advocates say the ACA did not go far enough. Americans are now debating whether the government should take over and control all aspects of our health care with a single-payer system.

Health care in Canada

The Canadian federal government passed the Canadian Health Care Act (CHA) in 1984. It is a pure single-payer system. Every Canadian is covered by the plan and theoretically has access to medical care. The provinces administer the plan with funding from federal taxpayers. The government determines what procedures are medically necessary based on data and statistics.[6]

The CHA is a pay-as-you-go plan, which depends on having enough younger workers to pay for the health care of older and sicker individuals. Seventy five percent of Canadians have supplementary insurance for things such as drugs and glasses that the CHA does not cover.

The supply of health care is overwhelmed by the demand in Canada leading to severe shortages. Consequently medical care is rationed through the use of long waiting lists and through limits placed on the number of certain medical procedures. Wait times vary by province and medical specialty, but on average 29 percent of adults who became ill waited two months or more to see a doctor and 18 percent waited four months or more in 2016. Specialty care in Canada is even harder to access. In 1993, the median wait time in ten

5 *The patient-centered solution; our health care crisis, how it happened, and how we can fix it*, by Roger Stark, MD, 2012.

6 "Canada's health care system," Government of Canada, at https://www.canada.ca/en/health-canada/services/canada-health-care-system.html

provinces across 12 medical specialties was 9.3 weeks. By 2016, that number had increased to 20.0 weeks.[7]

Long wait times are more than an inconvenience for Canadians. Simple medical problems, if not treated early, can turn into chronic or life-threatening conditions. Wait times at the very least prolong pain and suffering for patients.[8]

In Canada, health care costs have skyrocketed and now represent the largest expense for every province's budget. Ontario, for example, spent 43 percent of its budget on health care in 2010. Estimates show that Ontario will spend 80 percent of its budget on health care in 2030.[9]

Almost 90 percent of Canadians live within driving distance of the United States. For those Canadians who can afford it and do not want to wait, quality health care is available in the U.S. without waiting. In reality, Canada has a two-tiered health care system, with the U.S. providing timely care for those willing and able to travel and pay more.

Problems with a single-payer health care system

Canada has had a single-payer system for over 30 years and its experience is revealing. Canadians are proud of the fact that every citizen has health insurance. From a cultural standpoint, the principle of universal coverage is a priority for the country. It also makes it easier for the citizens to overlook the problems within the system.

The demand for health care far outweighs the supply of care. Canada faces the same age demographic problem that most industrialized countries do. The younger, working age group is getting smaller, while the older, non-working group is getting larger in proportion to the total population. A single-payer system is pay-as-you-go, so this demographic imbalance guarantees a looming financial disaster in health care funding in the future.

The long wait times in Canada are not in the patient's best interest and would not be acceptable for the vast majority of Americans. Health care rationing through waiting-lists is effective when supply is overwhelmed by demand. The question is whether government bureaucrats should have the authority to pick and chose what procedures patients receive and who should actually receive those treatments, while others are forced to wait for care.

A single-payer system discourages innovation. There is virtually no money in the system to encourage investment in new life-saving medicines and medical devices. Lack of innovation guarantees that no new treatments will be discovered, with no improvement in quality of life or life expectancy.

Under a single-payer system, health care spending must compete with all other government activity for funding. This makes health care very political and subject to change with every new budget. It also forces each health care sector, for example hospitals and doctors, to compete with each other for limited money.

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7 Waiting your turn; wait times for health care in Canada, 2016 report," by Bacchus Barua and Feixue Ren, Fraser Institute, November 2016, at https://www.fraserinstitute.org/sites/default/files/waiting-your-turn-wait-times-for-health-care-in-canada-2016.pdf

8 "If universal health care is the goal, don't copy Canada," by Jason Clemens and Bacchus Barua, Forbes Online, June 13, 2014, at https://www.forbes.com/sites/theapothecary/2014/06/13/if-universal-health-care-is-the-goal-dont-copy-canada/#3a833ec678d5

9 "The sustainability of health care spending in Canada 2017," by B. Barua, M. Palacios, and J. Emes, Fraser Institute, March 2017, at https://www.fraserinstitute.org/sites/default/files/sustainability-of-health-care-spending-in-canada-2017.pdf

Fundamentally, a single-payer system centralizes all health care with the government. Bureaucrats, not patients and their providers, get to make life and death decisions about the kind and amount of health care people receive.

Proposed single-payer systems in the U.S.

Senator Bernie Sanders (I-VT) has long advocated for the creation of a single-payer health care system in the United States. His "Medicare for All" is a very robust and specific plan.[10]

The non-partisan Committee for a Responsible Federal Budget (CRFB) analyzed Senator Sanders' proposal from a financial standpoint.[11] He calls for six new or expanded taxes. Everyone would pay 6.2 percent more in payroll tax and 2.2 percent more in income tax. This combined 8.4 percent tax increase would have the greatest impact on low-income workers, according to the analysis. Rather than receiving "free" Medicaid, these workers would have 8.4 percent less in take-home pay.

High-income workers would experience four additional taxes. Income taxes would increase, capital gains would be taxed as ordinary income, certain current deductions would be eliminated, and estate taxes would increase. Marginal tax rates for people earning between $18,550 and $75,300 would go from 30.3 percent to 38.9 percent. For higher-income workers (those with incomes greater than $250,000) income plus payroll taxes would go up to 77 percent and capital gains taxes would reach 64 percent.

Even with these expanded taxes, the CRFB reports that multiple analysts, including the non-partisan Congressional Budget Office, find Senator Sanders' calculations to be short of funding needed by up to $14 trillion over 10 years. Although the tax increase would be staggering, the overall impact on the U.S. economy and economic growth would be devastating. There are now multiple examples of countries that enacted socialist programs and ultimately became mired in stagnant economies.

The Medicare program, created in 1965, was seven times over the original budget estimate by 1990. There is no reason to believe a huge government entitlement like "Medicare for All" would remain under its proposed budget.

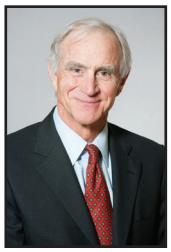
Half of all Americans receive their health insurance from their employer or their spouse's employer. "Medicare for All" would eliminate employer-paid health insurance and force all of these workers into the government-run single-payer plan.

Vermont came close to instituting a single-payer system on a state-level basis. In 2011, the legislature passed and Governor Pete Shumlin signed "An Act Relating to a Universal and Unified Health System." The state-wide single-payer system was to start in 2017. By 2014, however, fiscal estimates showed that the state budget would need an extra $2 billion in 2017 to fund the program. This would be a 35 percent increase over the state's original $5.7 billion 2017 budget.[12] The state would need to raise taxes to levels unacceptable to the

10 "Medicare for all: leaving no one behind," Bernie Sanders Campaign Website, 2016, at https://berniesanders.com/issues/medicare-for-all/

11 "Analysis of the Sanders single-payer offsets," Committee for Responsible Federal Budget, February 3, 2016, at http://www.crfb.org/blogs/analysis-sanders-single-payer-offsets

12 "2017 Fiscal facts, Vermont Legislature, Joint Fiscal Office," at http://www.leg.state.vt.us/jfo/publications/2017%20Fiscal%20Facts%20--%20Final.pdf



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public and at the same time, decrease provider payments to unrealistic amounts. Vermont officials admitted failure and abandoned the plan in December 2014.[13]

Conclusion

To control costs, increase choice and maintain and improve quality, patients must be allowed to control their own health care dollars and make their own health care decisions. A single-payer system would move policy in the other direction. It would further entrench the inefficient and costly government management of health care delivery for Americans.

Enacting meaningful reform and achieving lower cost requires that policymakers show respect for patients and allow them to be in charge of their own health care through initiatives such as:[14]

- Provider price transparency
- Changes in the tax code and less dependence on employer-sponsored coverage
- Insurance reform
- Eliminating mandates
- Reforming Medicare, Medicaid, and ACA programs
- Using subsidized high-risk pools to serve people with pre-existing conditions
- Tort reform

No government bureaucrat is more concerned about a person's health than that person is. Patients, as health care consumers, should be allowed to be informed about, to review the prices of, and to gain access to the best health care services available in a fair, open, and free marketplace. As the real-world examples of Canada and Vermont show, a single-payer system does none of these things.

13 "Six reasons why Vermont's single-payer health plan was doomed from the start," by Avik Roy, Forbes Online, December 21, 2014, at https://www.forbes.com/sites/theapothecary/2014/12/21/6-reasons-why-vermonts-single-payer-health-plan-was-doomed-from-the-start/#7111b7fd4850

14 See note #5