

HB 1877 and SB 5822: To study imposing a single-payer health care system on the people of Washington state

Dr. Roger Stark, MD, FACS, Policy Analyst, Center for Health Care

February 2019

Key findings

1. **The idea of a single-payer health care system in the United States has been debated for years.**
2. **HB 1877 and SB 5822 would be the first step toward imposing a single-payer, government-based system in Washington state.**
3. **The bills would require the Health Care Authority to establish a working group that would explore imposing a state-based, single-payer system that would be publically funded and privately administered.**
4. **A “Medicare for All” plan is being debated at the national level. Multiple analysts estimate a \$14 trillion to \$32 trillion shortfall over the first 10 years of the program.**
5. **State-based, single-payer systems have been rejected in Vermont, Colorado, and California.**
6. **Canada has had over 30 years of experience with a national single-payer system. The experience of Canada shows single-payer leads to long waiting lists, delays in needed medical care, and health care rationing.**
7. **To control costs, increase choice, and improve quality, patients should be allowed to direct their own health care dollars and make their own health care decisions. A single-payer system would further entrench the inefficient and costly government management of health care delivery for Washingtonians and all Americans.**

Introduction

The idea of a single-payer, government-run health care system in the United States has been debated for years. The Affordable Care Act (ACA), also known as Obamacare, has failed miserably at achieving its two main goals; providing universal health insurance (“Health care for All”) and decreasing health care costs.

Instead of replacing the ACA with effective patient-centered solutions, many elected officials and candidates on the political left are now pushing for a complete government takeover of the U.S. health care system. “Medicare for All” is being proposed nationally. Two state-level bills, HB 1877 and SB 5822, would be the first step toward a single-payer, government-based system for Washington state.

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, government-run 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, 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.¹

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.

Despite its failures, 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.

What HB 1877 and SB 5822 would do²

The bills, introduced in the Washington Legislature this session, would require the Health Care Authority to establish a working group composed of consumers, businesses, labor, health care providers, health insurance carriers, and elected officials. The group would be charged with exploring the concept of a state-based, single-payer system that would be publically funded and privately administered. According to the bills, the system must:

- Increase health insurance coverage.
- Be transparent.
- Provide innovations that lead to sustainability and affordability.
- Promote quality.
- Potentially expand health care purchasing with other states.

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

2 “SB 5822, Providing a pathway to establish a universal health care system for the residents of Washington state, Washington state legislature, February 4, 2019, at <http://lawfilesext.leg.wa.gov/biennium/2019-20/Pdf/Bills/Senate%20Bills/5822.pdf>, and companion bill HB 1877, at <https://app.leg.wa.gov/billsummary?BillNumber=1877&Initiative=false&Year=2019>.

The working group must explore options for financing of a single-payer system.

Single-payer system in Canada

The Fraser Institute is a well-respected national think tank based in Vancouver, British Columbia. For the past 20 years, the organization has tracked waiting times for patients to receive health care in Canada. It surveys specialist physicians across 12 specialties throughout Canada. The institute recently released the waiting list data for 2018.³

It found the median time for specialty treatment once a patient was referred by a primary care doctor was 20 weeks. The low was 15 weeks in Saskatchewan, with a high of 45 weeks in New Brunswick. On average, Canadians waited nine weeks to see a specialist, then waited an additional 11 weeks to receive treatment. Only 12 percent of delays in treatment were at the patient’s request.

There were also delays in diagnostic procedures. In 2018, Canadians waited four weeks to receive a CT scan or an ultra sound and 10 weeks to receive an MRI.

The Canadian federal government passed the Canadian Health Care Act in 1984. It is a pure single-payer system. Every Canadian is covered by the plan and, in theory, 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.

Single-payer creates shortages in medical care

The Canadian single-payer system has created severe shortages. Medical care is rationed using long waiting lists and by limiting the number of certain medical procedures allowed. Costs and waiting times have not improved since 1984.

3 “Waiting your turn: Wait times for health care in Canada, 2018 report,” by B. Barua, D. Jacques, and A. Collyer, Fraser Institute, December 4, 2018, at <https://www.fraserinstitute.org/studies/waiting-your-turn-wait-times-for-health-care-in-canada-2018>.

Simple medical problems, if not treated early, can turn into chronic or life-threatening conditions, so long wait times prolong pain and suffering for patients. Costs have skyrocketed and now represent the largest expense for every province's budget.

Almost 90 percent of Canadians live within driving distance of the United States. For those who can afford it, quality health care is immediately available in the U.S. In reality, Canada has a two-tiered health care system, with the U.S. providing timely care for those able to travel and pay more.

Most Canadians say they like their system, but their expectations are different. Waiting 20 weeks for needed medical treatment would not be acceptable to the overwhelming majority of Americans.

Proposed national single-payer system

Senator Bernie Sanders (I-VT) has long advocated imposing a single-payer health care system in the United States. His "Medicare for All" is a very robust and specific plan.⁴

The non-partisan Committee for a Responsible Federal Budget (CRFB) analyzed Senator Sanders' proposal from a financial standpoint.⁵ 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.

Higher-income workers would have to pay 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 workers with

incomes greater than \$250,000, income plus payroll taxes would go up to 77 percent and capital gains taxes would reach 64 percent.

Deep cuts to hospital and doctor payments

Hospitals and doctors would experience deep cuts to their reimbursement under "Medicare for All." The plan would create unacceptably long waiting times and rationing of health care, as is now seen in Canada.

Even with these expanded taxes and reduced provider payments, the CRFB reports that multiple analysts, including the non-partisan Congressional Budget Office, find Senator Sanders' calculations to be short of funding needed by \$14 trillion to \$32 trillion over 10 years.

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.

Further, 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.

Single-payer proposals in other states

Vermont came close to instituting a single-payer system on a state-level basis. In 2011, the Vermont 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

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

5 "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>.

over the state's original \$5.7 billion 2017 budget.⁶ The state would need to raise taxes to levels unacceptable to the public and at the same time, decrease provider payments to unrealistic amounts. Vermont officials admitted failure and abandoned the plan in December 2014.⁷

In spite of enthusiastic campaigning and support of a single-payer system, Colorado voters turned down a single-payer ballot initiative in 2016. The voters realized the overwhelming cost and enormous tax increase to fund the initiative. They were also concerned about losing their current health insurance.⁸

California legislators have considered a single-payer system the past few legislative sessions. They have not passed any legislation, again because of the unknown but likely exorbitant cost to state taxpayers.⁹

Problems with a single-payer health care system

The experience of Canada shows that a single-payer health care system leads to long waiting, cuts in funding to hospitals and doctors, greater human pain and suffering as needed care is delayed, and the rationing of access to health care services.

A single-payer system discourages innovation. The system provides virtually no money for investment in new life-saving medicines and medical devices. Lack of innovation guarantees that few 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 public money.

Fundamentally, a single-payer system centralizes all access to health care services under government control. Bureaucrats and politicians, not patients and their providers, make life and death decisions about the kind and amount of health care people are allowed to receive.

Conclusion

To control costs, increase choice, and maintain and improve quality, patients must be allowed to direct their own health care dollars and make their own health care decisions, free of politics, lobbying, and special interest pressures. 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. HB 1877 and SB 5822, would be the first step toward a single-payer, government-based system for Washington state.

No government bureaucrat or politician 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, free, and affordable marketplace. As the real-world example of Canada shows, a single-payer system does none of these things. It only leads to delays, rationing, and greater human suffering.¹⁰

6 "2017 Fiscal facts, Vermont Legislature, Joint Fiscal Office," at <http://www.leg.state.vt.us/jfo/publications/2017%20Fiscal%20Facts%20--%20Final.pdf>.

7 "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-payerhealth-plan-was-doomed-from-the-start/#7111b7fd4850>.

8 "ColoradoCare Amendment 69 defeated soundly," *The Denver Post*, November 11, 2016, at <https://www.denverpost.com/2016/11/08/coloradocare-amendment-69-election-results/>.

9 "Is state-wide single-payer feasible, or is it just California dreamin'," by Sally Pipes, Forbes Online, June 25, 2018, at <https://www.forbes.com/sites/sallypipes/2018/06/25/is-statewide-single-payer-feasible-or-is-it-just-california-dreamin/#3d830c0d636a>.

10 "Health care reform: lowering costs by putting patients in charge," by Roger Stark, MD, Policy Brief, Washington Policy Center, July 6, 2015, at <https://www.washingtonpolicy.org/publications/detail/health-care-reform-lowering-costs-by-putting-patients-in-charge>.

Dr. Roger Stark, MD, FACS
is Washington Policy Center's
Health Care Policy Analyst.

*Nothing here should be
construed as an attempt to
aid or hinder the passage of
any legislation before any
legislative body.*

Published by
Washington Policy Center
© 2019
Visit washingtonpolicy.org
to learn more.