Single-Payer Health Care: Rhetoric Versus Reality

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Abstract

Some leading lawmakers are advocating single-payer health care, an approach that would abolish nearly all existing coverage arrangements and replace them with a single, government-run plan. Advocates argue that such a plan would be built on existing arrangements, make average American families financially better off, and give everyone access to high-quality care. These claims are not accurate; there is a wide gap between the rhetoric and the reality. Policymakers should reject single-payer policies, which impose a high cost on patients, and put medical coverage decisions in the hands of government bureaucrats. Leaders should support policies that reduce costs and empower consumers to make their own personal medical decisions.

“Single-payer” health care is increasingly popular with some Members of Congress and the public at large. This should come as no surprise: Proponents of a single-payer system in the United States make numerous claims about the benefits of such a system. Among them are:

- Single-payer health care can effectively build on the Medicare program via a proposal called Medicare for All,

- The average American family would be financially better off under Medicare for All,

- Single-payer health care would ensure that everyone has equal access to high-quality health care, and

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Single-payer health care would save money by eliminating the administrative costs generated by private health insurance.

These claims are not accurate. Based on an analysis of the proposal by Senator Bernie Sanders (I–VT), and the actual experience of similar systems in Great Britain and Canada, there is a gap between the rhetoric and the reality. Policymakers should reject single-payer policies, which impose a high cost on patients and put medical coverage decisions in the hands of government bureaucrats. Leaders should support policies that reduce costs and empower consumers to make their own personal medical decisions.

**Rhetoric: “Medicare for All” Builds on the Medicare Program.**

We need to build on the strength of the 50 years of success of the Medicare program.2

—Friends of Bernie Sanders

Advocates point to the Medicare program as the foundation for their plan and claim their plan would add new benefits for seniors. They make use of the program’s enormous popularity, not only with seniors, but with the public; they claim that it provides guaranteed benefits, financial security, and broad access to care.3

**Reality: Medicare for All Would Abolish Medicare as We Know It.**

Under congressional proposals, Medicare itself would be replaced by the new government program. Almost 58 million seniors and disabled Americans would be displaced from their current Medicare plan and placed in a new government-run health care program.

Medicare “as we know it” includes a legacy program that provides coverage for hospital services, physician and outpatient services, and optional coverage for prescription drugs. Seniors and certain disabled citizens who choose the legacy program can also purchase and enroll in supplemental coverage (Medigap) to fill in coverage gaps in legacy Medicare. Alternatively, seniors can forgo the legacy program and select an alternative, private coverage insurance option, which integrates these services. Under the House and Senate “single-payer” bills, those private options, as well as the legacy Medicare program, would be replaced by the new government plan, and there would be no private insurance option.

**Rhetoric: The Average American Family Would Be Financially Better Off Under Medicare for All.**

Under Medicare for All the average American family will be much better off financially than under the current system, because you will no longer be writing checks to private insurance companies.... While, depending on your income, your taxes may go up to pay for this publicly funded program, that expense will be more than offset by the money you are saving by the elimination of private insurance costs.4

—Senator Bernie Sanders

Government-controlled health care, according to its advocates, would be less expensive for working families. Diane Archer, founder of the Medicare Rights Center, writes, “Under Medicare for All, the typical family will see higher wages and lower expenses and spend much less on health care than it does today.”5 While single-payer advocates acknowledge that federal taxes would increase, they also believe that the overall cost to the consumer would be less with the elimination of

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premiums and with the additional savings generated from a combination of consolidated administrative costs, reduced provider reimbursements, and superior government cost control.6

**Reality: The Sanders Medicare for All Proposal Would Cost Most Americans More.**

Economist Kenneth Thorpe of Emory University estimates the 10-year cost of Senator Sanders’ plan at $24.7 trillion, and finds that Sanders’ suggested revenue plan would be insufficient to cover the actual cost of the program.7 Thorpe estimates that covering the full cost of the program would require combined new payroll and income taxes of 20 percent, as well as “tax increases on capital gains, increased marginal tax rates, the estate tax and eliminating tax expenditures.”8

In his analysis of the tax provisions, Thorpe estimates that if the Sanders plan were fully funded, almost 71 percent of working households would pay more for health care than they do today. Thorpe estimates that 85 percent of working Medicaid households would pay more under the Sanders plan than they do today, as would 66 percent of the working Medicare population, 65 percent of young adult workers, and 57 percent of workers in firms with fewer than 50 employees.9

**Rhetoric: Single-Payer Health Care Would Ensure that Everyone Has Equal Access to High-Quality Health Care,**

*A single-payer system will ensure that everyone has access to a single tier of high-quality care, based on medical need, not ability to pay.*10

—Physicians for a National Health Program

Advocates argue that single-payer health care would replace the patchwork system of public and private coverage that exists today with guaranteed, universal coverage so that everyone would have a basic level of health care.

**Reality: In Government-Controlled Health Care, Universal Health Coverage Is Not the Same as Universal Access to Care.**

*Coverage* is not the same as *care*. The British National Health Service (NHS) and Canadian health systems (both single-payer systems) ration health care, creating access problems for patients.

Waiting lists are a significant problem in the Canadian system. In 2017, Canadians were on waiting lists for an estimated 1,040,791 procedures.11 Physicians reported that only about 11.5 percent of patients “were on a waiting list because they requested a delay or postponement.”12 Often, wait times are lengthy. For example, the median wait time in Canada for arthroplastic surgery (hip, knee, ankle, shoulder) ranges from 20 weeks to 52 weeks.13

By contrast, the U.S. far outperforms other developed countries in wait times. One 2018 survey of 11 developed countries found that in the United States, only 6 percent of patients waited two months or longer to see a specialist.14 In Canada, 39 percent of patients had to wait that long, and in the U.K., 19 percent experienced the same wait time.

In the British NHS, cancelations are common. In 2017, the NHS canceled 84,827 elective operations (in England alone) for non-clinical reasons on the very day the patient was due to arrive.15 The same year,

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6. Friends of Bernie Sanders, “Medicare for All: Leaving No One Behind.”
8. Ibid., p. 5, Table 3. Note: Figures are based on Sanders’ 2016 plan.
9. Ibid., p. 5, Table 3. Note: Figures are based on Sanders’ 2016 plan.
12. Ibid.
13. Ibid.
the NHS canceled 3,845 urgent operations in England.\textsuperscript{16} Episodes of frequent illness tend to aggravate this problem. During the 2018 flu season, for example, the NHS canceled 50,000 “non-urgent” surgeries in England.\textsuperscript{17}

In the aforementioned study of 11 developed countries, researchers noted that “the United States had among the highest breast cancer screening rates and the lowest 30-day mortality rates for acute myocardial infection and stroke.”\textsuperscript{18}

In the United States, the Veterans Administration (VA) health program and the Indian Health Services (IHS), both government-run health care programs, have a history of poor performance.\textsuperscript{19} With the VA, as many as 238,000 veterans may have died while they were waiting for care. In spite of these shocking revelations, the Sanders bill would preserve the VA program, along with the troubled Indian Health Service.\textsuperscript{20}

Not only patients, but also doctors, would face a more difficult practice environment under a single-payer program. Earlier this year, the \textit{British Medical Journal} published a study of general practitioners who have left practice or are planning to leave.\textsuperscript{21} The most commonly cited reasons were the lack of professional autonomy, administrative challenges, and increasingly unmanageable workloads.

\textbf{Rhetoric: Single-Payer Health Care Would Save Money by Eliminating the Administrative Costs of Private Health Insurance.}

\textit{Such a single-payer system would address one of the major deficiencies in the current system: the huge amount of money wasted on billing and administration.}\textsuperscript{22} —Senator Bernie Sanders

Senator Sanders and other single-payer proponents argue that the country as a whole would save money under a government-controlled health care system, in part because of savings generated from reduced administrative costs. They argue that administrative costs (as a percentage of total costs) in Medicare are smaller than in private insurance,\textsuperscript{23} and that therefore Medicare for All could squeeze out additional administrative costs through consolidating and centralizing administration at the federal level.\textsuperscript{24}

\textbf{Reality: Administrative Savings Would Likely Be Small, and Administrative Costs Would Shift to Health Care Providers.}

Comparing Medicare and private sector-administrative costs (administrative costs versus benefit expenditures) is not as simple as it may seem. Medi-
care’s administrative costs routinely appear low, but that is only because Medicare incurs such high claims costs that the administrative costs look low by comparison. For example, a 2009 study by former Heritage Foundation Research Fellow Robert Book found that Medicare’s administrative costs were somewhere between 3 percent and 8 percent of total costs, depending on whether calculations included costs incurred by non-Medicare agencies (such as the IRS). In contrast, administrative costs in employer-sponsored insurance were between 14 percent and 22 percent. Thus, on the surface it looked like Medicare was more efficient than employer-sponsored insurance by a wide margin.

The truth is the opposite. In 2005, according to the same study, Medicare’s administrative costs were $509 per primary beneficiary, whereas private plans’ administrative costs were $453 per beneficiary. This is because employer-sponsored insurance costs less on a per capita basis than Medicare. Medicare’s claims costs are high because its population consists of the elderly and disabled—populations with high claims costs. When Medicare’s administrative costs are compared to claims costs, the administrative costs appear low. Conversely, employer-sponsored insurance covers a wider range of people, including those with much lower claims costs. Thus, when Medicare’s per capita administrative costs are compared to per capita claims costs, the administrative costs appear high.

Finally, not all administrative costs are bad. Fighting fraud is an important use of funds. Fraud is rampant in government-run health programs. As Charles Blahous of the Mercatus Center noted, “The Government Accountability Office found approximately $96 billion in improper Medicare and Medicaid payments in 2016, by itself more than twice the total government expenditures on health insurance administration.”

A Better Alternative

It is not surprising that Americans are looking for a solution: America’s health care problems—rising costs and gaps in coverage and quality—persist, despite the enactment of the Affordable Care Act of 2010 (Obamacare). Naturally, most Americans are frustrated. According to a major 2017 Gallup Poll, 71 percent of respondents described American health care as “in a state of crisis” or burdened with “major problems.”

Obamacare dramatically expanded the number of Americans enrolled in Medicaid (an underperforming welfare program) but failed to improve the functioning of the individual and small group markets—the central target of its federal regulatory regime. Low-income persons received generous taxpayer subsidies, sheltering them at least somewhat from the cost increases. Circumstances worsened for the millions of middle-class Americans in the nation’s individual markets. Between 2013 and 2017, health insurance premiums more than doubled for those enrolled in Obamacare exchanges. Health insurance market competition and choice declined in many American counties. For 2019, 35.3 percent

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26. Ibid.


of American counties have only one insurer offering coverage on the Obamacare exchange—a higher percentage than in any year prior to 2017, when one-third of U.S. counties faced this challenge.\textsuperscript{32}

Some policymakers see these trends and think that the only answer is to expand drastically government control over American health care. According to Senator Sanders, “The only long-term solution to America’s health care crisis is a single-payer national health care program.”\textsuperscript{33}

A different course is needed. Though government laws, regulations, and policies—including Obamacare—contributed to breaking the private market’s rising premium costs and reduced health plan choices, the right answer is not to abolish markets, impose unprecedented tax increases and public debt, and eliminate personal choices. Government-controlled health care would outlaw most Americans’ current insurance arrangements, cost even more than coverage does today for most Americans, and undercut personal choice while threatening access to high quality care.

Congress should renew the effort to create a patient-centered, consumer-driven health care reform for the nation by pursuing policies that improve patient choice and spur innovation in care delivery—resulting in higher quality care and patient satisfaction.\textsuperscript{34}

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\item \textsuperscript{33} Sanders, “Health Care for All.”
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