WELCOME TO:

SINGLE PAYER: CAN IT BEND THE COST CURVE?
Welcome and Introduction

Lynn Quincy
Healthcare Value Hub
Thank you for joining us today!

All lines are muted until Q&A

Webinar is being recorded

Technical problems? Call Dakota Staren at 202-776-5194
Agenda

- Welcome & Introduction
- Addressing Administrative Costs
  - Gerald Friedman, University of Massachusetts at Amherst
- Review of Single Payer
  - Harold Pollack, University of Chicago
- Reactor
  - Eagan Kemp, Public Citizen
- Q&A

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Resources from the Hub

NEW REPORT! Single Payer: can it bend the cost curve by addressing ...

- Excess administrative spending?
- High unit prices and price variation?
- Too much low value care?
- Affordability of healthcare?
- Disparities in health outcomes?
Resources from the Hub

Administrative Spending In Healthcare:

- Defines administrative spending
- Finds there is excess but large gaps remain in our understanding
- Consumers’ administrative burden of interacting with our complex system has never been tallied

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Addressing Administrative Spending

Gerald Friedman
University of Massachusetts at Amherst
Familiar story: US spends too much and gets too little

$500 billion in excess spending because of administrative waste, the cost of insurance administration and billing and insurance related costs in provider offices
US spends more on insurance administration

These are costs associated with signing people up with insurance, collecting premiums, processing payments, and, for private companies, profit.

Difference comes to $200 billion
Due to our mix of insurance. Within insurance types, administrative costs are lower in US than other countries.

https://www.who.int/health_financing/documents/dp_e_10_08-admin_cost_hi.pdf
We spend more on billing and insurance related activities within provider offices

Total spending of $496 billion, or as much as $395 billion more than if our billing was as efficient as Canada’s.

Providers BIR (Billing and Insurance Related) costs are the costs of processing bills and providing information and getting approvals required by insurance companies.

https://cdn.americanprogress.org/content/uploads/2019/04/03105330/Admin-Costs-brief.pdf
Our providers spend a lot processing bills for insurance companies.
A lot processing bills
US spends more than Canada

Even though we get fewer services.

Administration is partly to blame but prices also matter.

If US used as much healthcare as Canada, our spending would be 25% of US GDP, not 18%.
Rising burden of insurance administration

If our administrative burden was the same as in 1960, we would be spending over $200 billion less.
Rising administrative costs account for about one third of the increase in healthcare share of GDP. 

Most of the rest is rising prices.

Controlling health care administration costs will help to bend the cost curve. But we also need to look at prices.

<table>
<thead>
<tr>
<th>Description</th>
<th>Increase 1960-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Healthcare as share of GDP</td>
<td>13.49%</td>
</tr>
<tr>
<td>Increase in Health insurance admin as share of GDP</td>
<td>3.93%</td>
</tr>
<tr>
<td>Insurance admin share of healthcare increase in GDP</td>
<td>29%</td>
</tr>
<tr>
<td>Estimated increase in BIR share of GDP</td>
<td>0.69%</td>
</tr>
<tr>
<td>Insurance admin plus BIR share of healthcare increase in GDP</td>
<td>34%</td>
</tr>
</tbody>
</table>
Stopping the growth in administrative costs would bend the cost curve.

$500 billion in savings in first year.
$1 trillion after 10 years.
Review of Single Payer

Harold Pollack
University of Chicago
The bear that caught the car: The political and policy challenges of health reform.

Harold Pollack
haroldp@uchicago.edu
Roadmap of presentation

- Unfair charges against single payer.
- Unfair expectations of single payer.
- Some suggestions for what happens over the next hill.
Single payer can’t work
Single payer can’t discipline the health care marketplace
At its best, the American health care system is the best in the world. Don’t damage that.
This place exists
It’s the prices stupid...

- US system relies on fragmented payers to discipline the system.
  - Insurers lack market power, public standing, and legitimacy to perform this role.
  - Public payers susceptible to their own pressures on this front, though they do better.
- The best Western European healthcare rivals ours (e.g. Norway analysis).
US vs. Norway
(h/t David Cutler)
Single payer more promising to discipline the system through bargaining power.

• But single payer not immune to lobbying by hospitals, pharmaceutical manufacturers, patients, and others.

Political chances:

• How would a single-payer system come into being?
• It would be a product of—not an alternative to—our pathological legislative structures and health care political economy.
• Danger of over-promising
Republican dilemma: Legislative dominance & policy unpopularity

- GOP controlled Presidency, House, Senate, and Supreme Court.
  - Not to mention more than thirty governorships and legislative majorities, making GOP governors a critical and complicated constituency in health policy.
- GOP dominance over political levers didn’t match limited popular/policy mandate.
- Rhetoric & preferred policies never matched feasible options.
- Failure to prepare stakeholders or public for what could feasibly be legislated.
- Limited policy leadership from unpopular administration.
For 7 years, GOP campaigned on ACA repeal & replace, arguing that they could offer something cheaper & better.

Great counterpunching strategy—until they unexpectedly won.

- ... And then politically self-immolated.

GOP failure to provide a credible alternative ratified public consensus for pillars of ACA.
This just can’t happen
(CBO analysis)

Plan value of GOP plan vs. ACA

Using the benchmark second lowest-cost silver plan with a 70% actuarial value, here's how the ACHA's age-based tax credits and elimination of cost-sharing subsidies would drop the value of plans for various age groups.

<table>
<thead>
<tr>
<th>Premium</th>
<th>Premium Tax Credit</th>
<th>Net Premium Paid</th>
<th>Actuarial Value**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Individual with an annual income of $26,500, 175% FPL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Law (ACA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 years old</td>
<td>$5,100</td>
<td>$3,400</td>
<td>$1,700</td>
</tr>
<tr>
<td>40 years old</td>
<td>$6,500</td>
<td>$4,800</td>
<td>$1,700</td>
</tr>
<tr>
<td>64 year old</td>
<td>$15,300</td>
<td>$13,600</td>
<td>$1,700</td>
</tr>
<tr>
<td>GOP Plan (ACHA)</td>
<td></td>
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<td>$14,600</td>
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</tbody>
</table>
ACA was an ideologically moderate, market-driven approach to universal coverage.

- Approach works well in Western Europe.
- We saw what happened here.
- Cost control and complexity issues.

Institutionally complicated and fragile.

- Requires pragmatic bipartisan problem-solving.
- Specifically what our polarized political institutions can’t deliver, even if Republicans were interested in doing so.
- Which they aren’t.
ACA’s glitches and political travails discredits policy compromise among Democrats, particularly core constituencies.

Dangerous divide between center-left policy analysis and progressive activist communities who are the future of Democratic Party.

Next Democratic initiative will be simpler and more ideologically radical.
Democrats face dilemmas too…
Leap to M4A won’t happen

- M4A popular among Democratic core voters and aspects poll well among broader public.
- Worthy aspiration and political framing, but huge problems.
- Lurch to single payer would likely self-immolate as details fill in.
  - Would be surprised if such measure got 30 Senate votes.
  - About 0% chance Congress will precipitously eliminate private coverage.
  - Some incremental on-ramp is essential to universal coverage, whatever one’s view of single payer.
Democrats face dilemmas too…
Single leap to M4A won’t happen

- Revenue requirements of disciplined single-payer system roughly equivalent to doubling of federal income taxes.
  - Different forms of taxation such as VAT may be more efficient.
- Tens of millions of winners and losers.
- Serious squeeze of entire supply-side of medical care economy—the same constituencies that resisted far less radical public option plans.
  - Rural hospitals
  - Doctors, nurses
  - Drug companies
  - Everyone selling everything from Band Aids to wheelchairs.
Democrats haven’t faced some challenges this effort will face

- Progressives sometimes present single-payer plans as an alternative to messy politics.
  - Federalism issues
  - Congressional dysfunction and collective action problems.
  - Compromises with key interest groups.
  - Mindless complexity and incremental kludges through the hidden welfare state.
  - Complex wiring of state-federal disability system.
- But any feasible single-payer plan would necessarily be the product of that same system, and must navigate every one of these issues.
Medicare available to all but not mandatory for all likely to play a larger role, particularly to bolster and maybe supplant marketplaces.

Liberals and progressives recognize the value of these efforts.

Progressives and centrist wonks must work together on something
  • Everyone is proud to own,
  • Can actually be passed,
  • Can work even if Democrats lose a subsequent election.

The clock is ticking.
Thank you
Expert Reactor

Eagan Kemp
Public Citizen

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Questions for our Speakers?

- Use the chat box or to unmute, press *6

- Please do not put us on hold!

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Hub Resources on Single Payer

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Thank you!

- Gerald Friedman, Harold Pollack, Eagan Kemp
- Robert Wood Johnson Foundation

Join us at our next webinar:

City- and County-wide Community Health Needs Assessments: Community Efforts that Go Above and Beyond

June 14, 2019
2:00-3:00 p.m. ET

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