

Funding HR 676: How to pay for Universal Coverage

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Bottom Line:

HR 676 (Improved Medicare-for-All) can be funded

- ***In 2014:***
 - ***Saves \$592 billion in wasteful administrative spending and excessive drug prices***
 - ***After \$394 billion in system improvements, saves nearly \$200 billion***
 - ***Local and state governments save \$283 billion in Medicaid and employee health benefits***
 - ***95% would save money***
- ***Over decade 2014-23***
 - ***Funding program for would produce \$3 trillion in federal deficit reduction***
 - ***State and local governments save \$4 trillion***
 - ***Health care spending falls by over \$5 trillion***

President Johnson signing the Medicare Law in 1965 with former-President Harry Truman



“To provide for comprehensive health insurance coverage for all United States residents, improved health care delivery, and for other purposes” (HR 676)

Expanded and Improved Medicare for All! Introduced by Representative John Conyers and 51 co-sponsors

Builds on success of Medicare Program



Where we came from

Where we are going

- Current baseline (ACA) spending
- Savings with HR 676 estimated by activity
- Added costs for implementing HR 676
- Funding
 - Current sources
 - Suggested progressive sources
 - Distributional effects
- Sustainability over time
- Plausibility?

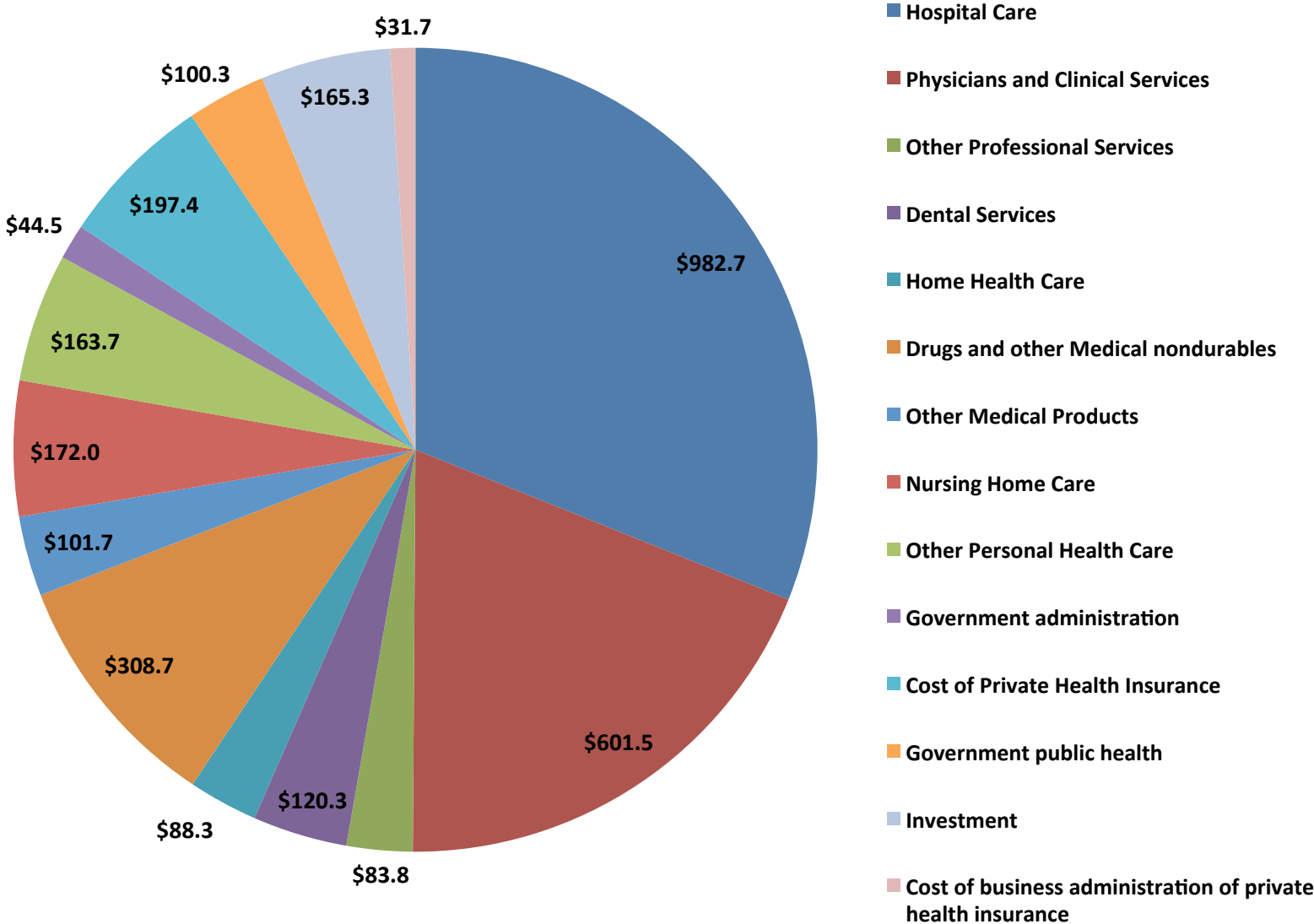
Baseline funding

- **In 2011, CMS projections for 2014 of \$3,130 billion (with ACA)**

<http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/Proj2011PDF.pdf>

- Including \$2,623 b personal health expenditures
- \$242 b administrative costs (private and govt)
- \$266 b investment and public health
- **We add \$32 b for employer administration of private insurance system (4% of spending)**
 - Understates employer costs
 - Does not include household costs
- “Sponsors” (sources of spending) from CMS with

Health Care Spending 2014



Baseline funding sources

- **CMS**

<http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/sponsors.pdf>

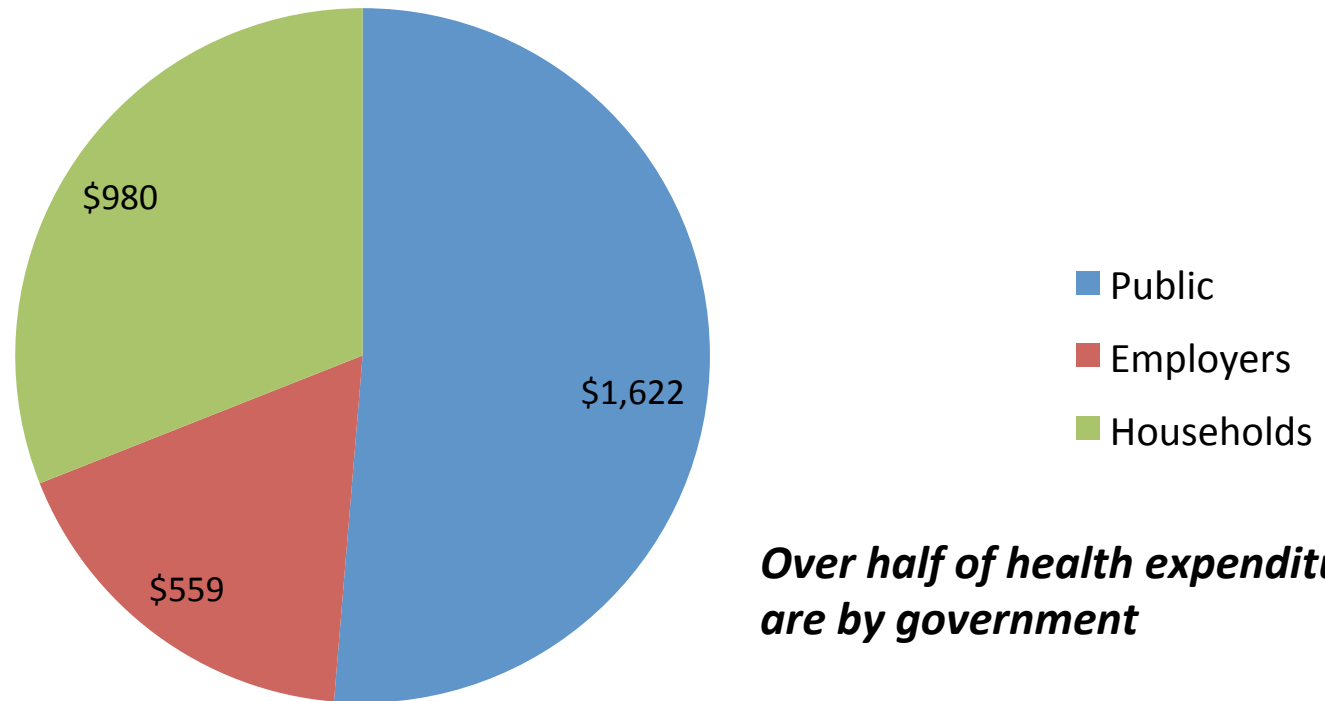
- **Addition of employer costs of administering private health insurance system**

- **Does not include**

- Household administrative costs
- Cost of Government tax subsidies for private insurance system

Where the money comes from: Health Expenditures, 2014 (\$billions)

Sources of Health Care Spending, 2014

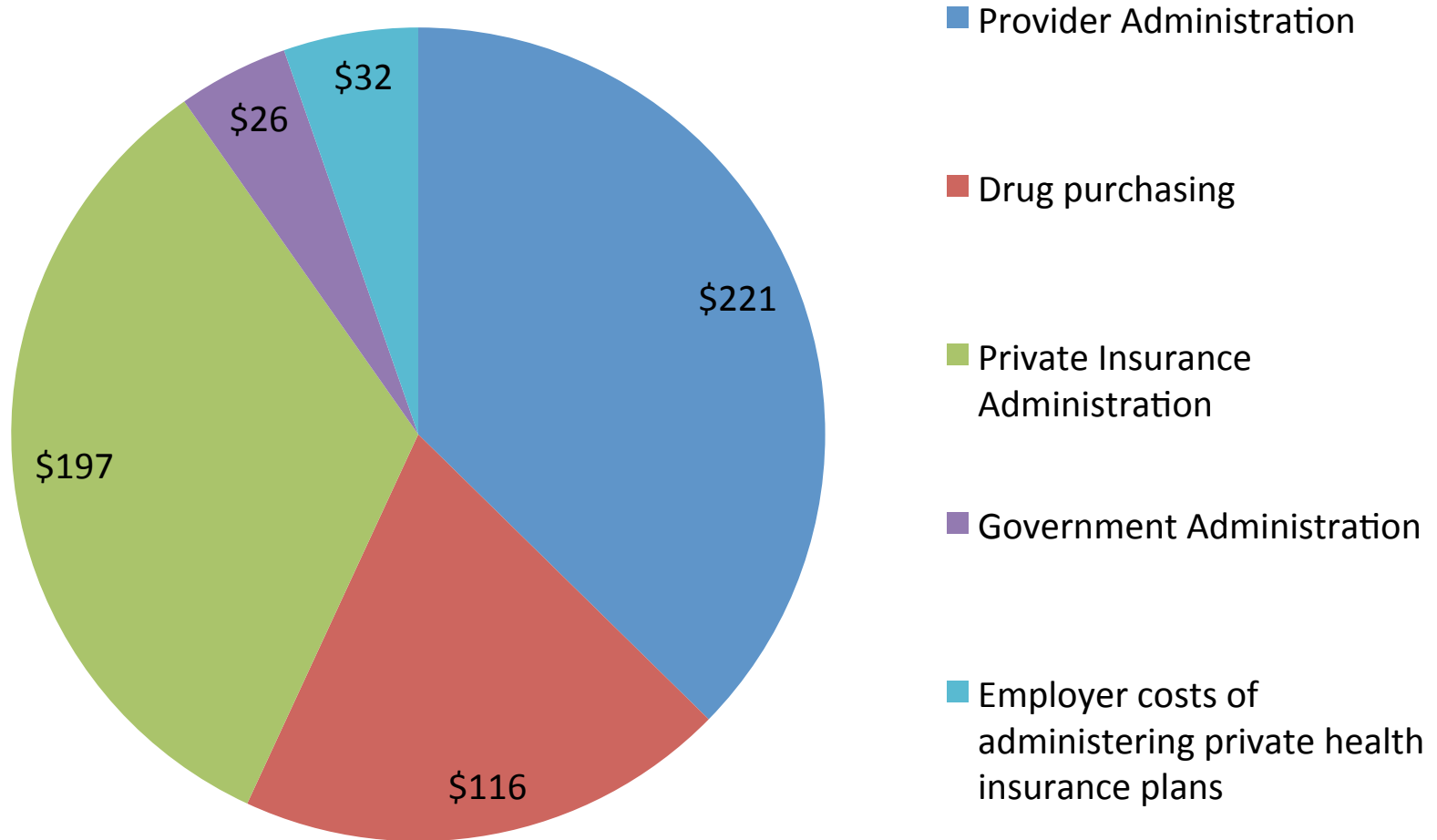


***Over half of health expenditures
are by government***

Savings estimated by comparison with single payer system

- Administrative costs by activity of US vs. Canada, 2003 (Himmelstein et al. “Cost of Health Care Administration in the United States and Canada”)
- Administrative costs Medicare vs. Medicaid, and Medicare vs. private insurance
- Pharmaceutical costs in US vs. average of OECD, from McKinsey Global (http://www.mckinsey.com/mgi/rp/healthcare/accounting_cost_healthcare.asp)

Savings from HR 676

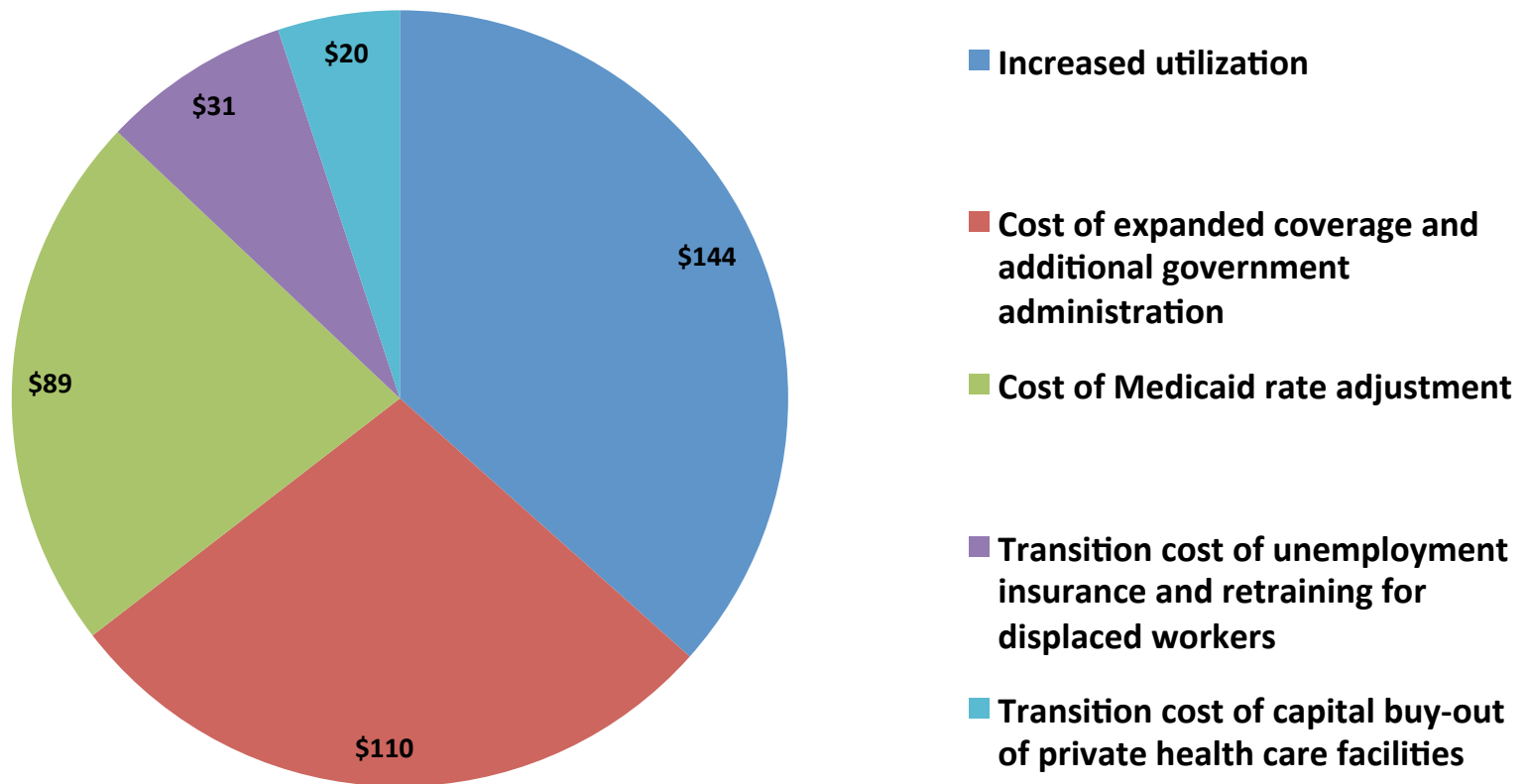


Total savings: \$592 billion, or 19% of spending

Added costs for implementing HR 676

- CBO estimates of uninsured. Assume that uninsured would spend 80% as much on health care compared with 55% now
 - Adds 3.4% of personal health care spending
- Utilization increase without copayments and deductibles
 - 3% for hospitalization, physicians, and pharmaceuticals, 22% for dental, 40% for home health care, 20% for nursing homes
- Medicaid rate equalization
 - Medicaid/Medicare rates 66% now; equal under ACA for primary care
- \$25 billion for additional government administrative costs
 - Medicare rate for expanded system
- \$20 billion for purchase of private, for-profit health facilities
- \$31 billion for unemployment insurance and retraining of displaced workers.

Program Improvements with HR 676, 2014



Funding: we start with what we need, and what we already have

Total : Baseline spending plus HR 676 program improvements	\$ 3,556
Remaining revenue sources	
Federal Medicare, Medicaid, and other health spending, and 20% of current out-of-pocket spending	\$ 1,454
Savings from administrative efficiencies and reduced monopolistic drug pricing	\$ 592
Tax expenditure savings	\$ 260
Net revenue needs	\$ 1,250

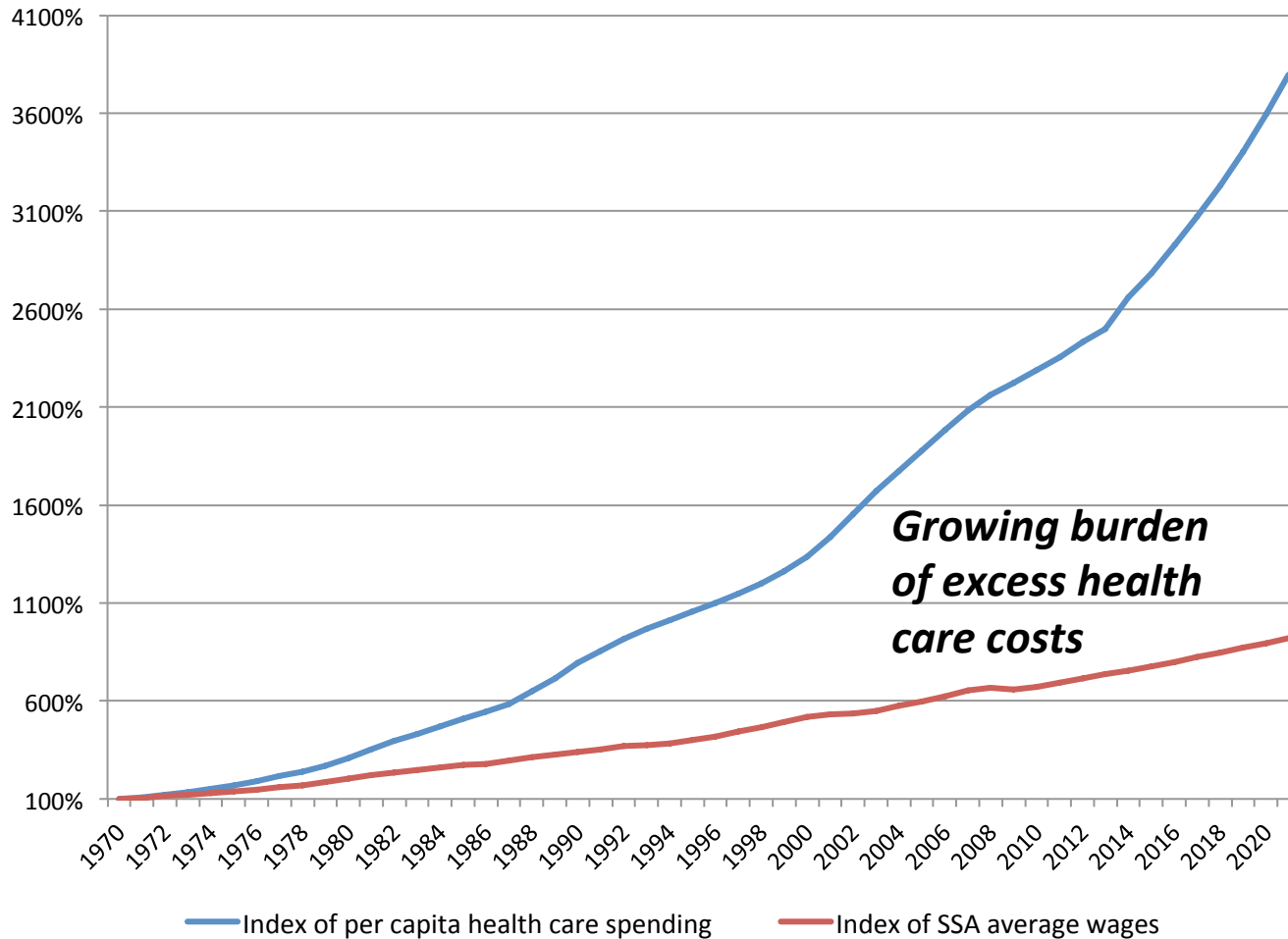
New, Progressive Revenues

Tobin tax of 0.5% on stock trades and 0.01% per year to maturity on transactions in bonds, swaps, and trades.	\$ 442
6% Surtax on household incomes over \$225,000	\$ 279
6% tax on property income from capital gains, dividends, interest, profits, and rents	\$ 310
6% payroll tax on top 60% with incomes over \$53,000	\$ 346
3% payroll tax on bottom 40% with incomes under \$53,000	\$ 27
Total additional revenues	\$ 1,404
Net surplus for deficit reduction	\$ 154

Distributional Effects

- Current system *regressive* because based on fixed charge per person (for premiums and out-of-pocket costs) regardless of income.
 - Exacerbated because the sick and disabled are generally poor
 - Proportion of income paid for health care *falls with income*
 - Ketsche et al., “Lower Income Families” at <http://content.healthaffairs.org/content/30/9/1637.abstract>
- Substituting income-related and progressive taxes for most of health care costs will benefit the poor and middle class disproportionately
 - Revenue estimates made using income distribution and sources of income from IRS in Piketty and Saez, data for “Income Inequality in the US” at <http://elsa.berkeley.edu/~saez/>
 - Assume income growth even for all types and income levels since 2006.
 - Top 400 from IRS “400 Top Returns” at <http://www.irs.gov/pub/irs-soi/07intop400.pdf>

Rising Health Care burden on household budgets



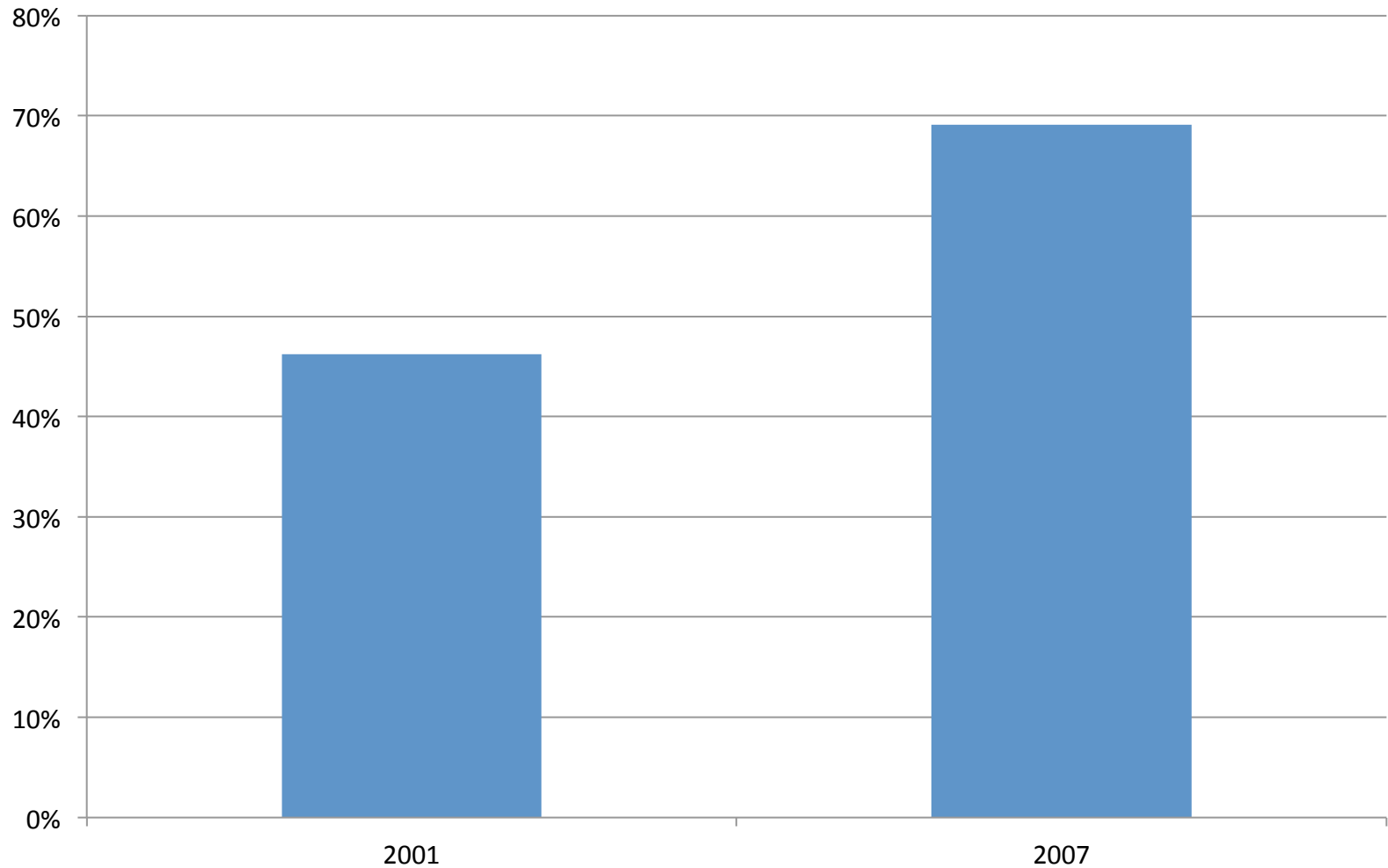
Health care spending 6% of average wage in 1970, 20% in 2010, 24% in 2021

Growing burden of excess health care costs

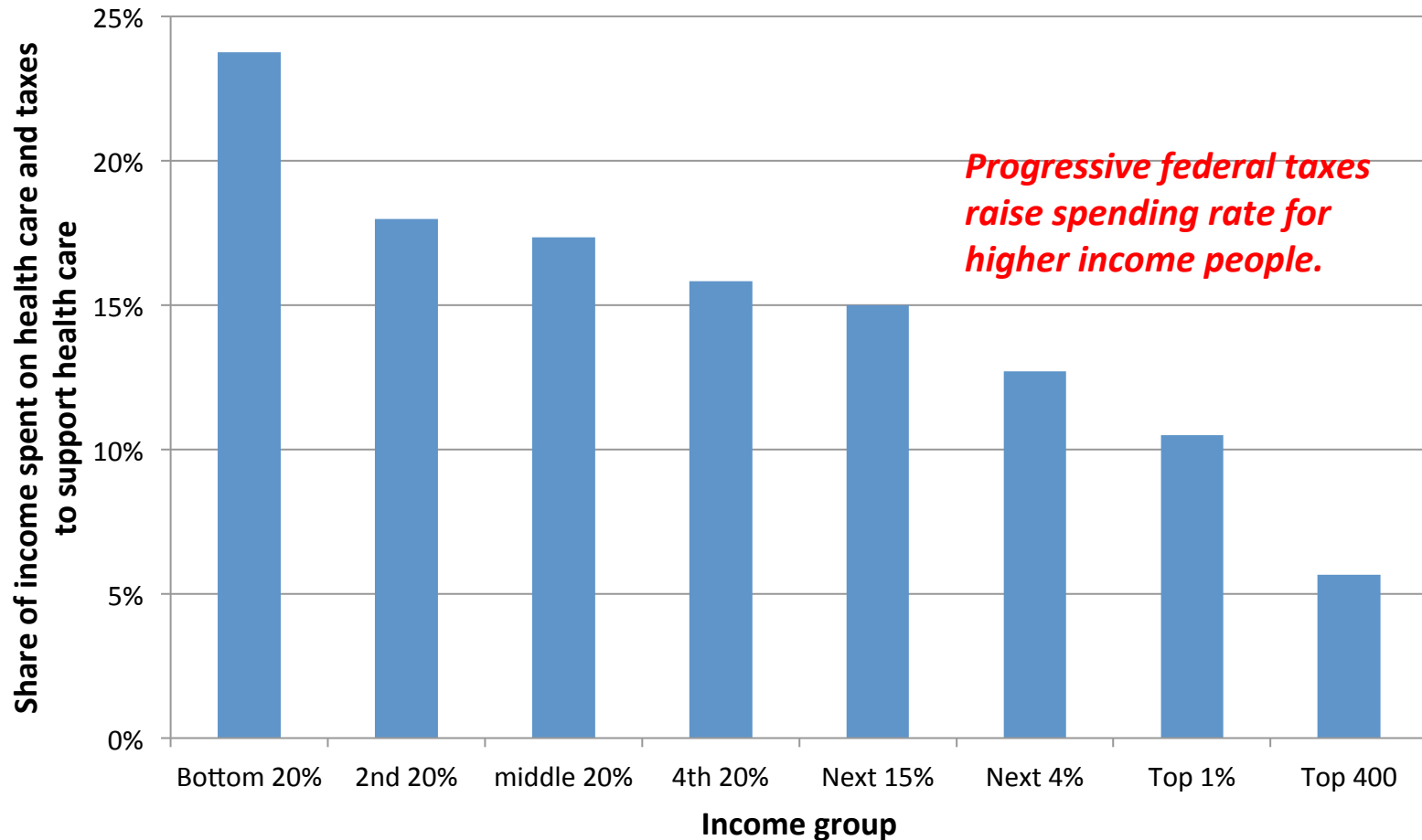
— Index of per capita health care spending

— Index of SSA average wages

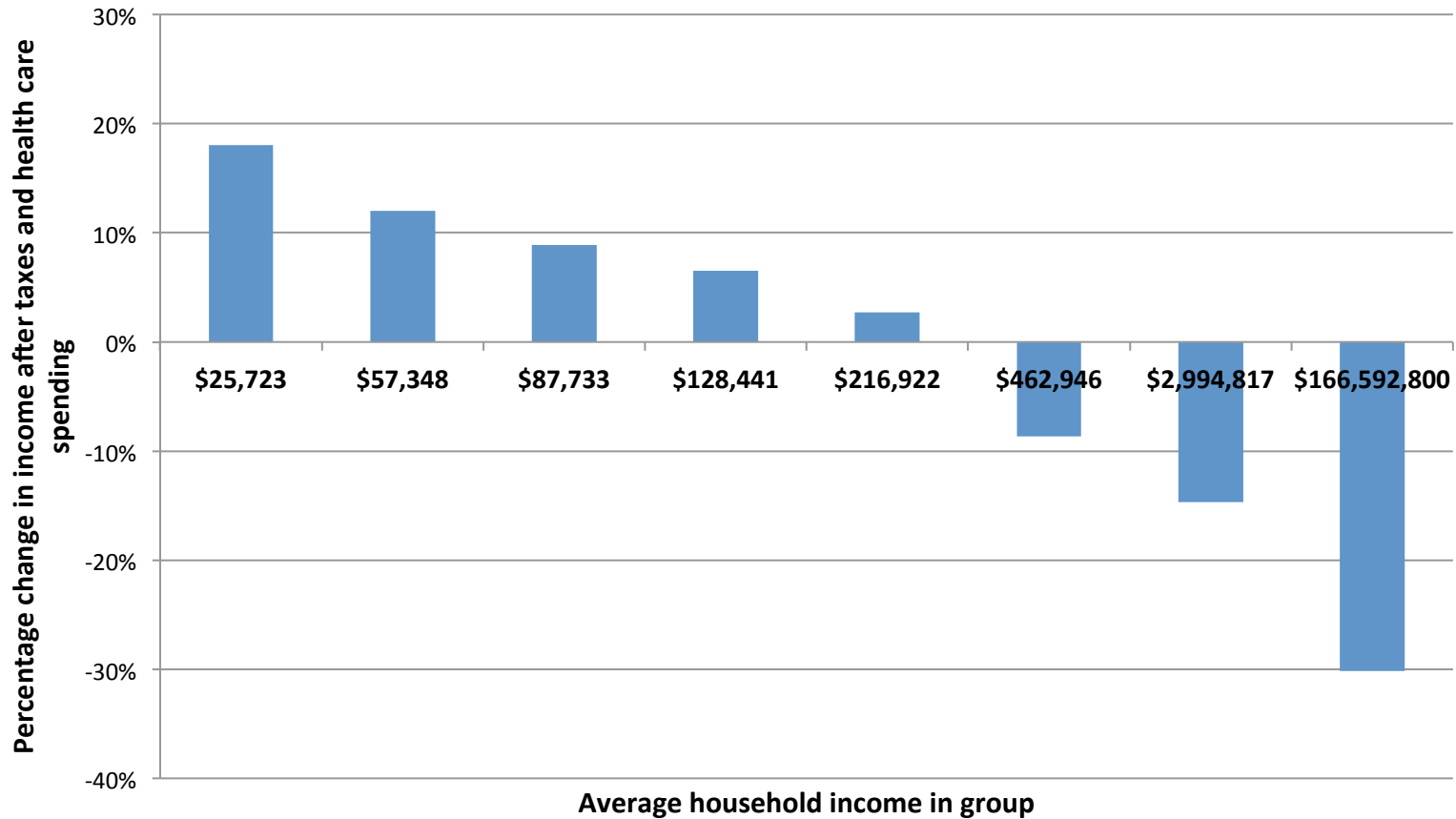
Rising medical bankruptcy: More bankruptcies due to medical bills



Who pays for health care, now?



Distributional Impact of HR 676



Note: Assumes current Federal and state taxes and health spending remain unchanged.

HR 676 is sustainable

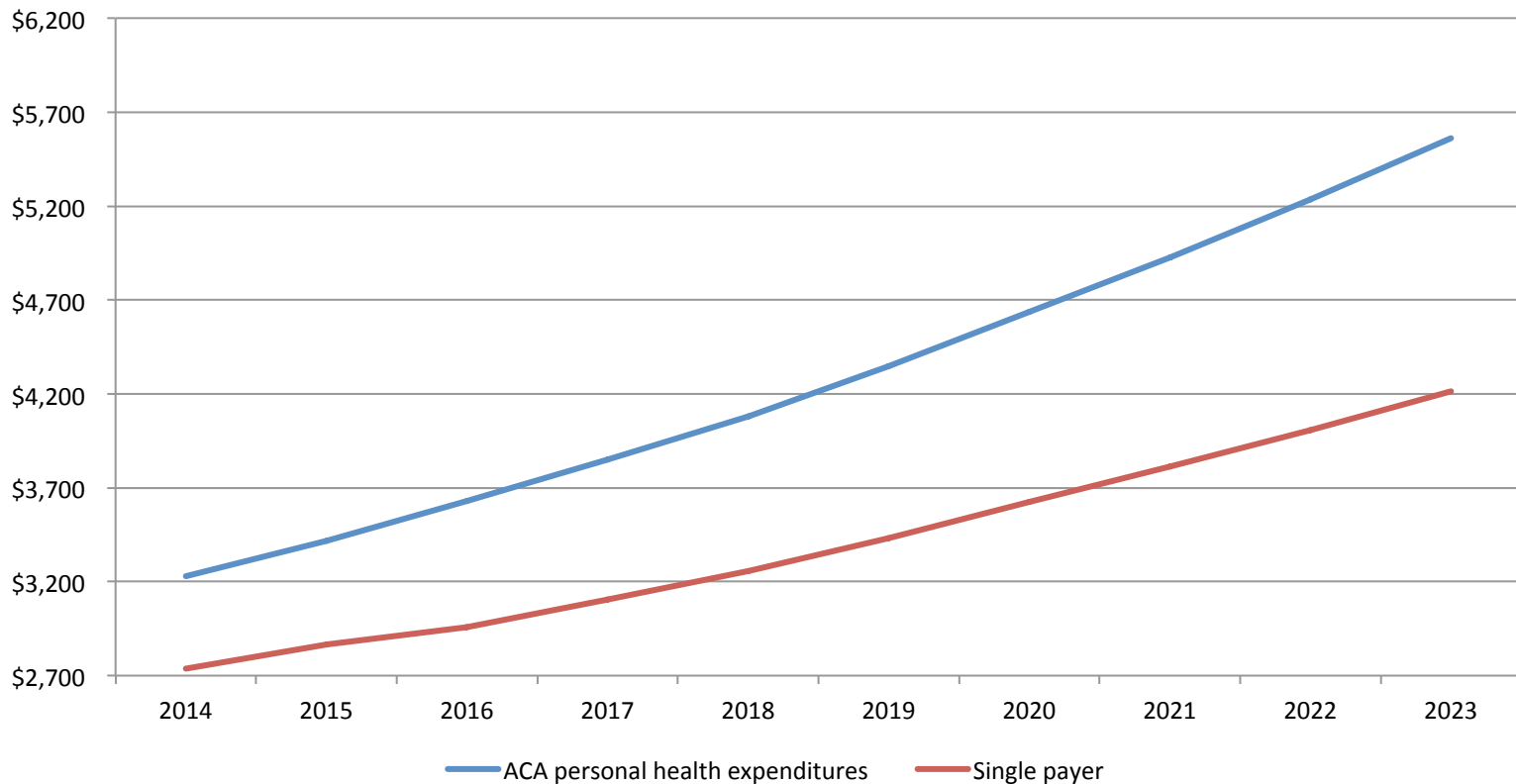
- Lowers health care costs now
- Will lower the rate of health care inflation if the US acts more like the rest of the world
- Savings will increase over time

Savings over time from lower base and bending cost curve

Year	HR 676 personal health expenditures	ACA personal health expenditures	Difference: single payer savings
2014	\$ 2,996	\$ 3,227	\$ (231)
2015	\$ 3,140	\$ 3,418	\$ (278)
2016	\$ 3,302	\$ 3,632	\$ (330)
2017	\$ 3,463	\$ 3,850	\$ (386)
2018	\$ 3,633	\$ 4,080	\$ (447)
2019	\$ 3,830	\$ 4,347	\$ (516)
2020	\$ 4,045	\$ 4,638	\$ (593)
2021	\$ 4,253	\$ 4,927	\$ (675)
2022	\$ 4,471	\$ 5,235	\$ (764)
2023	\$ 4,700	\$ 5,561	\$ (860)
	\$ 37,834	\$ 42,914	\$ (5,081)

Projected Personal Health Care Spending ACA vs. HR 676

Single Payer vs. ACA: Savings grow over time



Assuming extra costs of coverage expansion for ACA *and* ACA-expected cost savings

Is this plan plausible?

Can we have our cake and eat it too?

- Savings are small in international context

How much waste?

Basis of estimate	Waste share
US excess spending compared with Canada (2008)	48.1%
US excess spending compared with affluent OECD (2008)	52.5%
US excess adjusted for life expectancy	75.2%
Excess US spending growth since 1971	44.2%
Excess US spending growth adjusted for slower growth of life expectancy	59.4%
HR 676 estimate	18.7%

In 1965, our parents and grandparents created Medicare and began to create a healthier, more productive America.



Let's finish their work.

HR 676: costs less today, costs less tomorrow, covers everyone



For more

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