HEALTH CARE FOR EVERYONE

Single-Payer National Health Insurance

President-elect Obama has promised to enact health care reform early in his administration. Indeed, he is now soliciting advice from his supporters (asking for e-mailed suggestions and encouraging house-meetings between December 15 and December 31, 2008, that would relay their findings to his transition team).[1] Unfortunately, the options that currently seem to be on the table have little chance for long-term success. In fact, Obama has acknowledged that his plan will not even offer universal health care coverage as people who feel the plan is too expensive for them will be allowed to opt out.

47 million Americans currently have been without health insurance for an entire twelve months or more; the number without health insurance at some point during the calendar year is roughly half again as high. Many millions more have inadequate health insurance. Medical bills are responsible for over half of all bankruptcies in the United States every year; most of those people had some form of insurance. Studies show that approximately 22,000 Americans die needlessly every year simply because they had no medical insurance. The United States is the only developed nation without universal health care coverage.

In spite of this horrendous statistics, the United States spends roughly twice as much per capita on medical care as any other developed country and gets poorer health care.[2] True, if you have complete coverage, medical care in the United States can be excellent; the problem is that so small a percentage of our population has that kind of coverage.

More and more Americans are recognizing the need for universal health care insurance, but, despite the political posturing, there is still little likelihood that we will get it. And the reason we won't is that under our current patchwork of medical care funding schemes—a combination of employer-based private health insurance, individually purchased private health insurance, public insurance programs (like Medicaid and Medicare), and people paying out of pocket for their care—we can't afford it. And the only affordable option—a single-payer health insurance plan where the government administers the program—receives virtually no media (and very little political) attention

Why is the current system of health care so expensive?

There's no question that under *any* system of funding, health care is expensive. Even the world's other industrialized countries spend 8 – 10% of their gross national product (GNP) on health care (although that's small compared with 16% in the United States). But under private insurance coverage, administrative overhead and profits guzzle up to 32% of the health care dollar, whereas, for example, the Canadian health care system (funded exclusively through tax dollars as a "single-payer plan") spends 1.8% of its dollar on administrative overhead (and there are no profits).

Why is our current health care system that is based in private insurance so much more expensive than in other countries? There are many different reasons, but most boil down to the fact that a profit-driven system is not efficient at funding health care.

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[1] See web links in last paragraph of essay.

[2] According to the World Health Organization, United States health care ranks 37th in the world. In preventing preventable deaths the US ranks 19th out of the 19 richest industrialized countries.

- The primary purpose of any for-profit insurance company is to make profits.[3] In health insurance the easiest way to increase profits is to pay out as little as possible in benefits. To eliminate the maximum number of claims, insurance companies employ armies of bureaucrats to examine each claim, corroborate that the patient is covered by that company at the time of the visit, ensure that the particular illness precipitating the medical visit or procedure is covered by that particular policy, eliminate from coverage any "pre-existing conditions," be certain that the billing health care provider participates in the insurance plan, and so on. Most insurance plans require that more expensive procedures or hospitalizations be pre-approved by insurance company specialists. While this attempt to weed out as many claims as possible is much cheaper than paying for the medical care itself, it is a labor-intensive, expensive proposition, so the overhead is high
- As a profit-driven endeavor, insurance companies pay their upper management the same exorbitant salaries that many other corporate executives receive.
- Profit itself has to be figured in.
- Since insurance companies have to compete with others, advertising is an increasingly significant cost.
- It's not only the insurance company's overhead that increases under a private insurance system. Health care providers also pay a stiff premium. Every insurer has a different claim form; every insurance plan has its own criteria for coverage. Co-pays and deductibles have to be sorted out. Is the patient still covered this month? And it is the billings clerks in the doctors' offices and hospitals who have to figure it all out. Pre-approvals have to be obtained, often by arguing with company representatives. Denied claims have to be followed up. Claims payment can take so long that there is actually a for-profit industry in the United States that will advance doctors' offices their fees immediately in return for a percentage of the eventual payment. In the United States, two doctors must employ about five administrative workers to handle all the insurance paperwork. In Canada with its single-payer plan, two doctors require just a single administrative person.
- Even the few non-profit health insurance plans have to compete on the same ground as the for-profits, so all of the above (except the profit) apply to them as well.

President-elect Obama's plan will certainly cut the number of uninsured, costs will go up substantially to provide coverage for some of those currently uninsured, and the plan will not guarantee everyone coverage. While Obama's plan to streamline and digitalize medical records is important for other reasons, it is unlikely to lead to the significant savings envisioned in his proposals.

A Single-Payer Plan for Health Insurance

So what's the alternative to the current patchwork of health plans? A government-funded, tax-supported single-payer plan where regional public agencies manage a federally mandated

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[3] This may seem obvious, but many people are not aware that a Supreme Court decision early in the twentieth century *mandates* that a publicly-held company (in the absence of specific stockholder directions to the contrary) put profit ahead of all other values. Even if management wants to inaugurate a program for the public good (for instance, putting voluntary environmental restrictions in place), shareholders can sue if it decreases their profits.

national health insurance (NHI) that covers everybody for all health-related needs, including long-term care in nursing homes. Everybody!

And what would it look like? It would be Medicare-for-everybody. Doctors continue to practice as solo doctors or in small groups or as employees of physician groups, nursing homes, or hospitals. Patients have completely free choice of doctors; there are no co-pays or deductibles; the doctor submits one universal claim form to the government office for reimbursement. Otherwise, the doctor continues to practice as before.

Patient-care decisions continue to be made between doctor and patient. Long-term policies and priorities are set by a democratically accountable, transparent government process.

Doctor's fees are negotiated every year between the regional NHI and representatives from the doctors. Hospitals and other large health care institutions don't bill for services at all but receive global payments based on the previous years' budgets, clinical performance, projected changes in need, and projected new services. Any for-profit hospitals are converted to not-for-profits and investors are compensated for their prior investments. Investor-owned, for-profit health care facilities are not covered.

Other large public insurance programs in the United States—such as Medicare, Medicaid, and Social Security—have an overhead of approximately 3%, so NHI can expect the same low overhead as compared to overheads as high as 32% in the private sector. Because everyone is covered, there is only one claim form, pre-approval isn't necessary, and there is no contentious claims-denial process. Doctors' offices and hospitals need far fewer billing workers. According to many studies, including one by the Office of Management and Budget and another by the Congressional Budget Office, the administrative savings alone would be enough to cover all the uninsured and underinsured without increasing overall national health care costs at all. That last statement bears repeating: Under a single-payer national health plan the country could provide health insurance for all of the millions of uninsured and underinsured without raising total health care costs.

But what about … ?

There are some obvious questions.

Wouldn't taxes have to be raised significantly? Taxes already cover about a third of the nation's care that is provided by Medicaid, Medicare, the military, and other federal employees, so those taxes have already been assessed. Since the overall cost for the nation's health care would not rise (even if *all* of the uninsured are covered), the necessary added taxes would come from money already spent on health care. Instead of paying for employee health insurance, for instance, employers would pay roughly the same amount in taxes. Instead of copayments and deductibles, insured individuals would see a small increase in their taxes. Instead of paying out of their own pockets for last-minute emergency care, non-insured individuals would see that same small increase in their taxes. The important point to remember, however, is that total national costs would not increase. Yes, some kinds of taxes would have to increase but the overall amount spent would remain the same … and everyone would be covered. Paying for those costs through taxes allows for funding through a progressive tax system where those who can least afford it pay less, instead of the current regressive system where the poor pay a much higher percentage of their income for health care than do the affluent.

Wouldn't doctors and other health care providers rebel against such a system of "socialized medicine"? First of all, it's not "socialized medicine," which refers to the state employing the health care providers and owning the institutions. A single-payer system is a change in the *funding mechanism* not in the way health care is provided, so doctors would see their lives simplified and made freer. It's true that doctors fifty years ago resisted Medicare, but doctors in the last decades have experienced the oppressive environment of corporate medical care that has constrained doctors everywhere. Doctors have far less freedom to practice under current corporate rules than they would under a single-payer plan. Numerous large doctors' organizations now actively support a single-payer plan.[4]

I've never heard of a single-payer plan. Isn't this just some kooky left-wing extremist plan? Every session of Congress dozens of representatives and senators sponsor a version of this single-payer plan. In the current session, Rep John Conyers, Jr.) introduced the single-payer *United States National Health Insurance Act* (HR 676). As of August 2008, HR 676 had 91 co-sponsors. While you would never know it from listening to the news, single-payer is quite in the mainstream of American political thought.

I've heard that other countries with similar structures ration health care and have long queues. These reports have a grain of truth, but only a grain. Emergency and urgent care in these countries is always available immediately. Some elective procedures do have waiting lists, but the extent of these has been greatly exaggerated by critics of an NHI. Having just had to wait for three months to get a physical from my doctor here in Washington DC, I think I might be able to tolerate some queues. In fact, whenever Canadians are asked which health care system they'd rather have, they always choose their own Canadian system. *Any* health care system rations care. In the United States we do it by excluding the poor; that must change.

Why don't I hear more about this option? That's hard to know for sure. Repeated studies show that a majority of Americans polled—when the single-payer plan is explained to them—are in favor, our media do not reflect the same acceptance. A recent substantial article in the *Washington Post* detailed how inefficient and costly the American system of health care is. Yet not one word of the article mentions the single-payer plan. Part of the reason we don't hear more about this plan is that the health insurance industry and the pharmaceutical industry would obviously take big hits if things were changed. It's in their best interest to make sure we don't think too much about the possibilities.

During the early part of the Clinton administration, Hillary Clinton convened a large panel to plan out health care reform. I have spoken to two people who were on that panel, and they report that a single-payer plan was deliberately excluded from consideration, presumably because the administration felt that the insurance and pharmaceutical industries had enough clout to successfully oppose it. So it was not even considered! It's a mistake the Obama administration must not repeat.

A health care coverage plan that relies on the private insurance industry cannot provide universal coverage. Advocates for such plans assure the public that government regulations will compel the insurance companies to accept pre-existing conditions, not to turn anyone away, to accept small groups without penalty and so on. Anyone who has faith in such assurances

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[4] Perhaps the most active such organization, Physicians for a National Health Plan (PNHP), has an extensive web site with a great deal of information about creating such a system. See www.pnhp.org.

drastically underestimates the incentives the insurance industry has to maneuver around any such regulations or to jack up their rates so high they will be too expensive.

A Story

Let me tell a brief story. I was the finance officer for Joseph's House, a small non-profit serving homeless people with AIDS. We offered our employees insurance through a local consortium of non-profits that bargained with insurance companies to get the lowest possible rates. At the time (about five years ago), our coverage for an individual cost a little more than $3,600 per person per year. I heard of cheaper rates for individual organizations, so I contacted a local insurance broker and was told I could get individual coverage for about $2,040 per person per year. That sounded good! We went through almost the entire administrative process of changing to this new health insurance provider. At the very end of the process, however, the insurance representative said that each employee would need to fill out a health history form. It happened that one of our employees was HIV positive. After the forms had been evaluated by the insurance company, the representative called me back, saying that the company would be happy to provide coverage … but the rate would be $15,600 per employee per year. Our one potentially high-cost employee made the insurance utterly unaffordable for Joseph's House. So we went back to the non-profit consortium

What I immediately realized was that any non-profit with young, healthy employees that examined its options would leave the consortium and get the much cheaper, private coverage. But that meant that the agencies that were left in the consortium would generally have higher-risk employees so the coverage would get more and more expensive. The consortium was essentially selecting for riskier employees. It will be the same with any national plan that utilizes private insurance companies, which will find a way of selecting the low-risk individuals and giving them good coverage, leaving the most vulnerable, the potentially most expensive to get care through the government. If it means to be comprehensive, any such program through the for-profit insurance industry will be expensive, probably exorbitantly so.

Medicare for everybody!

The only way that we will get truly universal care in the United States—where everyone is covered—will be under a single-payer, government-sponsored plan. I have little doubt that *eventually* our country will understand this and move in that direction, but there is no indication that President-elect Obama intends to take us in that direction now. That means that we will have to lead him.

I have no doubt that Barack Obama has heard these arguments and knows them well. Presumably he has the good of the American people in mind and would advocate for such a single-payer plan if he thought it had any chance of political acceptance.

The great civil rights advocate A Phillip Randolph once visited President Franklin Roosevelt and made very clear the demands of the civil rights community for change. Roosevelt is reported to have said something like, "I agree with you completely. Now, you go out, get yourselves organized, and *make me do it*."

I suspect that President Obama would like to see a single-payer plan, but it will be up to us to go out and make him do it. His team has initiated a program named "Your Seat at the Table," asking for input from his supporters. To get in on the discussion personally, go to

http://change.gov/page/s/seattable and leave a comment. (This is a page with various position papers listed; as yet there is little about the health care plan, but presumably within the next weeks other documents will be posted relating to health care coverage that we can respond to.) Even better, you can sign up to host a community discussion about the issue and report the results to the transition team. Go to http://change.gov/page/s/hcdiscussion and sign up. President Obama has promised a new form of government; this is one way to hold him to that promise and begin the process. Let's do it!

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