

## ***Medicare for All ... the answer or a pipe dream?***

By: Dave Leo, President of WMI<sup>®</sup> Mutual Insurance Company & WMI TPA<sup>®</sup>

As politicians and the media ramp up to Campaign 2020, health care and health insurance are taking center stage. On the conservative right, we continue to hear the oft-repeated mantra “Repeal Obamacare.” On the liberal left, the new buzzphrase “Medicare for All” is becoming integral to their platform. All this pre-election noise makes me wonder whether Medicare for All is the answer to America’s health care crisis or if it’s merely a pipe dream.

While expanding government-sponsored health insurance to all citizens is a worthy and altruistic goal on its face, dismantling a decades-old market-based health care system and replacing it with a government-run program would be a massive undertaking. The costs of a government-run health care system and the resources required to implement it would be astronomical. Many proposals oversimplify the costs to transition from a market-based health care system to a government-run system, and they underestimate the required reallocation of resources to operate the new program. Those proposals also tend to underreport the negatives and overstate the positives of replacing our current health care system with one run by the government. Nonetheless, because the ultimate goal of these programs is so noble, the question of whether Medicare for All is right for our country is worth critical examination and serious consideration.

Medicare is a well-known and generally trusted brand that provides government health insurance coverage to the elderly and disabled. When people use the term “Medicare for All,” however, they aren’t really referring to traditional Medicare as we know it. Instead, what they really mean (even though they don’t necessarily realize it) is a single-payer government-run health care system for all Americans.

While the average voter may have a basic understanding of Medicare and how it works, very few are able to explain how Medicare for All would work. In fairness, the specific framework of any given Medicare for All insurance program is dependent on a multitude of components and the devil is in the details. It’s fair to say, however, that all Medicare for All programs are based on the single-payer health care model, despite the fact that they may seek to implement it in different ways and to varying degrees.

There are as many variations on the Medicare for All concept as there are candidates running for office. Perhaps the most popular version is the one championed by Senator Bernie

Sanders (I-VT). Senator Sanders' universal health care plan to cover all residents calls for a sweeping overhaul of the country's current health care system. Like Senator Sanders' program, the other major proposals have certain basic similarities and common elements. In general, those include: (1) universal coverage for all U.S. residents with auto-enrollment at birth and lifetime enrollment; (2) the elimination and replacement of employer-based health insurance; (3) an expansion of benefits and coverage (*e.g.*, no cost sharing, no balance billing, and the provision of dental, hearing and vision coverage); (4) no premium (due to a reallocation of federal health spending and tax increases); (5) government-established provider reimbursement rates and negotiated prescription drug costs; and (6) various tax increases on corporations and wealthy individuals.

In the United States, we spend \$3.2 trillion each year on health care. More than \$2 trillion of the country's health care expenditures is spent on publicly-financed health care programs like Medicare and Medicaid, the government program that provides coverage for the impoverished. This enormous health care spend comprises 18% of the country's gross domestic product ("GDP"), a figure that is expected to grow to 20% in the next decade if nothing is done. Many people believe this is unsustainable and are willing to take bold and aggressive action to reign in these costs and to provide health care coverage to all Americans.

There are many diverse options and proposals, but the main arguments for and against can generally be summarized as follows:

#### Arguments in favor of Medicare for All

- All U.S. residents will be provided universal access to meaningful health care as a basic right. This expanded coverage would ensure health care coverage for the 9% of the U.S. population that is currently uninsured and the 26% that is considered underinsured.
- The typical middle-class family would save more than \$4,000 per year under Medicare for All system. Families near the poverty level would save even more.
- Businesses would save more than \$9,000 per employee per year and wouldn't be saddled with the administrative burdens associated with providing employer-based health insurance.
- Medicare for All would reduce overall U.S. health care costs by about 19%. That figure is derived, in part, by a 9% reduction in administration costs, a reduction in

pharmaceutical pricing that would generate an overall system savings of 6%, and a 3% reduction in hospital and provider costs. The reduction or elimination of waste, fraud and abuse would be expected to produce about 1% of additional savings.

- Medicare for All would be a more fair and effective way to ensure access to health care to all Americans, and it would be a more equitable distribution of wealth and resources because it would be financed by additional taxes on employers, it would increase and make more “progressive” the taxes on the wealthy, and it would generate revenue through the repatriation of offshore corporate profits. Middle-income families would see a reduction of their net health care costs, but high-income families would experience an increase.
- With the exception of extremely high transitional costs and the initial financial impact and administrative challenges of moving from the current market-based health care system to a government run system, Medicare for All be more affordable than the current health care system because it would generate significant and recurring efficiencies and cost savings.

#### Arguments against Medicare for All

- Medicare for All would raise taxes for many people and families, especially those who already shoulder the overwhelming portion of the tax burden. The wealthiest Americans would pay thousands (and in some cases, tens of thousands) of dollars more in taxes under a Medicare for All system.
- It is estimated that taxes on all Americans would increase by more than \$10 trillion over 10 years, even after current public funding is shifted from existing public health care programs to Medicare for All.
- Despite Medicare for All saving \$5 trillion over a 10-year period, health care costs would still consume a hefty 15.8% of the country’s GDP. This is still about 1.5 times as much as comparable countries that currently provide universal health care to their citizens.
- Many families would be forced to give up health insurance plans and coverage that is working well for them.
- Although many Medicare for All proposals promise to preserve provider choice, the reality is that coverage and reimbursement rates would be determined and

administered by the government. Undue government intervention or intrusive care management is akin to rationing which is anathema to Americans.

- Reducing or eliminating patient cost sharing or “skin in the game” has the tendency to increase utilization and costs. The overall demand for health care services in the U.S. would be expected to rise by 12% under Medicare for All (mostly due to providing access to the currently uninsured). The significant increase in demand would be expected to result in considerable appointment delays and increased wait times which would have a negative effect on the access and care of other patients.
- Virtually the entire health insurance industry would be eliminated and more than 800,000 workers who depend on it to make their living would be displaced.
- The incomes of physicians and other health care providers would be reduced by about 9% under a uniform Medicare fee schedule. This could make the medical profession less attractive and result in a shortage of medical professionals or maybe even substandard care.
- The transition into Medicare for All would be a monumental challenge that would require shutting down a nearly \$4 trillion segment of our economy and moving it from a system that is currently a public and private mix to a public system that is run by the government. This would disrupt the health care and access of the 185 million Americans who currently carry private health insurance, and it would interfere in the long-standing relationships these individuals have with their medical providers.

So, what does it all mean? At the end of the day, it’s up to the individual reader to decide whether to support Medicare for All or a market-based system. Neither system is perfect, nor are they both completely flawed. Personally, I don’t think it has to be an all or nothing proposal. I believe there’s a middle ground where we can borrow from successful systems around the world (including our own) and provide coverage to all citizens without completely displacing the private health insurance market in the U.S.

Aside from the “private insurance” and “out-of-pocket” models that we have in the U.S., and the tax-funded model that is the basis of the systems in Great Britain and other European countries (and would be the basis of the Medicare for All system), there are two major systems that other countries use with varying degrees of success: (1) the “employment-based insurance

model,” which is used in countries like Germany, France, Switzerland and Japan, and is a non-profit insurance system that covers everyone through insurance companies that are jointly financed through employer and employee contributions along with tight government cost control; and (2) the “national health insurance model,” which is used in countries like Canada, Taiwan and South Korea, and has elements of the single-payer tax funded model and the employer-based model, and is known for having a high quality of care, meaningful cost controls and lower prices (but also long wait times).

I’m not sure in which direction our country should head, but perhaps the answer lies in a uniquely American system that melds the successes of these different systems with those of our market-based system. With that in mind, here are the basic principles I would follow if I were king for the day: (1) make sure everyone has meaningful access to health care without undue government intervention, (significantly) higher taxes, or long wait times; (2) provide adequate choice, but expect personal responsibility; (3) reward quality medical care, but limit costs; (4) cover prescription drugs and encourage pharmacological innovation, but impose reasonable profit margins and meaningful cost controls; and most importantly, (5) protect the basic health needs of everyone, but require that everyone contribute a fair share based on their financial ability. Hopefully, once the political pendulum finishes its exaggerated swings and settles down, the ultimate solution will ensure and preserve these values.

NB: Much of the information I’ve used for this article was stolen from the very thorough and remarkable study by the Political Economy Research Institute Study from the University of Massachusetts Amherst (November 2018) ([www.peri.umass.edu](http://www.peri.umass.edu)), Senator Sanders’ whitepaper on how to finance Medicare for All ([www.sanders.senate.gov](http://www.sanders.senate.gov)), and the Kaiser Family Foundation’s Economic Analysis of Medicare for All ([www.kff.org](http://www.kff.org)). Readers should consult those excellent sources for more detailed information and in-depth analysis.