

# Myths about Single Payer

## **1. A universal health care system based on single-payer principles would be too expensive.**

On the contrary, studies have consistently concluded that adoption of a single-payer universal health care program would actually save money. The most recent Vermont-specific analysis (the August 2001 report from the Lewin Group) estimates reduced costs on the order of \$118 million or 5% of current health care expenditures.

How can this be? How can we provide universal coverage, expand benefits, and at the same time reduce costs? The primary explanation is that single-payer produces massive savings in administrative costs. Currently, administration, marketing, profits, gate-keeping, and other forms of "overhead" consume on the order of one-quarter of our health care budget. A well-run single-payer program can easily cut these costs in half -- and apply the savings to covering the uninsured and improving benefits generally.

A single-payer system also provides public authorities with added leverage in bargaining with pharmaceutical companies for lower drug prices, thus reining in costs in the fastest growing sector in health care system. Unified administration also allows for rational allocation of health care resources and avoids costly duplication of services.

The most powerful evidence for the cost-effectiveness of the universal single-payer approach, however, is the example provided by our sister industrialized democracies around the world. All of these countries provide their citizens with full access to health care services while spending far less per capita than the United States. And they consistently report superior health outcomes -- longer life-spans, lower infant mortality rates, better immunization statistics, reduced incidence of chronic illnesses and disability. Cheaper, in other words, can also be better!

## **2. The single-payer approach to providing universal health care hasn't worked in Canada.**

While the Canadian health care system may have its flaws, it remains a highly popular and effective program. Comparisons of the American and Canadian systems consistently favor the Canadian approach.

-- Coverage: The Canadians cover every resident; in the US some forty-two million people (about fifteen percent of our population) remain without any health insurance, and an even larger fraction are under-insured by Canadian standards.

-- Health Outcomes: By almost any measure Canadians enjoy superior health status -- they live longer, their newborns have higher birth weights and survival rates, and child immunization rates are better.

-- Cost: Canada spends far less on health care than the United States whether measured by expenditure per capita or percentage of gross national product. In 1995, for example, Canada spent \$2,049 per capita (9.5% of GDP) against \$3,725 (13.6% of GDP) in the US.

-- "Customer Satisfaction": The Canadian health care system is generally identified in polls as the most popular public sector program in the country. Few Canadians express interest in changing their system to make it more like the American one.

## **3. The single-payer system is socialized medicine by another name.**

In a single-payer health care system only the insurance function is assumed by the government; that is, the government raises revenues and pays bills. The actual delivery of health care services remains in the hands of the private sector -- doctors operating (as they do now) as independent business people and hospitals functioning as non-profit institutions. Medical personnel would not become government employees, as in Great Britain. Britain has socialized medicine; Canada does not!

Overall, under single-payer the health care system would function as Medicare does today with services provided by private entities and payments made from public resources.

**4. A patient's choice of doctors would be limited under a single-payer system.**

Just the opposite. Under single-payer systems operating in other countries patients are free to choose whichever physician they prefer. They may change physicians, seek second opinions, and generally go directly to specialists without prior approval or other constraint.

This is emphatically no the case in our existing managed-care dominated system in which patients must choose from a limited roster of physicians and contend with gate-keepers and prior approval procedures when seeking higher levels of care.

**5. A single-payer system would require rationing of health care in order to work.**

Since resources are not infinite, all health care systems embody some form of rationing, either explicit or implicit. Ours is currently based on ability to pay. In Canada, money is not a consideration in receiving services. While there are waiting lists for some procedures, emergency cases receive priority attention. There is virtually no evidence of qualitative differences between the Canadian and American systems. It can further be argued that, if the Canadians chose to spend as much for health care as we do in this country (that is, almost double their current level of expenditure), virtually all waiting lists and other gaps in service would simply disappear.

**6. We already have the best health care system in the world; a change to a single-payer system would threaten this status.**

It is probably true that the American health care system can provide the highest quality health care in the world -- to those who can pay for it. But can we call it the "best" system when a major fraction of our population has no health insurance, when health status indicators suffer in comparison with those of other countries, when preventive measures are under-funded? According to a recent World Health Organization analysis the US health care system ranked 37th in the world when all factors -- not just cutting-edge technology -- were considered.

**7. A single-payer system would create a huge government bureaucracy which would interfere with a doctor's freedom to practice.**

Just the opposite would be the case. Under our present system we are already burdened with an army of administrators -- billing clerks, customer service personnel, claims analysts, gatekeepers, review boards, salespeople, drug company "detailers" -most of whom add nothing to the quality of the medical care delivered to real patients. The entire Canadian health care system, for example, is run by fewer administrators than are employed by Blue Cross/Blue Shield just for the state of Massachusetts! Under most universal health care systems, medical decision-making is placed back in the hands of the physician and the patient. Government officials do not second-guess doctors or require pre-approval for special procedures, as is the practice in our present HMO/managed-care structure

**8. A single-payer system would seriously hurt small businesses that currently cannot afford to insure their employees.**

This is an important concern. Most options which have been proposed for funding a single-payer system include some form of contribution from employers, either a payroll tax or some other assessment. For employers who already pay for their employees' health insurance, the "new" tax would be substantially less than their current health insurance expense. Those generally small, often marginal, businesses that do not offer coverage, however, would face an additional burden. Some form of sliding scale arrangement would probably be necessary to soften the impact of these new expenses for these employees.

**9. Our country's health costs are out of control because Americans overuse medical services.**

A case can be made that just the opposite is true. Costs increase because too many Americans -- faced with financial barriers in the form of co-pays or deductibles -- fail to seek medical attention in the early stages of a condition when interventions are less costly and more likely to be effective. The goal of our health care system should be to encourage the timely use of medical resources rather than to postpone visits to the doctor until it is too late.

**10. Our country's health costs are out of control because its population is older.**

Health care costs will increase as our population ages, but in this respect we are not much different from other industrialized democracies that have a much better record of controlling cost growth than we do.

**11. Our country's health costs are out of control because many Americans make unhealthy lifestyle choices.**

The United States actually does better than its sister democracies in several areas in which lifestyle choices have health consequences. Americans drink less. Americans have lower rates of tobacco use. While there is obviously room for improvement in these areas, irresponsible lifestyle decisions do not explain the ballooning costs of our system.

**12. The adoption of single-payer reforms is not politically feasible.**

Given the anti-tax anti-government sentiments that currently prevail at the national level, it is unlikely that movement toward major health care system reform will take place nationwide anytime soon.

The same need not be said regarding state-level reform possibilities. States are accurately called the "laboratories of democracy", and a number of states have made progress toward enacting universal health care programs, including Maine, Massachusetts, California, and Oregon. Sooner or later, one of these efforts will succeed. This was the pattern in Canada, where the province of Saskatchewan led the way. Within six years federal-level enabling legislation was in place and in less than a decade all ten provinces had adopted universal single-payer systems.

**13. Health care costs can best be controlled by competition among insurance companies and among health care providers.**

It is fair to ask those who make this argument to point to cases where market solutions to the health care access problem have been successful. While single-payer advocates can refer to numerous examples of effective single-payer programs in other countries, there are no similar

cases in which market-based solutions have worked.

The reason, of course, is that health care is not a commodity in the sense in which economists generally use the term. Patients don't shop around for the cheapest surgeon. Patent-based monopoly pricing in the drug field prevents market forces from functioning in this key area.

Patients rarely have the time or ability to make sound decisions about therapies.

Competition among providers also fails to control costs. Patients rarely choose doctors on the basis of price. Hospitals (particularly in Vermont) generally enjoy monopoly status in the communities they serve. Where they are faced with competition, the result is often increased cost, as rival institutions engage in a "technology race" to acquire identical sets of expensive high-tech equipment that remains under-utilized.

Basically, the private sector approach is a matter of profits.

And profits for an insurer are based on not providing services.

Before "community rating" laws were passed in Vermont, insurance companies sought to cover only the healthy and punish, through higher premium charges, those who "over-utilized" services. This runs contrary to the goal of an effective health care system which is to eliminate barriers to service and thereby encourage timely use, such as pre-natal care for pregnant women, early diagnosis for diabetics, proper monitoring for those with heart problems.

**14. Over-utilization of health services would worsen if everyone were offered free care.**

There is little evidence that this would be the case. People generally don't enjoy going to the doctor. Probably, patients would seek medical help at an earlier stage in the history of a disease -but that is exactly what we want to happen. We want a condition to be diagnosed promptly before it develops serious symptoms or requires an emergency room visit.

**15. Seriously ill people will come to Vermont in large numbers to take advantage of our free medical services.**

There is some potential for this to happen. However, residence requirements, which are used in Canada, would limit our state's vulnerability in this regard.

**On the other hand, the presence in Vermont of a health care system that is not employer-dependent might very well attract new businesses that appreciate being freed of the responsibility of arranging health insurance for their employees.**

**In any case, any tendency for sick people to move to Vermont would hopefully be short-lived as other states follow Vermont's lead and establish universal-access single-payer health care systems of their own.**