



The single-payer quandary: What would you do with an extra \$5,000 a year?

“In the current system, families can be spending a lot of money on premiums and out-of-pocket costs. Under single payer, all of that goes away. So they're not paying for premiums anymore. There's no deductibles, minimal cost sharing. But we need to collect money through various kinds of taxes to build the single-payer budget, which is on the government side. And so there's a trade off, and the question is, how does that trade off work for most families?” – James G. Kahn, MD, MPH

911. What's your emergency?

America's healthcare system is broken and people are dying.

Welcome to **Code WACK!**, where we shine a light on America's callous healthcare system, how it hurts us and what we can do about it. I'm your host, **Brenda Gazzar.**

(music)

This time on **Code WACK!** How would single-payer, Medicare for All make it easier to find and see a primary care doctor and how much money could individuals and families save under a state or national single payer system? To find out, we spoke to **Dr. James G. Khan**, a retired UC San Francisco health economist, an advisor to Code WACK!, an editor and primary blogger of **Health Justice Monitor**, a health policy blog. This is the second episode in a two part series with Dr. Kahn.

So welcome back to **Code WACK!**, Dr. Kahn.

Kahn: Happy to come back.

Q: *Now let's talk about high healthcare costs for families and what we can do about them. So insurance premiums and out-of-pocket costs like deductibles are through the roof these days for many of us. So under a single-payer, Medicare for all type healthcare system, we would essentially get rid of the middlemen – like insurance companies, pharmacy benefit managers, private equity investors, and have one single payer, a government agency, pay healthcare claims directly to doctors and hospitals. Can you flesh out what that would look like for a typical healthcare experience, like getting a prescription filled or taking your kid to the doctor for an earache?*

Kahn: Sure. I can talk about the typical healthcare experience under single payer. I first want to thank you for mentioning pharmacy benefit managers. Last time when we spoke, I mentioned that drug prices would come down, but what I forgot to mention, and you've just reminded me, is that we have this weird, highly complex structure for dealing with drugs these days because of the rise of pharmacy benefit managers, which are essentially companies that interpose between insurance and pharmacies and patients and make huge profit and do not bring any value despite what they say. And part of bringing down the prices in drugs is to get rid of PBMs. So to your question. Right now, in today's world, if someone has really good insurance and maybe they have a regular provider, then that's the optimal situation. They can call the doctor's office and say, 'Susie is sick, can I bring her in?'

'Yes. Can you come this afternoon?' Problem is that, and the current system, first of all, lots of people don't have a regular care provider because there aren't enough primary care docs, and the main reason for that is that we don't adequately compensate primary care (physicians) and in addition, people have these care networks that can be stressed and overburdened and they can't find a doctor who's got available time in that care network that their insurance will cover. Of course, then you have people who are uninsured or people who have high deductibles. And so in order to see the doctor, they have to pay maybe the first \$5,000 at the beginning of the year. That's a huge amount of money for most of us, and so there

are all sorts of barriers. Currently about four in 10, in some surveys, five in 10 Americans have skipped or delayed medical care because of financial barriers.

So single payer gets rid of these problems in several ways. First of all, the notion of being uninsured or underinsured goes away. Everyone is insured and well insured with minimal or no financial obligations. So that means that no one's gonna say, 'gee, I can't afford to take Susie to the doctor because they're just covered.'

Secondly, primary care would be much more adequately compensated. And so over time, you'd see more doctors going into primary care and the shortage of primary care doctors, which we have today, would go down, which means it would be much easier to have a regular primary care provider. So the experience of Suzy having an earache and going to the doctor today, it's highly diverse. Some people do great. They have a primary care provider. Maybe there's an urgent care clinic nearby, which is pretty good and that's fine.

(For) other people, maybe the urgent care isn't so terrific or they are in the deductible period and they can't afford [it] or they simply don't have insurance. And so it's a mixed bag and as I said, many people encounter problems. Nearly half the population encounters problems because of these issues. Every year, all of that goes away. Under single payer, you have insurance, you have minimal or no financial obligations. There are more primary care providers and even if you need to go to an urgent care or a specialist, you're covered. And importantly, under a single payer, there's little or no role for networks. So if your friend tells you that there's a wonderful pediatrician who's in the next town over and you wanna go to that person, you can, assuming they have slots available of course, but it's a much more predictable and humane and efficient process.

Q: How do you know what it would be like with single payer?

Kahn: Well, there are different ways we can know, but for me, ultimately the best way to know about how well a single-payer system works is to look at the experience of many wealthy countries around the world. And if you look at the performance like ability to have a regular care provider, the US comes in last on almost all of these metrics. And the other countries that have a single payer or something very much like a single payer with universal health insurance, they all do

much better than the U.S. So we have dozens of years, scores of years of experience in more than 30 countries around the world. We don't need to speculate, we know.

Q: Hmmm. Great points. Thank you. So what would single-payer mean cost-wise for most families? How would switching to single-payer affect the budget of the typical California family?

Kahn: Well, as you know, we built an online household cost calculator to address this question. So the way you need to think about it is that people currently are spending money for healthcare in a couple of ways. They're paying premiums or contributing to the premium. So at a typical workplace situation, the employer might pay two thirds of the premium and the employee might pay one third. By the way that two thirds pay the value, the employer basically comes out of wages or salary. So ultimately it's a family that's paying for the premiums. And then there are substantial out-of-pocket costs. Increasingly there are these large deductibles, \$2,000, \$3,000, \$4,000, \$5,000 and then there's other cost sharing as well. So in the current system, families can be spending a lot of money on premiums and out-of-pocket costs. Under a single payer, all of that goes away. So they're not paying for premiums anymore.

There's no deductibles, minimal cost sharing. But we need to collect money through various kinds of taxes to build the single-payer budget, which is on the government side, and so there's a trade off, and the question is, how does that trade off work for most families? It's easy to say, 'oh, if you have a family with no insurance or inadequate insurance and a couple of sick people, maybe someone has diabetes or something, then you know that person's gonna do better with single payer 'cause of their high costs.' You can come up with these very specific hypothetical scenarios, but we said, 'no, no, no, no,' we want to do better than that. We want to find out from households, directly, how they would do. So we built this online calculator, it takes about five minutes to use. No, that's not right. More like three minutes to use and it's on the Healthy California now website.

And you go to that link and then you answer a few simple questions. 'How much did your family spend last year in premiums? How much did your employer contribute? How much did you spend on medical care? A couple more questions. And then it

says, how much money do you earn?' And with that information, we can total up spending over the last year in premiums and out-of-pocket costs and compare that to the taxes that would be levied on that particular person pay for single payer. And we have a specific financing plan that relies largely on income tax and on a payroll tax. And both of those are structured to be progressive, which means the individuals who earn the least amount of money pay almost nothing additional beyond what they're already paying in taxes. Then as you get into the middle range, like people making \$150,000 to \$200,000, they pay a bit more, but when you hit the range of \$300,000 to \$500,000 a year in income, then those people start to pay substantially more, so again, a progressive scale. The more you make, the higher percentage you pay.

And what we found is for the roughly 5,000 people who completed the California online calculator about 90%, so nine out of 10 people or families would spend less under a single payer than they currently spend. And the average savings was about \$5,000 per year. So not trivial. This includes the effect of employer premiums on salary. So it's not just the nominal medical care costs, but also accounts for that critical dynamic. So about \$5,000 per year in average savings. And you know, this confirmed what we thought was true, that for most people they're going to spend less. Now, what this does mean, and we by the way, we included, you know, corporate profits tax and a wealth tax. And so what would happen of course, is that people and corporations who are doing incredibly well economically would pay a higher percent. So some of them filled out the calculator, some didn't, of course, but on the whole, the vast majority of people save money and the savings are pretty substantial.

Wow, that's great. And one woman I work with used a calculator and found out that her family of four would save over \$20,000 a year on their health insurance.

Kahn: That's a lot. She must have fairly high premiums and maybe some substantial out-of-pocket costs. It's remarkable. We've seen some savings in that range and you kind of go, 'how can that be true?' And then you start thinking, well, when I think about what I put into premiums and what my employer puts in and how that comes out of my salary and my big deductible, it does add up. We're very excited about the use of the calculator. It translates these complex economic

calculations into something that people understand, how much more or less will I pay?

Q: What were the challenges in developing this calculator and then how did you overcome those challenges?

Kahn: So the challenges in developing the calculator were most importantly to make it easy to use for anyone who's going to go on and check their household medical costs while being accurate. In the past there have been calculators that were really easy to use but didn't collect enough information to make them accurate estimates. And there were other calculators for doing research where there was just too much information gathering, (it) would be too hard and take too long. So I worked with a single-payer advocacy group, Healthy California Now, and with some consultants who are very capable with interacting with the community, really social media savvy. And together we put our perspectives together and came up with a way to ask these questions about healthcare expenditures that would be pretty accurate and pretty simple. So we were really pleased ultimately that we have a calculator that takes only about three minutes to use, isn't especially taxing.

That means most people who start will finish and yet gives us really valuable information. On the back end, the challenge was to come up with information on the sources that we could apply taxes to, like how much income do people have in California and how much are salaries paid to workers and so on. We needed those numbers. We needed to know how much money was available there in order to set the tax rates that would generate the income we needed to make single payer functional in California.

Q: So how accurate do you believe this model is since at the moment we don't know how much the current version of CalCare would cost?

Kahn: Right, in other words, if you accept a progressive financing model, then what we produce is accurate for that. If you happen to believe that we should pay for single payer even more progressively by charging sent to billionaires even more and don't charge anything for people who are earning an income, then it's not accurate. Of course, that's not realistic. At the other extreme, if you think that everyone, even very much lower income individuals should pay their own way and

should pay just as much in dollar terms as someone who's earning \$500,000 a year, then what we're doing is, I would say in quotes "inaccurate." But if you believe, as most people do, who supports single payer, that the financing should be everyone's sharing in the burden, but progressively. So people who earn more like \$500,000 a year are paying more than I think you could say, what we're doing is accurate.

Q: Got it. What about the national online calculator you've been working on?

Kahn: We have a similar calculator expected to go live for the Jayapal bill in the House of Representatives sometime in coming weeks and months. So we're hoping that this will get attention on a national level as well.

That would be great and I assume you expect similar kinds of savings with the Jayapal Medicare-for-All bill?

Kahn: The financing plan that we came up with in consultation with Medicare for All PAC which is set up by Rep. Jayapal, it looks very similar to California, so it wouldn't surprise me if we see some similar patterns, but I don't like to make too many predictions about something we haven't done yet.

Thank you Dr. Kahn of Health Justice Monitor. California residents can find out how much they could save with a state Medicare-for-All type system by using the online calculator on the Healthy California now website, which is healthyca.org, the national online calculator to determine how much we could save under a national Medicare for All plan. That will be up any day now at calculator.passMedicareforAll.org. You can also find the links to both calculators in the episode's show notes.

Do you have a personal story you'd like to share about our 'wack' healthcare system? Contact us through our website at heal-ca.org.

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