Simplicity, savings & equity? The single-payer solution

“It is an old saying. ‘There's no such thing as a free lunch.’ Everything has a cost. And I think that single payer is an exception to that old adage because you can actually cover everyone and save money at the same time through simplicity.” - *Dr. James G. Kahn*

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(music)

This time on **Code WACK!** What the heck is going on with Medicare for All in California? Can single-payer advocates overcome their differences and finally win health care for all in the Golden State? What’s the significance of two recent bills, Senate Bill 770, and Assembly Bill 2200, in achieving Medicare for All in California? To find out, we spoke to **Dr. James G. Kahn**, an expert in health policy and economics, an advisor to Code WACK! and editor and primary blogger of **Health Justice Monitor,** a health policy blog.

So welcome back to Code WACK! Dr. Kahn.

Kahn: Happy to be here.

Q: Since you're a retired UC San Francisco health economist and a single-payer expert, we hope you can break down all that's been happening for us. In October, California Governor Gavin Newsom signed Senate Bill 770, which will address questions around federal funding of a universal healthcare system like single payer. Also last year, state Assemblyman Ash Kalra introduced Assembly Bill 2200 (CalCare) which would set up a single-payer system, providing comprehensive healthcare, vision, dental, and even long-term care for all residents in the state. So it seems like SB 770 is tackling the financing issues while Assembly Bill 2200 is a policy bill that doesn't address the financing. Is that correct?

Kahn: That is correct. The 2200 bill does lay out a vision for how coverage would work and also has some provisions in it for how things would be adjusted in the event that the federal government didn't offer all of the financial fold-ins, program fold-ins that we'd ideally want, and that's actually a link to the other bill, SB 770 which as you said, is about the state of California initiating discussions with the federal government about the waiver possibilities. The waivers are the regulations and potentially laws that are required to take programs with a particular purpose, like the federal Medicare program, which serves people who are older and with long-term disabilities. And that's entirely a federal funding stream, and it's a huge part of how we pay for health care all over the U.S. and including in California.

And the question is, well, if we do single payer or unified financing in California, how do we cover people with coverage that's as good as Medicare or better and importantly, get the money that the federal government is currently spending on Medicare and fold it into California's single-payer pot of money. So as you said, SB 770 is about arranging the financing, and 2200 is about setting up a system. Both of them would be useful and valuable on their own, but taken together they have the potential to provide the two critical pieces, the structure of coverage and care on the one hand, and the finances on the other.

Q: Mm-Hmm. <Affirmative>. Great. So do you see the two bills as complimentary toward one another?

Kahn: They can be. They both have value on their own, but definitely if SB 770 discussions go as well as we hope, then the finances from the federal government, such as from Medicare and the federal portion of Medicaid and some other funding would be critical for implementing what's in 2200. So they're definitely helpful for each other. Ironically, the groups proposing the two bills are not thinking of it so much in that way. They're a little bit at loggerheads. The advocates for reform who are behind SB 770 think that we need to start with a practical, realistic conversation with the federal government because you can't have single payer in California in any meaningful way unless you get the federal government to agree to fold in those funds – a strategy.

Those who are putting forth (AB) 2200 and its predecessor bill, a different group of single payer advocates believe that you must start with the policy as a piece of legislation, and then later the finances will fall into place. And the left being the circular firing squad that we are so familiar with, these groups are not being super nice about these differences of opinion on strategy. So I agree that these bills have the potential to work together, and I think if both proceed, then they will work together. But right now we're starting from a position of 'this is the way to get to single payer.' 'No, this is the way to get to single payer.' 'No my way.' 'No my way.' And so, we have these differences. This is not a new situation, and the good news about this is there's energy for both strategies.

I, as it happens, full disclosure, am working more extensively on the SB 770 process, and I have been working with advocates who have requested that I assemble a group of technical experts to inform the process. So we have the makings of a technical advisory group, and we will be working in ways to be precisely defined with the state and with the people that the state contract with to do some of the work on SB 770. I'm very excited about the possibility of moving the ball forward.

Q: Ah, but the timing. What about the presidential election?

Kahn: I am not unaware that we are in a pivotal election year, and that as wonderful and important as single payer is, the presidential election is first on

everyone's mind as it should be. Believe me, if Biden loses in 2024 and if Biden loses to Trump, any discussion of single payer is moot and many other things are moot. So while we're all moving forward on this, there's nothing much that's going to happen that's visible before November in the election.

Q: Hmm. So you're saying it's a moot point, even at the state-based level, a single payer (bill) in California, a Medicare for All-system in California would be moot if Trump is elected?

Kahn: Well, again, it is my opinion and the opinion of anyone who works on this that for single payer to work as intended in California, actually to be a real state-based single payer approach, we need to have federal cooperation and support. So just to put it the other way around, if the federal government says, 'well, we can't stop you from collecting more tax money and covering people currently with no insurance or with employment-based insurance but we're not gonna let you use Medicare funds or Medicaid funds or CHiP funds or any other federal funds, and we're not gonna let you, you know, coordinate the benefits and so on,' it's gonna put a real spanner in the works for having the single-payer plan at the state level that actually works. There's also a legal issue, which is referred to as ERISA, which has to do with state regulation of companies' benefits plans which is not allowed.

And so there's some tricky legal issues there. And again, federal cooperation on ERISA issues is really important for facilitating state-based action. So yeah, that's a long way of saying, I think if the feds don't cooperate, what we get at the state level has hints of single payer and no doubt, you know, some gains but won't be the real deal. And this is why some people, some of my colleagues are committed to national plans such as Pramilia Jayapal's House of Representatives bill, I think it's HR 3421. You know, if you make the law at the federal level, then these issues of state and federal cooperation and waivers and all that go away. So there is an argument to be made. I personally think that if we can get single payer in California, and particularly in this large and powerful state, then it will launch the process across many states. So I'm a believer in either federal or state action, but the state action really does need a significant level of federal cooperation.

Q: Mm-Hmm, <affirmative>. Great. Thank you for that. So yes, it's a pivotal, pivotal year indeed to find out what will happen with, with national elections and also with these bills, these two bills. So it sounds like a lot of hurdles that need to be overcome this year.

Kahn: There are always hurdles, and this year is a particularly hurdley year.

Q: <Laugh>. Yeah, I love that. Hurdley. Perfect. As a health economist, you have extensive experience analyzing how single-payer health care would affect the economy, both at the state and federal levels and also for individual families. Yet recently, California Assembly Speaker Robert Rivas, who was quoted in the L.A. Times said while he likes the idea of CalCare and a single-payer system in the state, he thinks it would be a tough, tough sell in the face of the state's budget shortfall of at least $38 billion. Now, a legislative analysis of the previous CalCare bill estimated the cost of implementation between $314- $391 billion in state and federal funds. Yet Gov. Newsom's own healthcare commission, which studied the issue of unified financing for a couple years, concluded that the state would save up to $158 billion over 10 years. Will single payer cost billions more or save billions more?

Kahn: Single payer will save money. The talking point or observation that the speaker used is not the first time I've heard that, but it is still misleading or confused. Let me see if I can explain. We currently spend about $500 billion a year on health care in California. About one third of that comes from employment-based insurance. So what employers and workers pay for premiums and plus any out-of-pocket costs and then the big chunk of the money – about half comes from the federal government, like through Medicare and the federal component of Medicaid, which is insurance for the poor. And then another – I'm just looking at this chart – another $45 billion comes from state funding. So, if you switch to single payer in the state, the total amount of spending on health care, depending on the details of the health plan, depending how many benefits are included in cost sharing and stuff like that, but basically you're going to save some money, maybe a little, maybe a larger amount. Overall spending on health care will decrease and the way that happens is that you get rid of about 10% of costs by simplifying administration. That is amazing as it may seem, and I think we've talked about this

before, we spend more than 10% of the health care dollar just moving the money around inefficiently. And if we could have a simpler way to pay for health care like other countries do, we would save about 10% of the healthcare dollar and be able to put that into clinical care.

Clinical care needs would go up because people would be better insured. Overall though, the system would save money. We would spend less on health care in California, even while covering everyone in the state with comprehensive benefits. That is the magic of single payer.

In my business, that is in economics, it is an old saying, and people are fond of repeating it, 'there's no such thing as a free lunch.' Everything has a cost and I think that single payer is an exception to that old adage because you can actually cover everyone and save money at the same time through simplicity, while obviously greatly improving equity. So that's how I look at it. If you focus on what's on budget for the state, you know, the money that is in the state budget and how much the state budget or some sort of a special fund would need to increase in order to move money currently spent by employers and employees into the single payer system, then you're talking about a much bigger state budget, and that's a part of the confusion.

The other is, if you say that it costs $450 billion or $500 billion a year to implement single payer in the state, that is completely muddling the issues. We're already spending more than that. It wouldn't cost that additionally. Yes, the state budget would go up, but so would state revenues, which you would have to collect through taxes. And I've done some work, I think, as you know, I've done some work on what those taxes could look like. So overall, bottom line, that statement by the speaker, in my view, was irresponsible or intended to confuse matters or simply too casual and was picked up. The amount of money we spend will go down, we'll save money and more of it will be on budget. So it's in a different place. But that's what it comes down to.

Q: Right, yeah. It's such an unfortunate framing issue like in the media and even lawmakers who don't quite get it. I know it's a very complex issue. But the bottom line is that single payer would save money for the state and for individuals, which

we'll get into, you know, later. But correct me if I'm wrong, there wouldn't even be like an upfront cost that's greater?

Kahn: There doesn't need to be a substantial upfront cost. The only issue is that there would need to be, in my view, a substantial worker retraining program because many of the people who are currently spending their work days moving the money around – those high administrative costs – those people would be out of that job when you make administrative tasks, payment tasks simpler. So you're talking about savings of, you know, on the order of $50 billion a year, that's a lot of people employed to move the money around. And if they're not needed in those jobs, the question is what can they do instead? Well, many of them are trained as clinicians, a few doctors, a lot of nurses. They could go back to providing clinical care and since the need for clinical care would go up, this would be a perfect switch ‘cause we'll need more nurses and more doctors and then some of them will be able to get other jobs in, you know, related areas. Some will be close to retirement and they will get money to help them retire early and if you put this all together, all of this retraining and support, it works out to about 3% of health spending for one year. Or you could do it as 1% on these programs for three years.

Thank you Dr. Kahn of Health Justice Monitor. Join us next time when we dive into how much single payer Medicare for All could save individuals and families.

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Code WACK!’s powered by HEAL California, uplifting the voices of those fighting for healthcare reform around the country. I’m Brenda Gazzar.