



**THE OHIO STATE  
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WEXNER MEDICAL CENTER

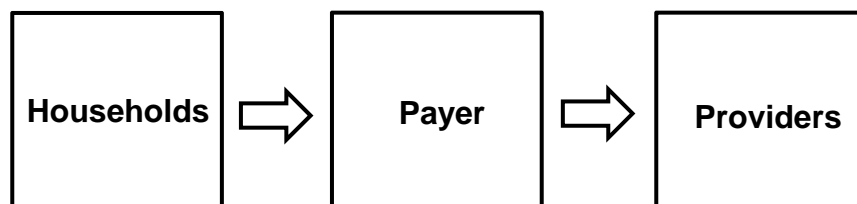
**One Moment Please**

**Single Payer  
Health Systems**

**Eric Seiber, PhD  
Associate Professor  
Health Services Management and Policy  
College of Public Health  
The Ohio State University**

# Why are we even talking about a Single Payer System?

## Flow of Funds



Simply, “one” insurer.

Stylistic: Households paying government paying providers.

## What would it cost?

- **National Health Expenditures in 2015**
  - = \$9,990 per capita
  - 32% Hospitals
  - 27% Professional Services
  - 10% Pharma

Centers for Medicare and Medicaid Services, 2016

## What would it cost?

- **Health Insurance Premiums:**
  - = Medical Expenditures + Admin
- **Under the Affordable Care Act:**
  - Medical Expenditures = 85% of premiums
  - Insurance Admin = 15% of premiums

# What would it cost?

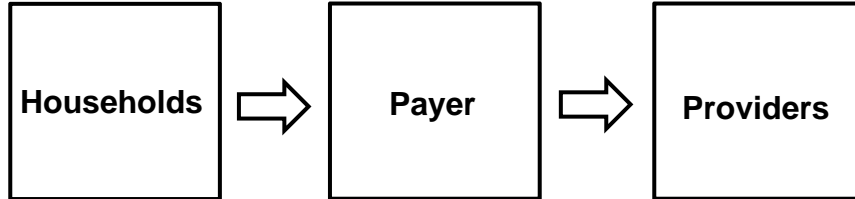
- What if we create a single payer system that covers all current healthcare spending in the US?
  - excluding individuals not receiving care now.
- Premium must be:
  - \$9,990 per person in the United States (+ admin)

# But, ... Arrow #1



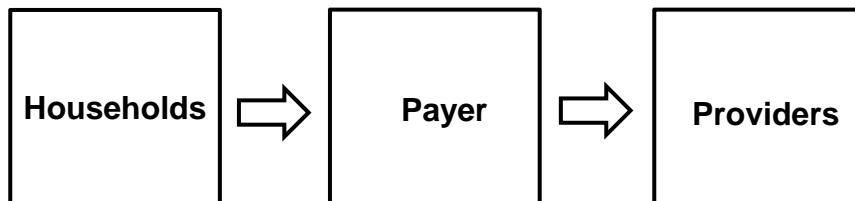
- How should households pay?
  - Premiums (used for Employer Sponsored Insurance)
  - Payroll taxes (used for Medicare)
  - General tax revenues (used for Medicaid)
- 46% is currently paid through taxes (Federal, State, or Local)

## But, ... Box #2



- **What if:**
  - Federal Government collects revenue
    1. Pays providers directly (Medicare)
    2. Pays one plan per state (Medicaid), or
    3. Pays a few, large competing private insurance plans
      - a.k.a. “managed competition”
      - 1992 proposed reforms; Medicaid managed care

## But, ... Arrow #2



- **What should be covered?**
  - Anything? => \$\$\$\$
  - A basic package with supplementary private coverage?
- **How much should be paid per service?**
  - NOTE: Arrow #1 == Arrow #2 + Payer Admin Costs

## Single Payer System Outcomes

- What should we expect if the US converted to a Single Payer System?
- Comparative Health Systems analysis can inform
- But, future is dependent on the starting point
  
- Two key metrics:
  - Costs
  - Outcomes

## Spending and Outcomes, 2015

	Spending Per capita (PPP)	Spending, % GDP	% over age 65	IMR	LE
USA	\$8,715	16.9%	14.9%	6	79
Germany	\$4,772	11.1%	21.0%	5.4	81
Canada	\$4,289	10.1%	16.1%	4.8	82
UK	\$3,756	9.8%	17.7%	3.9	81
OECD	\$3,470	9.0%	16.7%	3.8	81

PPP = purchasing power parity dollars

Source: OECD 2017

# **Single Payer System Outcomes**

- **Recall:**
  - **46% of health expenditures in US paid through taxes**
- **Who pays more in taxes for healthcare?**

# **Single Payer System Outcomes**

- **What is different about the US system?**

## Supply of Resources, 2014

	MDs per 1000 pop	Nurses per 1000 pop	Inpatient beds per 1000 pop	MRI Machines per million pop	CT Scanners per million pop
USA	2.6	11.2	2.5	38.0	41.0
Germany	4.1	11.1	6.2	30.5	35.3
Canada	2.5	7.1	2.1	9.2	14.9
UK	2.8	6.7	2.3	6.1	8.0
OECD	3.2	7.0	3.8	15.7	26.4

## Utilization of Resources 2014

	MDs visits per capita	Inpatient days per capita	Avg. Length of Stay	MRI Scans per 1000 pop	CT Scans per 1000 pop
USA	4.1	125	6.1	109.5	254.7
Germany	9.7	252	9.0	114.3	130.2
Canada	7.6	84	**	54.9	148.5
UK	5.0	129	7.1	**	**
OECD	7.0	162	8.7	60.6	158.6



# Key Difference #1

- Total Expenditures = Price \* Quantity
- In the U.S.,
  - Total Expenditures are much higher
  - Quantity is much lower
    - Measured as real resources or utilization
  - Prices must be high
- U.S. healthcare prices and provider incomes are the highest in the OECD
  - If Germany had U.S. prices, German expenditures would be higher than U.S. expenditures

## Ex: Physician Earnings, 2008

	Primary Care		Orthopedic Surgeons		Ratio: PC/ Ortho
	Pre-tax Earnings, net of expenses	Payments to MDs per 1,000 pop	Pre-tax Earnings, net of expenses	Payments to MDs per 1,000 pop	
USA	\$186,582	\$186,582	\$442,450	\$29,202	42%
Germany	\$131,809	\$131,809	\$202,771	\$8,922	65%
Canada	\$125,104	\$125,104	\$208,634	\$6,676	60%
UK	\$159,532	\$111,672	\$324,138	\$9,076	49%

Source: Laugesen and Glied (2011). Health Affairs 30(9) p1647-1656

## **Key Difference #2**

- **Administrative Complexity?**
  - **U.S. has very fragmented buying side**
  - **Others have very organized selling/provider side**
- **Varying estimates for administrative costs (for insurers, employers, providers)**
  - **Range from 15% to over 25% of all U.S. health spending**
  - **Maybe government waste is the problem?**
    - **Administrative expenses for private insurance in U.S. are 2.5 times higher than public programs**

## **What does a Single Payer System do?**

- **Minimal negotiation and rationing in US system**
- **Single payer systems are funded through taxes,**
- **If healthcare spending goes up, politicians must**
  - **Raise taxes, or**
  - **Cut spending elsewhere.**
- **Introduces extreme price negotiation**
  - **Imagine an ACA debate every year.**
- **Other countries have faced the taxes vs healthcare tradeoff/negotiation for decades.**

## **Adopt a Single Payer System now?**

- **Coverage is open for debate:**
  - **universal enrollment?**
  - **universal services or minimum package?**
- **No change in current spending; difference would be in future growth.**
- **Negotiations around taxes vs healthcare spending would be the key dynamic.**