



Health Care For All Illinois



"Of all the forms of inequality, injustice in health care is the most shocking and inhuman."

-Dr. Martin Luther King, Jr.

Supporting a Statewide Single-Payer Health Insurance System

Health Economics
and
Financing Paper

How Can We Afford Universal Health Care?

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Don't be fooled by those who say that universal health care means big tax increases. In fact, Illinoisans already pay enough for comprehensive, high-quality care for all – we just don't get it. The reason we don't is because insurance companies waste billions of our premium dollars on marketing, underwriting billing, fighting claims and issuing denials. Eliminating this insurance paperwork would save at least \$17 billion annually, enough to provide health care for all Illinoisans WITHOUT paying more than we already are.

Illinois spent \$6,714 per person on health care in 2006, compared with \$3,678 in Canada, \$3,371 in Germany and \$3,449 in France. While 1.8 million Illinoisans are uninsured and millions of the insured go without

needed care due to cost, these countries provide universal care and their populations are healthier. How can we spend more and get less?

The answer is because we rely on private insurance companies to pay for care. The natural market behavior of insurance companies is to compete to cover healthy, profitable patients and keep the sick out. To do this, they erect massive bureaucracies for the sole purpose of fighting claims, issuing denials, and screening out the sick. The scope of the administrative waste is staggering: co-payment collection and processing, eligibility determinations, utilization reviews, sales, billing, collection, marketing. In 2003 Harvard University researchers totaled it up and found that nearly one-third (31 percent) of our health spending goes to administrative costs. Of Illinois' estimated \$87 billion in health spending in 2008, at least \$17 billion could be saved simply by replacing private insurers with a single pub-

Reorganization of Illinois Health Spending Under A Single-Payer Insurance System: Same Spending, More Care

	Current System	Single-Payer
Care	\$63.5 billion	\$80.3 billion ←
Administration	\$23.7 billion	\$6.9 billion
Admin. Savings	\$0	<i>\$16.8 billion</i>
Total	\$87.2 billion	\$87.2 billion

Source: Angell, M. et al "Proposal of the Physicians" Working Group for Single-Payer National Health Insurance," *Journal of the American Medical Association* 290 (2003). and author's calculations.

lic payer like Medicare. The Government Accounting Office, Congressional Budget Office, and Navigant Consulting, the independent financial consulting firm hired by the state of Illinois, have all confirmed that single-payer financing produces enough savings to cover everyone without more spending.

How will Universal Health Care Affect my Pocketbook?

When health insurance companies are eliminated, people will no longer pay premiums, co-payments, coinsurance, and other out-of-pocket expenses. To replace this spending, a modest progressive tax will be implemented, but this will be completely offset by the reduction in insurance-related payments, and for most people will be much less. While Health Care for All Illinois does not endorse any particular tax scheme, a 7 percent payroll tax and a 2 percent income tax has been suggested by physician-economist Edith Rasell as a starting point.

To illustrate, the average family insurance premium in Illinois is about \$12,500. Submitting a fictional family of four with two teenagers and Illinois' median income of \$50,000, the most generous plan Health Care for All Illinois researchers were able to find on ehealthinsur-

ance.com had a premium of \$7,016. This plan had a \$3,500 deductible, a \$30 co-pay for office visits, 20 percent co-insurance and no coverage at all for preventive or maternity care. Assuming one member of the family has a relatively inexpensive \$30,000 illness and no other expenses, the family will pay at least \$14,451 out of pocket with employer coverage and \$22,233 in the individual market, despite being "insured." By contrast, a two percent income tax would cost the family \$1,000 per year beyond their regular health care tax spending.

Businesses that provide coverage for their employees would also realize significant savings, and small employers that would like to offer coverage but were prohibited by high premiums would now be able to have their workers covered. Businesses on average spend about 9 percent of payroll on health care costs, and up to 14 percent in the heavily-industrialized sectors like manufacturing. By comparison, replacing these costs with a 7 percent payroll tax is the same as getting a tax cut. Indeed, the industry-renowned financial consulting firm The Lewin Group found that implementing a single-payer system in California would save businesses in that state an average of 16% on health costs.

See the paper "Paying for Universal Health Care - And Not Getting It" for full methodology and references.

Comparison: Spending by a Family with Illinois' Median Income Under the Current System and Single-Payer

	Employer-Based	Individual Market	Single-Payer
Premiums	\$12,500 (\$2,875 from worker)	\$7,016	\$0
Deductibles	\$759	\$3,500	\$0
Co-Insurance	\$5,100	\$6,000	\$0
Taxes	\$5,717	\$5,717	\$6,717
Total:	\$14,451	\$22,233	\$6,717

<i>Coverage:</i>	Co-payments on physician and hospital visits, restrictions on prescription drug coverage	No preventive coverage, limits on prescriptions, no preventive or maternity care	Full coverage for all medically necessary services
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Source: Kaiser Family Foundation Employer Health Benefits Survey, 2007; Illinois ehealthinsurance.com; Rasell, E. "An Equitable Way to Pay for Universal Coverage," *International Journal of Health Services*. 29 (1999).