

Single-Payer Health Care

A System with Far Less Choice, Much Higher Costs

Accessibility to health care has become a main focus of the 2020 presidential campaign. Many Democratic presidential candidates came out early supporting a single-payer health care model, while others support universal health care. This national discussion may motivate some legislators to push for single-payer health care in California again, even though a prior version stalled in the Legislature due to its exorbitant cost. A recent CalChamber poll found that voters preferred keeping their own health insurance rather than switching to a government-run program by a 3 to 1 margin. Given the costs associated with single-payer health care, and Californians' preference for their private insurance, the Legislature should tread carefully in this debate.

SINGLE-PAYER HEALTH CARE DEFINED

In an authentic single-payer health care system, private and employer-provided health insurance is nonexistent. Rather, health care is delivered through public or private hospitals and health care providers. The expenses associated with the care are paid for by public financing, which means the government obtains the money by taxing employers, employees and individuals. While the health care is typically delivered at low-to-no cost at the point of use, it is in no sense “free,” since higher taxes and consumer copays foot the bill for the care.

PROBLEMS WITH SINGLE-PAYER HEALTH CARE

A single-payer health care system naturally engenders multiple

problems. The system typically requires a general practitioner, or primary care provider, to be the initial point of contact. In a general sense, HMOs (health maintenance organizations) operate similarly. However, the current multi-provider system offers variety in relation to coverage, meaning that not all patients rely on a primary care provider to be their initial point of contact—for example, PPO (preferred provider organization) patients. This leads to tremendous scheduling and wait time issues, and patients receive very little interaction with their provider. Furthermore, the “free” health care services often are overutilized since the general practitioner is the primary point of contact, which may lead to government rationing of health care services.

Personal freedom and choice also are precluded in a single-payer system, forcing every resident to use an assigned system or physician rather than a health plan or physician of their choosing. Additionally, a single-payer health care system can result in decreased quality of care since competition is eliminated and rates are set by the government. Under such a system, each type of health care provider is designated a set payment amount. Therefore, there is no incentive to provide a higher quality of care or be innovative in the care provided.

CALIFORNIA EMPLOYERS CANNOT SUSTAIN AN ADDED TAX BURDEN

In 2017, the Senate Appropriations Committee's analysis on SB 562, the single-payer proposal passed by the California State Senate that summer, found that the cost of a single-payer system in California would be approximately \$400 billion. These estimations include a funding shortfall of \$200 billion. This means that, even if all public funds were rolled into a single-payer system, California still would need \$200 billion to fund this model. This estimate is uncertain, however, as federal waivers would have to be obtained for all federal programs that provide funds for payment of health care services, such as Medicare and Medicaid.

Even if all current employer and employee spending on health care were shifted over to a single-payer system, there still would be a shortfall of \$100 billion, which is where a proposal for an additional 15% payroll tax estimate comes in when looking at the Senate Appropriations Committee's analysis.

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SIGNIFICANT JOB LOSS

A payroll tax increase would be the most likely source of funding for a single-payer health care system. Vermont attempted to enact a single-payer system in 2011, but the efforts were derailed when an 11.5% payroll tax on businesses and an individual income tax increase of up to 9.5% were proposed. As stated above, the Senate Appropriations Committee included a 15% payroll tax estimate when calculating the system's costs in California.

A payroll tax increase such as the one needed to finance single-payer health care would not only have a detrimental impact on businesses already in California, but it also would likely discourage companies from locating and establishing businesses here. In addition, payroll tax increases would likely lead to job layoffs, as existing businesses and employers would be forced to cut costs to sustain the new tax burden.

Obviously, private health insurance jobs would be annihilated under a single-payer system. However, these positions would not be the only ones affected by transitioning to a single-payer scheme. The construction industry would likely suffer as well, since provider rates will include payments for provider capital improvements only if the provider is a nonprofit or governmental agency—and only with prior approval. This would lead to a massive reduction of capital improvement by for-profit hospitals, medical groups and others, leading to construction job losses.

GOVERNMENT-RUN HEALTH CARE ALREADY REJECTED BY CALIFORNIANS AND LEGISLATURE

California voters have twice rejected a government-run health care system—once in 1994 and again in 2004. Past focus groups and numerous opinion polls on health care reform have reinforced that California residents do not want a single-payer, government-run system.

After passing the California State Senate in the summer of 2017, SB 562 stalled in the California State Assembly. Assembly Speaker Anthony Rendon (D-Lakewood) referred to the proposal as “woefully incomplete.” The legislation did not disclose how it would cover the estimated \$400 billion price tag, nor did it address a strategy to secure federal waivers needed from the federal administration.

CONSTITUTIONAL AND FEDERAL CHALLENGES

The constitutional barriers to a single-payer system include the Proposition 4 appropriations limit and the Proposition 98 education finance guarantee. The Proposition 4 limit constrains overall state spending to growth based on population and inflation factors. The large tax increase required by a single-payer system

would push spending above the limit. Proposition 98 creates a school finance formula that requires a portion of any new general revenues to be dedicated to schools. The tax increases necessary to pay for single-payer health care would require a companion amendment to the California Constitution that exempts the new revenues from both the Proposition 4 appropriations limit and the Proposition 98 school finance formula. The constitutional amendment would require voter approval.

Even if constitutional amendments were approved, California would have to obtain approval from the federal government to allocate federal Medicare and Medicaid funding to a California government-operated, single-payer health care system. Yet receiving approval from the current federal administration would be highly unlikely. Without the necessary federal funding, California could not afford to proceed with a single-payer system.

CALCHAMBER POSITION

Californians need to have access to affordable, quality health care—and currently, it appears this ideal is being met. Not counting undocumented immigrants, 97.6% of Californians have health insurance. In addition, California now offers health benefits to undocumented immigrants who are ages 19 to 25 (*see Business Issues* article on “[Universal Health Care](#)”).

A \$200 billion tax increase and complete restructuring of the health care system seem to be an excessive approach to providing health insurance to the small percentage of Californians not covered today. Such a system abrogates the freedom individuals have to pursue health care of their choosing. Exorbitant taxes will be required to fund such a system, and the necessary public financing will have a detrimental impact on all the employers and employees of this state.

Single-payer health care does not equate to free health care, and the costs associated with this system will systemically eradicate new jobs while driving out existing industries. The consequences associated with adopting a single-payer health care model should give the Legislature serious pause in pushing forward any proposal in California.



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