# The Powers Report Podcast

**Episode 3**

**The Case Against a Single Payer System**

Welcome to The Powers Report Podcast. I am your host, Janis Powers. The show brings you candid, unique and data-driven perspectives on the health care industry. I believe that any solution that is going to positively impact the American health care system has to satisfy two major criteria: financial viability and behavioral incentive alignment. In other words, access to high quality care can only be achieved if we can afford it, and if we behave in ways that optimize our health. These are major themes that will be discussed in each podcast. Please subscribe to our show on i-Tunes or on your preferred podcasting platform and connect with us on social media. Again, this is Janis Powers, and welcome to The Powers Report Podcast.

There's been a lot of discussion recently about adopting a single payer system in America. Since the Democrats gained political ground last November, the single payer or Medicare-for-All idea has been floated as a potential platform issue for the Democratic Party. You may identify as a Democrat, but that doesn't mean you have to support every idea that's presented by Democratic candidates. And the same is true for Republicans, Libertarians, etc. This is important now, more than ever.

America's political divisiveness is driven in part, I think, by too much of a focus on the cult of personality – we evaluate candidates based on whether we like them. Yes, it's important to identify with the moral code of a candidate, but we need to spend a lot more time doing a deep dive on the issues that candidates support. If we don't, we allow our public officials to gain power by simple sloganeering. We need to hold ourselves and those who serve us more accountable by having a better understanding of the issues ourselves.

I am not a fan of the single payer system. It's important to note that although I don't support it, I'm not a fan of the status quo either. Nor am I a fan of Republican efforts to destabilize the Affordable Care Act without offering up a replacement. In fact, I think the health care system in America is so broken, that incremental changes aren't going to fix it. I have my own ideas about how the health care system should be run, and they are captured in my book, *Health Care: Meet the American Dream*…which I'd love for you to read, and I'll be talking about a lot more in future shows.

But let's talk about this one idea, the single payer system. I like the simplicity of it. We know that administrative costs in health care are out of control. Having one payer would simplify both the administrative and financial transactions involved in health care. There's also an egalitarian aspect to a single payer, a democratization of care that's attractive. Everyone gets the same coverage. That elevates the access to care for lower income individuals. Given the income divide in America, this approach to health care delivery may seem more fair than what we have today.

However, many folks believe that it's the government's responsibility to guarantee a better health care system by running the entire operation. Or even centralizing a lot of it. A single payer system puts

control in the government's hands, so it can look out for all Americans. I want the government to look out for Americans too. But I'd rather they do so through appropriately regulating things, rather than wholly operating them. These are two differing philosophies about the role of government which are not specific to health care. So let's get to some specific industry issues.

A pure, single payer system where the government is the only payer is basically the model used in Canada. While everything is covered, there are major problems with the effectiveness of the Canadian health care system. Plenty has been written (1) about the long wait times for health care in Canada. It takes about 20 weeks for a patient to receive care from a specialist once they've gotten an initial referral. Twenty weeks. That's about five months. Almost half a year. Canadians agree that these long wait times are having an adverse impact on patient outcomes. It does not make a pure single payer system look all that appealing.

By the way, there are more people living in California than there are in Canada. This size issue is a critical factor because there are major administrative challenges in taking what seem to be good ideas from other smaller countries and bringing them here, to the United States. One of the arguments for a single payer system is that it works so well in Europe. Their outcomes are better than ours. In many cases, that's true, especially when it comes to some of the biggies like life expectancy and obesity. European nations spend less money per capita than we do (2). Also true. We spend over to $10,000 per person on health care. Switzerland spends just about $8,000. Germany is a relatively high spender in Europe, but they don't even spend $6,000 per capita on health care.

The key, I think, to the success of the European nation's health care systems has more to do with the manageable size of their populations and their relative homogeneity than it does to the fact that they have single payer systems.

It's easier to manage something small. There's less bureaucracy, less of an opportunity for fraud, faster decision-making, lower costs. We look at these European countries as comparables because economically, we're all developed nations. However, the largest country in Europe is Germany. Germany is about one quarter the size of the United States. Austria's entire population is about the size of New York City's. In the size department, there's nothing similar between us and individual European nations at all.

Then there's the homogeneity issue. European countries are, right now, somewhat homogeneous and culturally distinct. (I think things are going to get very interesting from an outcomes perspective in Europe as this decade's wave of immigrants is incorporated into different communities around Europe, but that's a separate issue.) Right now, you've got an array of different languages, different historical identities, food cultures, distinct behaviors, etc. that define each individual European nation.

And let's not just look at Europe. One of the best health systems in the world in terms of low cost and high outcomes is Japan. They have one of the highest life expectancies and lowest obesity rates of any other country and they spend less than half of what we do on health care per capita. It's a big country with about 130 million occupants. It's also one of the least ethnically diverse nations on the planet. That means that despite the country's size, they can have consistent messaging and need less customization of care. That sets the stage for an efficient and effective health care system.

Now consider America. The United States is, arguably, the most diverse nation on the planet and that's because we're diverse in so many dimensions. There's racial or ethnic diversity (3). We're about 60%

white, almost 20% Hispanic, about 12% Black, 6% Asian. There's religious diversity (4) which is interesting in that about 70% of Americans are Christians. Of the Christians, over 45% are either Evangelicals or Catholics, two groups that are very opinionated about reproductive health care. Then you've got over 20% of Americans who have no religious affiliation, so they're not motivated by spirituality with the same intensity as others.

We've got geographic diversity, which is very impactful when it comes to localized cultural norms. The US covers tropical regions, arctic areas, coastal shorelines, the plains, mountainous territory…so there are lifestyle issues associated with each of these places that impact what people eat, what kind of work they do, how much and what types of exercise they get, etc. These factors are very influential on health outcomes.

You can't have a one-size-fits all health care system for 330 million people with that kind of diversity that characterizes America and have it be effective. That's because health care is personal. We all want a health solution tailored to our unique needs. Customized care that is aligned with our values and behaviors is essential in creating positive outcomes. But customization kills regulation.

Regulation works well when one idea is disseminated from on-high and implemented consistently through each level of the organization. Unfortunately, managers and administrators and the like have a need to put their personal spin on programs to make sure they get credit for whatever has been implemented in their tenure. The more layers of bureaucracy, the higher the chance that programs will get modified during implementation.

Of course, in the public sector, regulations need to be followed because there are legal obligations and budgetary allocations associated with doing so. Yet there's always wiggle room associated with interpreting the laws, which makes for more inconsistencies in implementation and can really drive up costs. Just consider the expansion of Medicaid under the Affordable Care Act. There was an expectation that every state would do it. But instead, the issue had to be taken up by the Supreme Court to rule on the Constitutionality of the expansion (5) requirement. Turns out, the way the law was written, states aren't required to do it. Today, about 14 states still haven't expanded the program (6). Some of those which did, have gotten special exemptions and waivers that were not part of the ACA. Think about the time and money that was spent arguing about the law….and that is only one of the many contentious issues that have surfaced!

Let's get back to Canada. Canada is different than the European nations vis-à-vis their health systems because Canada is much closer to a true single payer. Like single meaning there's only one payer, the government. In most European countries, they have a centralized health care system but most people have secondary insurance. That is more analogous to the Medicare system in America. The Medicare program only covers certain services and drugs and doesn't cover dental or vision. Beneficiaries have to make up the complement of the charges they ring up so the majority of them have secondary insurance to pay for it.

If you support a Medicare-for-All plan, you do not support a single payer system. They are distinctly different.

Semantics aside, some people still may interpret the single payer as a centralized payer, i.e. a government-run system that provides a lot of stuff and then people make up the difference. So let's talk about that.

The major problem with this idea is related to funding. It's critical to note that in America, the government typically underpays providers (hospitals, doctors, etc.). That means that when a Medicare – or worse, a Medicaid – patient comes through the door, the provider, on average, is going to lose money treating the patient. The American Hospital Association calculated that in 2017, the Medicare and Medicaid programs underpaid hospitals by $76.8 billion (7). If we expand the Medicare model and offer it to everyone, then hospitals will be paid even less than they are today. And that doesn't even address the reimbursement elsewhere in the system that goes to doctors, ambulatory surgery centers, etc. They'll also have to sustain lower levels of reimbursement.

Providers have had to make up the money they lose treating Medicare and Medicaid patients. Now, there's no doubt that providers, especially hospitals, can cut costs. I'm not sure that hospitals can recoup all the funds lost due to underpayment, but there are definite, albeit challenging, opportunities to save money.

That said, many hospitals have already undertaken cost cutting programs and they're still underpaid.

Historically, providers rely on the overpayment of private insurers to subsidize government care. Creating a Medicare-for-All program puts more of the financial responsibility on the government for care and they underpay. Either the government will start paying more (which is not happening), or the private insurers will pay providers more for the secondary insurance and/or we Americans will pay more out of pocket. If private insurers wind up paying providers more money, you can be sure they're going to pass on some of those increases to us in the form of higher rates. And then there may be more of a direct pay responsibility that goes to the individual, depending on how the program is structured.

You can imagine myriad scenarios where access to care is limited due to Medicare's constrained budget. That means that people who will be able to afford to pay out of pocket for more health care will have better access. That defeats the argument that a single payer system provides egalitarian care for everyone.

On the flip side, if Medicare is covering at least a chunk of health care needs, that may make more Americans feel like they're getting a better deal. That's because Medicare-for-All is less a single payer system and more of a universal health care system. It's universal because every American gets some form of access to care.

Americans have been clamoring for so-called universal health care for decades. The Affordable Care Act was supposed to ensure that all Americans had health care access. In 2017, about 10% of Americans (depending on whether you include or exclude the Medicare enrollees and children) did not have health insurance (8). The U.S is regularly knocked in global rankings of health systems because so many Americans are uninsured.

Here's the thing. We actually do have universal health care. It's called the emergency room. Legally, a hospital must stabilize and treat any patient who presents at the emergency room, regardless of the patient's ability to pay. It is an entirely inefficient way to deliver care. Obviously, it would be a lot better for the patient and cheaper on the system if more preventive care were delivered and /or if patients utilized alternative sites for truly non-emergency care. But they don't. Decades of attempts to educate patients to keep then out of the ER haven't worked. Telemedicine is not going to keep people out of the emergency room either. It's just too darned convenient to access 24-hour on-demand care. This is America! We expect convenience.

So … the single payer system can't work in America because we're too big, we're too diverse and a Medicare-for-All scenario will massively underfund the hospitals and shift more of the cost burden onto Americans. If none of that convinces you of the challenges with a single payer system, let's talk about the final issue, which relates to timing.

It's 2019. Over the years we've continued to pass legislation expanding health care programs for all kinds of things and all of these things cost money. Like EMTALA. which is the legislation that requires hospitals to see patients in the emergency room. Hospitals aren't directly reimbursed for this care, and it's expensive. It costs money to expand Medicaid through the ACA and it costs money to provide subsidies for people who can't afford their health insurance. We've expanded health care a lot and sadly, we get less and less healthy. We're at the point where health care takes up almost 20% of our gross Domestic Product. This percentage is way out of whack compared to other nations. This level of spending is simply not sustainable and it's becoming irresponsible.

When the Medicare and Medicaid programs were rolled out, the country was a lot smaller and a lot less diverse. Compared to how we are today, it seems like Medicare and Medicaid would have been much more manageable. But here's something else we didn't have back then: a seemingly endless array of surgical options, therapies and drugs. There are so many ways to spend money on health care today. And the newer the option, typically, the more expensive it is.

We're presented with a real problem, the kind of problem that no one wants to talk about. We have a rationing problem. We have too many options and not enough money. We've got life saving cancer therapies that can dial-in our genetic profile and create designer drugs to cure us. We can transplant a uterus into a woman so successfully, that she can then give birth to a child. These are miraculous innovations that cost hundreds of thousands of dollars – a patient. Somehow, some mechanism has to determine who's going to get access to what, based on a fixed amount of money to spend. We have to get our heads around rationing care.

If we go with a single payer system, the government becomes the arbiter of these decisions. If past is prologue, the government will continue to implement programs that people want without a responsible consideration of the long-term financial impact that these programs will have on the American economy. Of course we want to offer precision medicine cancer treatments to everyone! We tell our elected officials that and they do it, without giving us push-back on the cost. This is the kind of thing that has happened over the past few decades and it's one of the key reasons we're in such dangerous financial territory when it comes to health care spending. A single payer system is all but guaranteed to jack up costs in the system simply because there's more stuff to spend the money on and most of our elected officials don't have the financial discipline we expect that they should.

We, as a nation, have some really hard realities to face when it comes to our future health care system. We are unhealthy and our current insurance system is wasteful and exploitative. It's no wonder so many of us are considering a single payer option. But, as discussed, a single payer system has its own series of challenges. We have to be open to alternative ideas that challenge the status quo. We have to re-think how we spend our money, why we're so unhealthy and collectively commit to a better system so we can all be as healthy as we can be.

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