

Making Sense Crisis = Opportunity for Single-Payer

Fiscal crises may force Obama to save costs via a single-payer plan.

By Roger Bybee

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President Obama seems ready to proceed full-throttle toward a health care reform plan, but one that will keep private insurers at the center of the system. The plan, termed “guaranteed affordable choice,” would allow workers to “keep the insurance they like,” find a rival private insurer, or opt into a Medicare-style public plan.

To date, Obama has sensibly insisted that quick action on health care is imperative. “It’s not something that we can put off because of the [financial] emergency,” Obama declared in December. “This is part of the emergency.” Questioned about the wisdom of launching a \$100 billion health care program at a time of mounting government deficits, “I ask a different question,” Obama countered. “How can we afford not to?”

He’s right: economic meltdown is making health care reform more urgent by the day. Hospitals are hurting; while “the number of paying patients and profitable elective procedures is down . . . ,” the LA Times reported recently, “the number of uninsured patients whom hospitals treat is rising.” At the same time, escalating health care costs are squeezing private employers and governments alike. “The new Congressional Budget Office report shows that rising health care costs are the largest driver of the nation’s long-term budget problems,” budget watchdog Robert Greenstein of the Center on Budget and Policy Priorities told Congress last fall.

But Obama’s hybrid, public-private plan is likely to hit a fiscal wall as federal spending balloons, and along with it the deficit. In the end, both popular sentiment and fiscal barriers may force him to follow a different course.

The administration’s plan subsidizes lower-income Americans to enable them to buy private health insurance. Contrary to Obama’s statements during the campaign, his plan will “need to require” all individuals to have health insurance, concludes the respected Commonwealth Fund. Such a mandate would be crucial to securing industry concessions necessary to move toward universal coverage, particularly a ban on excluding people with pre-existing conditions from coverage.

If so, the plan would eventually deliver tens of millions of new enrollees —the number of uninsured is about 47 million—to the insurance companies. Some 31% of their premiums, in

many cases government-subsidized, will go into overhead and insurance company profits—an estimated \$400 billion annual burden weighing down the health care system.

But this plan is on a collision course with the fiscal realities. On top of the budget wreckage left by the Bush years, the federal government's fiscal demands are exploding. Health care reform faces daunting competition from a \$787 billion stimulus package; the president's \$72 billion decision to delay repealing the Bush tax cuts for high earners; a Wall Street, bank, and insurance company bailout at \$700 billion to date and likely to grow; and the ongoing Iraq and Afghanistan wars, together costing \$170 billion in "extra" defense spending in FY2009.

Still, a leading advocate of the Obama plan, political scientist Jacob Hacker, argues that it can be billed as an important economic stimulus and thus escape the fierce budgetary competition. In December, Hacker cheerfully declared in *The New Republic* that the Obama plan offers nothing less than a "magic bullet" that will yield "short-term spending and long-term saving"—a perfect combination as the economy moves deeper into recession.

However, it is likely that Hacker seriously overstates the long-term savings while underestimating the clash of government priorities that lies just ahead. First, Obama-style individual mandate plans have run aground in at least six states that have tried them. With no mechanism to control the premiums charged by private insurers, the ever-higher cost of subsidizing low-income residents' premiums soon exhausts available funds. Nor will sufficient savings be derived from Obama's plan for electronic recordkeeping and more treatment of chronic illness, recent studies by the Congressional Budget Office and others suggest.

To many, a single-payer plan is the obvious way to ensure universal health coverage while containing costs. In addition to the dramatic reduction in administrative costs, single-payer plans offer other opportunities for controlling costs. For instance, they allow government—the "single payer"—to negotiate for lower costs with providers like doctors, hospitals, and pharmaceutical companies.

Unfortunately, Obama's statements and key appointments suggest he has already disqualified single-payer as a serious option.

Tom Daschle, tapped for Health and Human Services secretary and "point man" on the health care reform effort until tax problems forced him to withdraw his name in February, appeared unwilling to let the private insurance industry go. His basic policy direction emerged in an interview last May. In a remark that seems staggering in hindsight, Daschle said, "And I would ask the question, if you think our banking system today is reasonably regulated, why not try the same model for our health-care system?"

Obama's initial pick for surgeon general was TV health expert Dr. Sanjay Gupta. Gupta was trounced by Michael Moore in a televised debate over Moore's documentary "Sicko," and was then forced to retract some of the factually inaccurate criticisms of single-payer he had offered.

Another key player is Senate Finance Chair Max Baucus, author of a plan similar to Obama's. Baucus recently dismissed the single-payer option on this basis: "We are Americans; we're different from Canada, we're different from the United Kingdom." Baucus was probably not referring to the United States' poorer health outcomes at vastly higher costs when he spoke of the American "difference."

Promoted by this kind of team, Obama's health-care plan could prove to be the most vulnerable component of his domestic program. The Republicans feel confident about their ability to brand Obama's plan as overly complex and a threat to consumer choice in medical care, as they did so successfully with the Clinton plan in the 1990s.

The Obama plan's "pay or play" component, giving employers a choice between insuring their employees or paying a tax to help finance the government plan, will no doubt open it up to conservative criticism as a coercive, big-government program. This line may also strike a chord among moderate-income citizens who earn too much to qualify for a subsidy and consequently lose enthusiasm for reform once they start to pay mandatory health premiums.

The single-payer approach, on the other hand, would disarm many of the most explosive Republican arguments. It is far less costly to both employers and individuals—nearly 50% lower per person in Canada than the United States, for instance—and there is no billing of patients or other complexity. Every citizen enjoys the right to health care and a free choice of doctors and hospitals. Start-up costs would be minimal, especially if Medicare were simply expanded to cover the entire public.

Back in 2003, Barack Obama told the Illinois AFL-CIO: "I happen to be a proponent of a single-payer universal health care program. I see no reason why the United States of America, the wealthiest country in the history of the world, spending 14% of its Gross National Product on health care, cannot provide basic health insurance to everybody . . . a single-payer health care plan, a universal health care plan. And that's what I'd like to see. But as all of you know, we may not get there immediately. Because first we have to take back the White House, we have to take back the Senate, and we have to take back the House."

Now that Obama himself occupies the White House and health care costs consume nearly 17% of GNP, the new president may rediscover that single-payer is the truly pragmatic course on health care reform. Hemmed in on all sides by the enormous costs facing the federal government, Obama may find—despite his misgivings—that pursuing a single-payer reform plan is the sole means of creating a low-cost and appealing alternative to the health-care status quo.

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SOURCES: Jacob S. Hacker, "A Healthy Economy," *The New Republic*, Dec. 31, 2008; S. Woolhandler, T. Campbell, and D. Himmelstein, "Costs of Health Care Administration in the United States and Canada," *New England Journal of Medicine*, Aug. 21, 2003; Physicians for a National Health Program, "Barack Obama on single payer in 2003," posted June 4, 2008; Maggie Mahar, "On Healthcare Reform Stimulating the Economy: the Massachusetts Example," *Health Beat* blog (Century Foundation, Dec. 12, 2008); Sara Collins et al., "An Analysis of Leading Congressional Health Care Bills, 2007-2008: Part I, Insurance Coverage," *Commonwealth Fund*, Jan. 9, 2009; Kevin Freking, "Health secretary pick seeks health care overhaul," *Associated Press*, Jan. 10, 2009.