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MPS Hoover Meeting 1980-2020

“From the Past to the Future: Ideas and Actions for a Free Society”
Taking Ideas to Action in the Private Sector

“The False Promise of Medicare for All”

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I would like to thank Professor John Taylor so much for inviting me to participate in this very special MPS meeting. It seems like just yesterday that I attended my first MPS meeting in 1980 at Hoover. So many of the great economists were there including long-time friends Milton and Rose Friedman. It was an amazing opportunity to see so many internationally renowned economists.

There are two prominent competing visions for health care reform for achieving universal coverage. One, and what I believe is the best solution for achieving affordable, accessible, quality care for all involves competition and choice—putting doctors and patients in charge of their health care.

The second vision and the one that is rapidly growing in support in the U.S. involves increasing the role of government in our health care system. The ultimate goal of this vision is a single payer system called “Medicare for All” or a stepping-stone approach to M4A through a public option.

I will focus my remarks on the false promise of single payer health care and will highlight the systems in two countries that have disastrous single payer (government) or virtual single payer systems—Canada and the U.K. I will conclude by providing a market-based plan based on competition and choice that would lead to universal coverage for all.

Understanding health care is similar to unravelling an onion, many layers and many tearful moments. With a few exceptions, many politicians do not feel comfortable talking about the issue as they find it too complicated.

I believe that health care will be at top of the list of domestic policy issues in the upcoming presidential election. The Democrats’ top priority and their focus is on single payer (M4A) or on a stepping-stone approach such as a public option, Medicare Buy-In, Medicare for America, Medicaid Buy-in. It has been and will continue to be a major focus among the remaining Democratic candidates seeking the nomination for President.

WHAT’S AT STAKE IN AMERICA TODAY:

Republicans and Democrats alike need to develop and endorse a health care plan that puts doctors and patients in charge of their health care.

With the exception of a few so-called “moderate” Democrats like House Speaker Pelosi (D-SF) who want to build on Obamacare, the focus is on moving to single payer or a stepping-stone approach to M4A health care. Pelosi said in an interview in Rolling Stone on M4A: “$30 trillion. Now how do you pay for that?”
But during an appearance at a CNN town hall on Dec 5 Pelosi changed her mind where she expressed her dislike for the progressives’ support of M4A and said the ACA could “be a path to M4A”. She added “I’m not for doing away with Obamacare.” I would rather call for “health care for all Americans. As we improve the ACA, it may lead to M4A. Put it all on the table, see what the benefits are to the consumer, to the patient, and when you do so, then compare it to what other options are. I think the ACA can be a path.

As former Senate Majority Leader Harry Reid (D-NV) said on Aug 20, he is not happy that some of his party’s presidential candidates are pushing for M4A. When asked if M4A would be problematic in the 2020 election, he said “Of course it would be. How are you going to get it passed?”

At the 2019 annual meeting of the American Medical Association, the membership voted on a resolution not to support M4A by the closest vote ever 53 percent against and 47 percent for but to build on Obamacare. Bob Doherty, senior vice president for government affairs at the American College of Physicians, tweeted after the vote that such a strong showing within the AMA for single payer “would have been unimaginable in years past”. The AMA only represents 20 percent of doctors.

THE FUTURE: PROGRESSIVES AGGRESSIVELY PROMOTE SINGLE PAYER OR “MEDICARE FOR ALL”

I am sure that most of you already know but I think it is important to define single payer—it means all private health insurance is banned and the government is the sole provider. This is what Senator Bernie Sanders, who I call the “Pied Piper of Single Payer”, Senator Elizabeth Warren, and House member and chair of the Medicare for All Caucus, Pramila Jayapal (D-WA), are aggressively calling for in this country.

Progressives both in Congress and at the state level are aggressively sounding the siren call for single payer or “Medicare for All” health care. They would eliminate all co-pays, premiums, deductibles, and referrals to specialists. They would add free dental, vision, drugs, and long-term care for everyone. For those who think single payer cannot happen in the U.S., they are wrong.

Doug Holtz-Eakin, former CBO director under President George W. Bush and head of the American Action Forum, said recently “Progressive politicians and advocacy groups have made a single-health care system a major policy objective for the next two to four years. Those of us who believe that market forces and private innovation lead to the best outcomes should take this effort seriously. The appeal of single payer to an electorate worried about rising health care costs and weary of non-stop partisan battles should not be underestimated. Single payer can be framed as a panacea to all that ails us. Policymakers and especially proponents of the market, should “lean in” in this debate, examining what is ‘single payer’ and the implications of such a drastic shift in health care delivery for patients and providers.”
In the U.S.: There are more Democrats who support single payer and it is more popular than ever before.

However, in the Kaiser Family Foundation’s November 2019 poll, it shows that significantly more people support a Public Option than M4A. Among the overall public, 53 percent supported M4A while 65 percent support a “public option” that would compete against private insurance.

If all private health insurance companies and coverage were eliminated, support in the polls falls to 37 percent.

About 180 million Americans have Employer Sponsored Insurance. During WWII when wage and price controls were in effect, the federal government gave employers the ability to write off the cost of health care and employees get their coverage tax-free but, of course, their wages are lower. But, individuals cannot purchase their coverage with pre-tax dollars. This distorts the market and is a problem. However, 71 percent rate their ESI coverage as good or excellent. The November Gallup poll shows that 43 percent of Republicans are satisfied with U.S. healthcare costs, up from 26 percent. 9 percent of Democrats say the same, down from 13 percent last year. It is projected that the average individual employer plan in 2020 will cost an employer $15,000.

And, the polls show that if single payer would require most Americans to pay more in taxes, favorability fell also to 37 percent. The poll shows that overwhelming support for M4A falls significantly when people learn what it means!

Single payer emerged as a “hot” issue in the 2016 Democratic presidential race when Senator Sanders (I-VT) was running against Hillary Clinton. While he did not win, he aggressively introduced and ran on single payer. It is now the rallying cry for all of his political efforts and those of his proteges.

Senator Sanders is seeking the 2020 Democratic presidential nomination. He continues to campaign very hard on single payer, even after having emergency angioplasty heart surgery to repair a blocked artery in Vegas this fall where he received immediate and first-rate treatment. In the U.S., 2/3rds of patients who needed an urgent coronary angioplasty test got it within 24 hours. If Sanders had suffered his heart problem in Canada, he should note that no one receives care within 24 hours and nearly 2/3rds have to wait more than 3 days. Today in Canada, the average wait for angioplasty is 3 to 11 weeks. That’s after an appointment with a specialist. In BC, patients face a median wait time of 2 weeks for “urgent” coronary bypass surgery and one week for “emergent” coronary artery bypass surgery.

Sanders has said “my liberal ideas were once seen as ‘fringe’ but are now infused in mainstream America. I am proud that we changed the political discourse in this country. That these ideas are widely accepted, are part of the mainstream, and are being supported
by many Democratic candidates. If you recall, three years ago, these ideas were considered to be radical, extreme, and fringe ideas.”

His fundamental belief is health care should be a right and not a privilege. “This is a struggle whose time has come.”

Charles Blahous of the Mercatus Center released an analysis of the cost of Sanders’ bill. He projected the increase in federal spending would be between $32.6 and $38.8 trillion over 10 years after accounting for any possible savings in administrative costs and lower priced drugs! The total cost would range between $54.6 and $60.7 trillion over 10 years. His estimates are similar to those of the Urban Institute and Rand. Today, the U.S. spends about $3.5 trillion a year or 18.2 percent of spending on health care.

Charles Blahous has added to his original cost estimate of an increase in federal spending of $32 to $38 trillion over 10 years saying that even if all personal and corporate taxes were doubled, the U.S. cannot bring down the cost of health care under M4A unless you cut payments to providers—doctors and hospitals. Sanders’ plan would cut payments by 40 percent to match what doctors are paid for treating Medicare patients. This will lead to doctors quitting medicine. The American Assn of Medical Colleges has forecast there will be a shortage of 122,000 doctors by 2032 and that does not take into account moving to single payer.

Sanders’ M4A plan is much more comprehensive than Canada’s system as he also includes: free dental care, drugs (limit of $200 out of pocket), vision, no referrals for specialist appointments, no premiums, and no cost-sharing from patients such as co-pays and deductibles. Private insurance would be banned under his plan. To pay for it, there would be massive tax increases on American families, workers, and small businesses.

He would also cover long-term care delivered in home and community settings and coverage for 11 million illegal immigrants. He said “Hell, yes, my single payer health plan will cover 11 million illegal immigrants.” He went on to say “Undocumented immigrants are human beings as well.”

Sanders finally outlined several major tax increases to pay for his latest plan which he admitted would cost between $30 and $40 trillion over 10 years: a new 4 percent income tax on those earning more than $29 K a year, a new 7.5 percent payroll tax that will exempt the first $2 million in payroll, new marginal income tax rates on high earners, a 77 percent estate tax, and a new tax on large financial institutions. However, he has changed his mind and said he would not say how his plan would be paid for.

Sanders does not account for the fact that government will have to set a global budget on what it can spend on health care because there will be a tremendous increase in the demand for health care, supply will be limited, hence the result will be long waits and rationed care. Several left-wing economists agree with this statement. MIT economist Amy Finkelstein says “There is an enormous amount of evidence that leaves no doubt in
any sensible person’s mind that getting rid of cost-sharing provisions will increase demand for and the use of health care.”

And, contrary to what Senator Sanders and other progressives say, single payer health care is not “free”. In Canada, the Fraser Institute estimates in a new study that the average Canadian family this year will pay $13,311 in hidden taxes for care even if they don’t pay directly for services that are rationed, have long waits, and have a shortage of doctors.

Even NY Times columnist Paul Krugman said “it is clear that Sanders is using Canadian health care as a political pawn to advance his own agenda. By supporting a single payer health care system, he is simply appealing to voters with unrealistic promises.”

Single payer would make doctors under the control of the federal government. Under M4A, doctors would be paid Medicare rates which are 40 percent below what they are paid for treating patients with private coverage! Many doctors quit medicine or retire early under Obamacare’s strict regulations and mandates. If a Democrat is elected president and single payer passes, not only will doctors retire early because of low pay and the inability to practice the type of medicine they trained for, I believe the best and brightest young people will not enter medicine leading to further shortages of doctors.

Candidates Joe Biden and Pete Buttigieg are not supporting M4A but a stepping-stone approach that builds on Obamacare and includes a public option in the exchanges at a cost of $750 billion over 10 years.

After being attacked over and over again in the debates for not providing a cost estimate of her M4A plan or how it would be paid for, Senator Warren finally released details of the costs and tax increases projected by Dr Don Berwick and Simon Jonson--$52 trillion in total over 10 years. The increase in federal spending over 10 years--$20.5 trillion.

Senator Warren would introduce legislation in the first 100 days of her presidency that would allow Americans to buy into a plan that would offer free coverage to all children and families making at or below 200 percent of the FPL or about $50,000 a year for a family of four. Americans who want government coverage could buy into a plan for a “modest” fee.

By Warren’s third year in office, she will introduce and fight for a full transition to a M4A system that would enroll everyone living in the U.S. into a government-run system. “By this point, the American people will have experienced the full benefits of a true M4A option and they can see for themselves how that experience stacks up against high-priced care that requires them to fight tooth and nail against their insurance company.”

The $52 trillion figure that she released for her M4A plan on Nov 1 is $7 trillion less than the number of $59 trillion from Mercatus, Rand Corp, and the Urban Institute! The
reason for her lower number is that she has failed to figure in the additional cost of the many more people who will be covered under M4A because people think it is free!

Senator Warren keeps saying under her plan that there would be no tax increases on the middle class—not one penny. On SNL on Nov 2, host Colin Jost said “She promises not to raise middle class taxes by one penny but rather by several trillion pennies.”

How will she pay for her plan: Payroll tax on employers of $8.8 trillion over 10 years—employers will pass the cost on to employees in terms of lower wages and these employees are part of the middle class.

**Wealth Tax:** $3.76 trillion (Surtax on those earning over $50 million and billionaires will face an additional 6 percent tax on their wealth); **Investment Taxes:** $2 trillion; **Foreign Earnings Tax:** $1.65 trillion; **Asset Depreciation:** $1.25 trillion; **Repealing Trump Tax Cut:** $1 trillion; **Repealing Corporate Profits Tax Cut:** $1 trillion; **Financial Transactions Tax:** $800 billion; **Big Banks Tax:** $100 billion.

Warren admitted that 2 million would lose their jobs under her plan—1 million insurance administrators and 1 million doctors and hospitals. This is necessary to reduce the cost of health care. On the administrators she said they can get jobs in the auto and life insurance industries!

As Biden’s deputy campaign manager called out the math: “The mathematical gymnastics of this plan are all geared towards hiding a simple truth from voters: It’s impossible to pay for M4A without middle class tax increases.”

Washington Post deputy editorial page editor said Senator Warren’s plans to “remake the U.S. health care system with no private insurance coverage allowed ‘festooned with magic’ and ‘fanciful’.”

Mayor Pete Buttigieg has been rising in the polls. His “Medicare for All Who Want It” plan would offer a government-backed or “public” option for consumers alongside price controls geared towards protecting people who maintain their private plans. He has projected his plan at $1.5 trillion over a decade and claims to guarantee universal coverage while increasing subsidies for low income people who are insured through the exchanges.

Buttigieg says his administration would pay for the public option which includes automatic and retroactive enrollment for anyone without a private plan. This would be done by repealing the Trump tax cuts and seeking cost savings through administrative reforms. It is unclear how long Americans could maintain their private plans. “If private insurers are unable or unwilling to offer better plans than they do today, competition from THIS PUBLIC ALTERNATIVE WILL NATURALLY LEAD TO “MEDICARE FOR ALL”, he said. This is another stepping-stone approach.
HOW DOES SINGLE PAYER WORK IN PRACTICE: CANADA AND THE U.K.?

I have mentioned the hypothetical plans promoted by several Democratic presidential candidates and what they would mean for our health care. We need to look at the results from two countries that actually have such plans.

**Canada:** The Canadian government passed the Canada Health Act in 1984 bringing true single payer to the whole country. Doctors work for themselves but there is only one payer—the provincial government in the province they work in. Doctors are paid the same regardless of merit. They also face global budgets set by the province. Private coverage is outlawed for anything considered “medically necessary”.

In a new OECD study looking at universal coverage systems, Canada is the only one of the nine countries (including the U.K., Australia, Netherlands, France, Germany, New Zealand, Sweden, and Switzerland) surveyed that outlaws private financing for medically necessary services.

Canada has one of the most expensive single payer health care systems in the developed world. But, there is an imbalance between the value Canadians receive and the relatively high amount of money they spend on their system—$13,311 in hidden taxes in 2018. It is among the top spenders on health care internationally.

With the government setting a cap on the share of GDP spent on health care, 11.2 percent compared to 18 percent in the U.S., the demand for care is much greater than the supply. The result: long waiting lists, rationed care, high taxes, and a doctor shortage.

In 2019, the average wait from seeing a primary care doctor to treatment by a specialist is 20.9 weeks, up from 9.3 weeks in 1993. This is the second longest wait time ever recorded. The average wait for an MRI is 11 weeks and for neurosurgery, 33 weeks. According to SecondStreet.org 323,000 Canadians leave Canada to get timely treatments abroad or in the U.S.

Wait times and rationed care are particularly problematic for the elderly. More than 2 million Canadians 55 and older reported “significant barriers when accessing the health care system.” One-third of elderly patients waited more than 6 months for surgery while close to 25 percent waited that long to see a specialist.

The Fraser Institute released a 2019 study showing that 1 million Canadians lost $2.1 billion waiting for surgery or treatment in 2018.

Meanwhile there are scores of empty operating rooms sitting idle every night across Canada—a country with a penchant for training orthopedic surgeons, but not hiring them to treat patients on lengthy wait lists. This does not seem like a system to be overly boastful about.” My niece could not get a job for three years after she graduated as an
orthopaedic surgeon nor could any of her friends! No provincial government funds to pay them!

The latest international report from the Commonwealth Fund which compares 10 industrialized countries with universal health care including the U.S., found that Canadians experienced wait times more than any other country surveyed. 30% of Canadians reported waiting two months or longer for a specialist compared to 3% in Germany, 6% in the U.S., 7% in the Netherlands, and 9% in Switzerland.

Wait times pose real costs on patients and their families, including increased physical pain, mental anguish, loss of wages, and, in many cases, preventable illnesses turn into chronic, irreversible conditions, or event permanent disabilities. My mother died from colon cancer in Vancouver because she was too old to get a colonoscopy and there were too many younger people who went ahead of her—rationed care. Canadian crooner Michael Buble who lives in Vancouver found out that his three-year old son was diagnosed with liver cancer in 2016. They did not wait for care in Vancouver for treatment but immediately went to Children’s Hospital in LA where he was treated by “fantastic doctors”. Three years later Noah is cancer free.

Canada’s health care system is riddled with poor access and performance. Canada ranks 25th out of 29 OECD countries with universal health coverage on the number of doctors practicing and last for acute care beds.

Canadians suffer from a lack of access to medical technology. It ranks 20th out of 27 countries in MRI units, 22nd out of 28 in CT scanners, and 18th out of 24 in PET scanners. But, Canada ranks third in terms of spending on health care, as a share of GDP among industrialized countries with universal health care. This combination of relatively high spending and comparatively poor performance should be a warning to us in America.

The Commonwealth Fund, based on survey results in 11 countries in 2016, reported nearly 33 percent of Canadian seniors said they were dissatisfied with the quality of care they received, compared to an average of 24 percent in many other countries. This has to do with the challenges of access that they face.

As Madam Chief Justice Beverley McLachlin who recently retired from the Canadian Supreme Court ruled in a 2005 case “Access to a waiting list is not access to health care.” Having a care card does not mean you can get a doctor!

U.K.: Britain’s universal coverage, two-tiered system is the National Health Service: on July 5, 2019 it celebrated its 71st anniversary. The system has been in financial distress since implementation. Massive sums are spent on the service, yet the NHS continues to fail patients with long waiting lists and rationed care.

The NHS is under strain with NHS Providers showing 100,000 vacancies—doctors, nurses, and health care workers in the U.K.
Nearly two-thirds of NHS trusts are breaking the 18-week wait limit for planned operations. NHS England states that 92 percent of patients must be treated in this time frame but only 75 trusts which run hospitals in the U.K met the target in Jan. 2019. 552,000 patients failed to be treated in the time frame. The target has not been met since 2016.

Brits have a higher risk of dying from cancer compared to other nations. It has been five years since the NHS cancer treatment target was last met. Nearly a quarter of all NHS cancer patients do not start treatment on time. The key cancer target was missed for more than 1,000 days. Hospitals should start treatment within 62 days of an urgent GP referral.

The results of a new survey by WHO that were reported in the medical journal *Lancet Oncology* showed that Britain is at the bottom of international league tables for 5-year cancer survival rates and is lagging 20 years behind some countries for some types of cancer. The U.K. is bottom of the table for bowel—58.9%, lung—14.7%, stomach—20.8%, pancreatic 7.9%, and rectal cancer—62.1%; second worst for oesophageal—16.2%; and third worst for ovarian cancer—37.1%. Two in three British cases of cancer, the disease was not being detected by GPs.

A 2019 report released in October by the British Government on the NHS offers a warning on the downsides of a single payer system. The report details increased wait times for services ranging from emergency room visits to cancer care. And, the study reports historic waiting lists totaling over 4.4 million people, up 40 percent in five years, for treatment with specialists.

The report shows cancer times are the worst on record.

The report finds that the NHS’s performance is not meeting its standards in multiple statistical categories. In Sep 2019, 15 percent of ER patients experienced wait times of more than 4 hours before admission or discharge. The system’s stated goal is 5 percent.

In August 2019, the new report said “78.5 percent of patients were treated within 62 days of urgent GP referral of cancer wait times. During 2018 and 2019, record low performance against this target was recorded. The target of 85 percent has been missed for all but one month since April 2014.

The Royal College of Physicians and Surgeons said on March 16 that the NHS needs to take “urgent action” to clear the backlog of patients needing surgery as nearly 230,000 people have been waiting at least six months for treatment. It found more than 36,000 patients have been waiting more than 9 months and that is despite a mild winter this year.

Waiting times at A&E units are at their worst level since records began according to official figures. Only 84.2 percent of patients being seen within the four-hour target. There is talk of the four-hour A&E being eliminated as it cannot be met. A&E waiting
times in England hit the worst level in 15 years meaning that in July 2019, 275,000 ER patients waited more than 4 hours to be seen. They waited longer than they should as hospitals faced huge pressure to find beds.

Chief hospital inspector Professor Ted Baker warned of the normalization of “wholly unsatisfactory” treatment that endangers patients and the inability to guard against unacceptable and unsafe practices of “piling patients into corridors” that lack staffing for sufficient oversight. Baker described the NHS “as a relic in urgent need of transformation that was overwhelmed and only going to worsen.”

No wonder 75-year old Rolling Stone Mick Jagger had his heart valve replacement surgery at NY Presbyterian and not in the U.K. under either the NHS. As his brother Chris age 71 said “At least Mick has not got to wait in line for the NHS.”

CONCLUSION:

There is no question that single payer or “Medicare for All” is no longer a “pie in the sky idea” in the U.S. It is a serious issue among Democrats at the state and national level. These politicians are telling the American people that “Health Care is a Right.” It is not a right. We have the right to access the type of health care that suits our individual needs.

Single payer cannot become the law of the land today. The Democrats would have to win the presidency, keep the House and take back the Senate in the 2020 presidential election. Because of the massive support for M4A, the time is now to educate Americans on why such a system is the wrong prescription for our health care system.

We want a system that offers competition, one that empowers doctors and patients, not putting total control in the hands of the federal government. Just like I have explained with examples from the single payer systems in Canada and the U.K., we will have: new higher and new taxes, long waiting times, rationed care, and doctor shortages. The time to fight, educate, and expose the myths to Americans is now!

The cure for our healthcare system lies in giving Americans choices in the type of health care plan they want. Some reforms include:

* Change the tax code to allow individuals to purchase their health care with pre-tax dollars just as those with ESI do.

* Expand HSAs: increase the amount of money that can be put into an HSA. They now cover over 21 million Americans. Allow contributions to be used for premiums. Allow those on Medicare to contribute to an HSA.

* Reform Medicare by raising the age of eligibility and means test it.
Reform Medicaid through block grants to the states so that those eligible can purchase HMO-type plans. On March 14, CMS rolled out new tools to help states pursue 1115 demonstration waivers so they can get approval to make changes to Medicaid including implementing work requirements.

Today, under Medicaid, 74 million Americans are covered including 15 million added under the Obamacare Medicaid expansion plan.

For patients with pre-existing conditions who are not in the ESI market, the feds should provide adequate funding to the states so that they can beef up or build high risk pools that would provide affordable, accessible, quality care to this segment of the population.

Individuals should be able to purchase their coverage and as long as they keep renewing their coverage every year, they should be able to keep their premiums at reasonable rates when they are young and healthy.

Medical malpractice reform is needed. The cost of med-mal according to PricewaterhouseCoopers is over $210 billion/yr.

CMS has started in March a public comment period seeking feedback from the states regarding possible federal reform that would make it easier for health insurers to sell plans across state lines.

As CMS Administrator Seema Verma so cogently said at a speech in San Francisco “Medicare for All” will become “Medicare for None”.

Fortunately, President Trump has said he does not support single payer! We cannot afford it!

If America adopts single payer in the next few years, this country will be on the “Road to Serfdom”. There will be no off-ramp and we will have “single payer” forever.

The late political commentator Charles Krauthammer predicted in May 2017, “we will have single payer in America in seven years!”

I hope you will read my new book False Premise, False Promise: The Disastrous Reality of Medicare for All (Encounter Books, January 2020).

To achieve universal coverage in this country, we need choice and competition. That is the way to reach affordable, accessible, quality care for all.

As my friend PJ O’Rourke so aptly said “If you think health care is expensive now, just wait until it’s free!”