



How can we pay for National Health Insurance?

Don't be fooled by those who say that universal health care means big tax increases. In fact, Americans 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 \$400 billion annually, enough to provide health care for all WITHOUT paying more than we already are.

The United States spent \$7,290 per person on health care in 2006 according to the Organization for Economic Cooperation and Development, compared with \$3,895 in Canada, \$3,588 in Germany and \$3,601 in France. While 46 million Americans 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 they generate 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 the United States' estimated \$2.5 trillion in health spending in 2009, at least \$400 billion could be saved simply by replacing private insurers with a single public payer like Medicare. The Government Accountability Office, Congressional Budget Office, and an array of private and public consulting firms have all confirmed that single payer financing produces enough savings to cover everyone without more spending.

How will National Health Insurance affect my constituents' pocketbooks?

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 95 percent of Americans will pay much less for health care.

For example, the physician-economist Dr. Edith Rasell has suggested that single payer could be financed with a 2 percent personal income tax and a 7 percent payroll tax on business. This would mean that a family earning the United States median income (\$49,901) would pay \$998 annually in taxes for comprehensive, universal benefits. In comparison, the average employee contribution for family coverage is currently \$2,845 for a plan with limited benefits and steep out-of-pocket costs.

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 percent on health costs.