

Prioritize the Health of the Nation With A Federally Funded Single Payer System

Medicare is now scheduled to run out of money in 2028 and President Biden is proposing to refinance it by raising taxes and manipulating drug prices. This will only exacerbate the problem of annual increases in our total spending on healthcare and diminish our ability to pursue more effective treatments for chronic disease. It is time to fundamentally change the way we pay for medical care, make the health of our population a national priority and eliminate the unproductive costs of the complexity of our system, which have driven healthcare spending to almost 20% of GDP. Providing an identical level of access to healthcare and funding it from general revenues will do just that.

After nearly fifty years of experience in healthcare including joining the Board of New York Hospital in 1975, serving as Lead Director of HCA, the founding Chairman and CEO of cancer therapy pioneer CytomX, and as board member of Amgen, Rand Health, and the Cottage Health Care System of Santa Barbara, I am convinced that the way we think about paying for healthcare is wrong. We've confused health care with healthcare insurance and drifted into most complex, ineffective, and costly health care system in the world.

This complexity encompasses both private insurers and Medicare and Medicaid. A federally financed single-payer system would dramatically reduce complexity and eradicate more than \$1 trillion dollars in unproductive spending and recover over \$300 billion in foregone taxes.

No wonder that The Commonwealth Fund's triannual *Mirror, Mirror* report, which compares the healthcare systems of 11 developed nations, always ranks the US dead last in delivering quality, cost-effective care, despite spending 50% to 100% more than the other countries (who all provide universal care).

Five unshakeable facts define the problem.

- Private insurance rations care based on ability to pay and is dramatically more expensive than a direct-subsidy system. It has administrative costs proportional to the amount of healthcare delivered, **plus** the costs of a complex insurance and reimbursement structure and the middlemen it spawns. The US has the most extensive middleman structure in the world. On the other hand, a single-payer system has administrative costs that are proportional **only** to the amount of healthcare provided.
- The costs of this complexity reach into every nook and cranny of the economy. A detailed and comprehensive study by the National Medical Library (NML) in 2014 estimated billing and insurance (BIR) costs in the U.S. health care system totaled approximately \$471 billion in 2012. This includes \$70 billion in physician practices, \$74 billion in hospitals, \$94 billion in settings providing other health services and supplies, \$198 billion in private insurers and \$35 billion in public insurers. Moreover, this does not include the substantial time, energy, and money devoted to managing insurance by individual patients. Compared to simplified financing, the NML report estimated that \$375 billion, or 80%, of the costs BIR costs of the current multi-payer system, could be eliminated. This was roughly equivalent to 15% of total spending on healthcare. Fifteen percent of 2022 spending would amount to \$645 billion.

- Additionally, the lack of transparency in the way insurance is administered by providers has led to overutilization of products and services, fraud, and an insidious web of cross subsidies. Estimated costs of overutilization and fraud range from \$300 billion to \$680 billion.
- Employer Sponsored Insurance subsidizes higher-income earners by paying for coverage with pre-tax dollars, which translates into over \$300 billion in foregone tax revenue.
- Government-funded insurance is unnecessarily complicated by the redundancy and complexity of multiple administrative agencies including Medicare, Medicaid, CHIP, and the Veterans Administration. For example, there is no valid reason why Medicare is federally administered, while Medicaid is a joint federal, state, and local program. This complexity is further exacerbated because each state chooses the way it will administer Medicaid as well how it will regulate the insurance companies doing business in that state. Moving to a federal single-payer system would eliminate this complexity and eliminate the overwhelming majority of the costs incurred by the states to administer Medicaid and regulate the insurance industry.

The obvious solution is to eliminate complexity and unnecessary spending by specifying a single identical level of access for all Americans and transitioning to a federally funded single-payer system financed from general revenues. This would dramatically reduce complexity and eradicate more than \$1 trillion dollars in unproductive spending and recover over \$300 billion in foregone taxes.

The Centers for Medicare and Medicaid would be refocused on ensuring the health of the population and renamed – The National Health Security Agency (NHSA) – set up like the Federal Reserve to insulate it from short-term political pressures. The NHSA would oversee the transition to single-payer and supervise operations including setting prices and methods for reimbursing providers.

Because current inefficiencies and waste are so widely distributed throughout the economy, disruption in any particular area would be minimized in a phased transition. Actual delivery of care would be minimally affected, except that copay-related unwillingness to seek necessary care would be eliminated.

Healthcare providers would remain in the private sector, no longer having to negotiate reimbursements with multiple insurers. Physicians and their colleagues would welcome the reduced paperwork and get back to practicing medicine and feeling good about their choice of profession.

Private insurers would be most affected as their role would be limited to ensuring that care was delivered and authorizing payment. Over time, the industry would shrink and self-consolidate.

The American public would let out a deep sigh of relief, no longer worried about paying for care or dealing with insurance companies.

A more detailed explanation of this plan can be found on my website, [Sensible Healthcare Reform](#).

In addition to his experience and credentials in healthcare, Fred Gluck, an electrical engineer, spent the first 10 years of his career at the Bell Telephone Laboratories and has served as the Global Senior Partner (~CEO) of McKinsey and Co. and the vice-Chairman of Bechtel and as a Board Member of a variety of eleemosynary organizations.

