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Updated January 2018

Key Questions About the Single-Payer Approach to Health Care Financing

Senate Bill 562 (Lara and Atkins), which aims to establish a single-payer health care system with universal coverage in California, was approved by the state Senate in June 2017, but stalled in the Assembly. Although SB 562 did not move forward in 2017, efforts to create a single-payer system in California are likely to continue. Below are some key questions that Californians may wish to consider in assessing the single-payer approach to health care financing. These questions are grouped into four categories: implementation; potential costs and savings; financing and reserves; and economic impacts.

Implementation

- Could a single-payer system be implemented virtually overnight, as is often implied? If not, what would be a reasonable implementation timeline in order to ensure an orderly and successful transition?
- What kinds of information technology improvements would be needed to facilitate implementation? How much would they likely cost, and how long might they take to put in place?
- What role would counties play in organizing and delivering health care services under a single-payer system?
- What would be the *one-time* cost to the state's General Fund of getting a single-payer system off the ground?

Potential Costs and Savings

- How much is a single-payer system likely to cost – not just in Year 1, but for the first several years?
- Could a single-payer system quickly generate more than \$70 billion in health care system savings, as researchers from the University of Massachusetts Amherst suggest?¹
- Could a single-payer system quickly generate more than \$70 billion in health care system savings, as researchers from the University of Massachusetts Amherst suggest?
- Would a single-payer system be able to effectively control the growth of health care costs over time? What tools and incentives would be needed to ensure this outcome?
- What would be the *ongoing* impact of a single-payer system on the state's General Fund, including potential revenue losses and offsetting gains?

Financing and Reserves

- Much of the funding for a single-payer system would come from the federal government. But would federal policymakers be willing and supportive partners? What if the answer is no?
- Which taxes could be raised to fully fund the new system? Are the tax increases proposed by the UMass Amherst researchers – a sales tax increase and a new gross receipts tax on businesses – the right ones? What are the potential drawbacks?
- Is it reasonable to assume that tax revenues would keep pace with projected health care spending under a single-payer system? What's the back-up plan if revenues lag expenditures?
- What level of reserves would be needed to cushion the impact of large jumps in health care spending or revenue declines under a single-payer system?

Economic Impacts

- What would be the likely impact on the California economy of shifting to a single-payer system?
- What would happen to people whose jobs would be phased out as a result of transitioning to single-payer? Would there be a robust retraining program? If so, how would it be funded?
- What would happen to investor-owned health care providers, such as for-profit hospitals?
- Even with the new taxes that would be needed to finance the system, would most individuals and businesses come out ahead financially under a single-payer system, as UMass Amherst researchers suggest?

¹ Robert Pollin, et al., *Economic Analysis of the Healthy California Single-Payer Health Care Proposal (SB-562)* (Political Economy Research Institute, University of Massachusetts Amherst: May 2017).