



California Budget  
& Policy Center

# Single-Payer Health Care in California:

## Ambitious Goals, Big Questions

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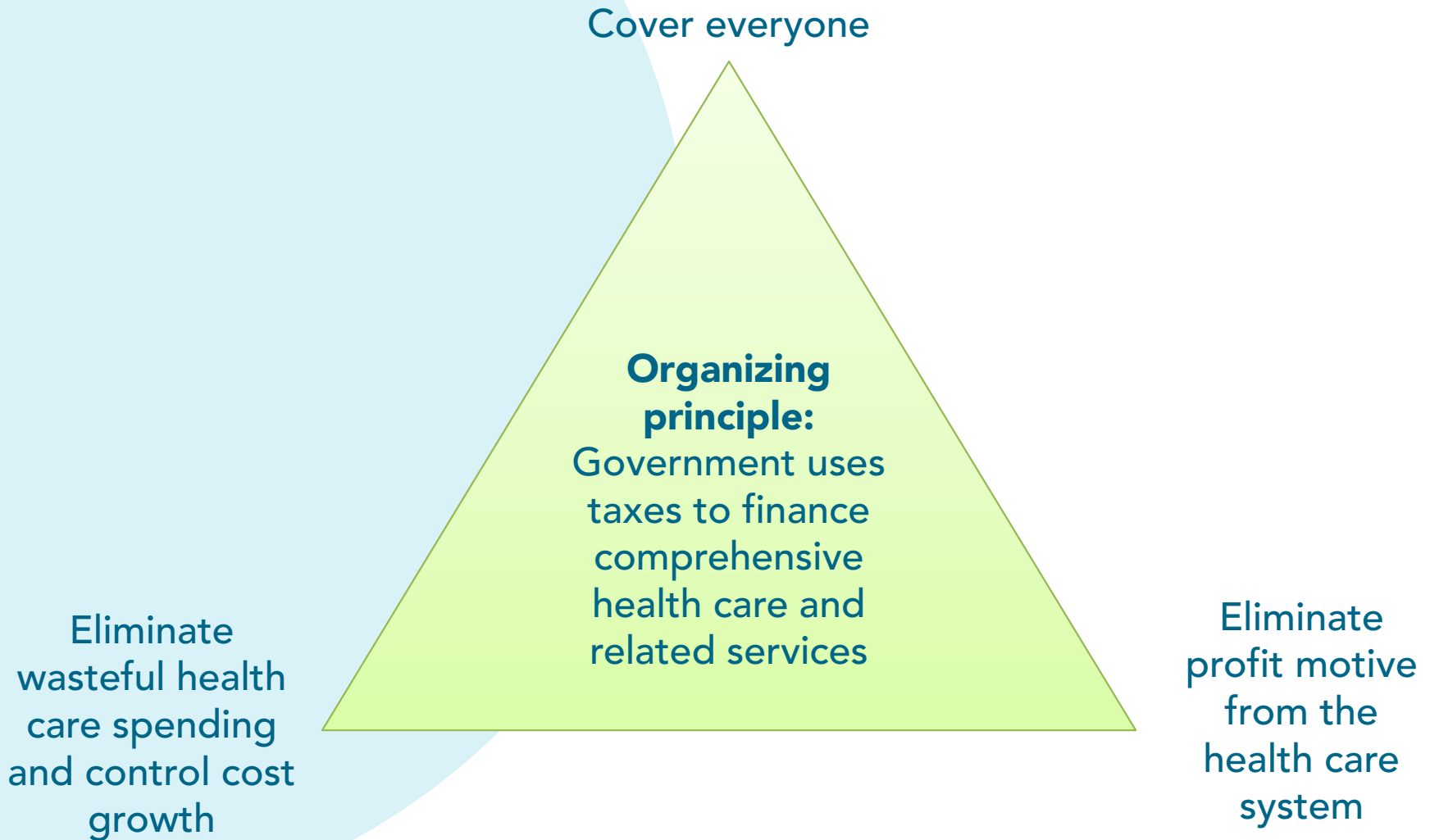
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**Many advocates and state legislators have called for California to adopt a single-payer health care system.**

**What is the single-payer approach to health care, and what are its key goals?**



# Key Goals of the Single-Payer Approach



**Single-payer takes a “big bang” approach to solving the problems of our health care system.**



# Other health care policies and financing approaches can achieve the goals of a single-payer system, at least in part.

High-income countries with *multi-payer* systems typically provide universal health care. Moreover, many proposals – including “all-payer” rate setting – have been advanced to reduce wasteful health care spending in the US.



**However, if the goal is to *eliminate the profit motive from the health care system*, the single-payer approach may provide the most effective way to achieve that objective.**



**Earlier this year, state Senators Lara and Atkins introduced a bill to establish single-payer health care in California (Senate Bill 562).**

**SB 562 was approved by the state Senate in June, but stalled in the Assembly.**



**Is it feasible to implement a single-payer health care system at the *state* level (say, in California)?**





**A recent study suggests that a single-payer system would allow California to cover every resident and with lower costs.**

**This study, which focuses on SB 562, was conducted by researchers at the University of Massachusetts-Amherst with financial support from the California Nurses Association.**



**This UMass-Amherst study estimates the fiscal effects of SB 562 *only* during the first year of operation, rather than across multiple years.**



# UMass-Amherst Study: California Could Cover Everyone While Spending Less

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- **\$368 billion:**
  - Total estimated health care spending in California in 2017 under the current system *without* universal coverage.
- **Plus \$36 billion:**
  - Estimated new spending under the current system *with* universal coverage, bringing total spending to \$404 billion.
- **Less \$73 billion:**
  - Estimated *savings* due to implementation of SB 562.
- **\$331 billion:**
  - Total estimated health care spending in California in 2017 assuming universal coverage and SB 562.



# UMass-Amherst Study: Existing Funds + New Taxes Would Support Single-Payer

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- A single-payer system in California would be supported by:
  - Existing public funding for health care in California (**\$225 billion**), all of which – including federal funds – is assumed to be available under a single-payer system.
  - New state tax revenues, which would be needed to close the estimated funding gap (**\$106 billion**). A funding gap would exist because SB 562 would eliminate premiums and cost-sharing – such as co-pays and deductibles – that help to fund the current health care system.



**In contrast to the UMass-Amherst study, legislative analyses of SB 562 raise a number of concerns.**

**These concerns include: how the state would manage the transition to single-payer, whether costs would be reduced as much as assumed, and whether the federal government would shift financial risk for health care to California.**



# Key Questions About Implementing Single-Payer Health Care in California



# Key Questions About Single-Payer: Implementation

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- Could a single-payer system actually be implemented virtually overnight? If not, what would be a reasonable implementation period 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 cost, and how long might they take to implement?
- 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?



# Key Questions About Single-Payer: Potential Costs and Savings

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- 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 UMass-Amherst researchers presume?
- 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?





# Key Questions About Single-Payer: Financing and Reserves

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- 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 state tax increases proposed by the UMass-Amherst researchers 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 cost jumps or revenue declines?



# Key Questions About Single-Payer: Economic Impacts

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- 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, under a single-payer system?
- 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 the UMass-Amherst researchers suggest?



These questions suggest that:

- 1) further **analysis** of the single-payer approach **is needed**;
- 2) a **comprehensive transition plan** and a **realistic financing plan** should be created before state lawmakers or the voters are asked to approve a single-payer proposal; and
- 3) transition and financing plans **should assume the gradual phase-in of a single-payer system**, in light of the many uncertainties associated with transforming a sector that comprises one-seventh of the state's economy.



# The Single-Payer Approach: What's on the Horizon?



# On the Horizon

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- At the federal level, US Senator Bernie Sanders is expected to introduce a new single-payer proposal in Congress in the coming days.
- The state Assembly will hold hearings this fall examining ways to achieve universal coverage in California.
- Backers of a proposal to remove the obstacles in the state Constitution to single-payer health care will gather signatures to qualify their measure for the November 2018 ballot.
- The 2018 Governor's race will provide an important opportunity for Californians to debate the best ways to move the state's health care system forward.





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