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Economic Commentary

"Medicare for All"

I am intrigued by the idea of health care as a right for all Americans, as put forth by Bernie Sanders, Independent Senator from Vermont and current candidate for President in the Democratic primary race. In brief, his "health care for all" plan would be implemented through a single payer system similar to Medicare. The Affordable Care Act, as it is today, would require substantial restructuring to render it more like Medicare. An effective evaluation of a "Medicare for all" plan versus the Affordable Care Act should take into consideration the perspective of both the Federal Government and the individual.

Virtually all working age Americans are familiar with the costs and structure of the Affordable Care Act and its effects on them personally. Health Care Plans are designated "Bronze," "Silver" and "Gold." The Bronze plans have the lowest annual premiums but are accompanied by the highest deductibles, typically \$6,000+ for an individual and \$12,000 for a couple. In contrast, the gold plans have the highest premiums and the lowest deductibles, ranging from \$1,500 to \$3,000 per year for an individual and twice that for a couple. The Silver plan costs are between those of Bronze and Gold plans.

Consequently, the out-of-pocket costs to those employed can range from \$10,000 for an individual to \$20,000 for a couple per year. With the median family income in 2014 of approximately \$52,000, the potential for financial ruin from a serious medical occurrence is a real possibility with this type of health care insurance. The Affordable Care Act provides subsidies to families with incomes under \$100,000, to help reduce the cost of monthly premiums. However, that is a minor part of the overall cost to insured individuals with a serious medical issue to cover.

It seems to me that the Affordable Care Act, with its low premiums, is designed to encourage people to sign up for medical insurance. However, in light of the high yearly deductibles, it would appear the Federal government is actually discouraging utilization of the health care system. Consequently, those who are working, healthy, and can afford to pay insurance premiums, may actually be subsidizing those who are either not working, less healthy, or not able to afford the premiums.

In contrast, Medicare Part A covers 80% of payments to hospitals, skilled nursing facilities and home health care for individuals who are 65 and older. The individuals pay no premiums for this coverage. The funding for this benefit comes primarily from the 2.9% Medicare taxes collected from wages of those employed, regardless of age, half from the individual and half from the employer. Most of the remainder comes from taxes levied on Social Security beneficiaries with total incomes above \$25,000 for the individual, or \$34,000 for the couple. In this latter case, the individual will pay a tax on 85% of their Social Security benefit. This revenue stream currently covers 97-98% of outlays for Medicare Part A. The remaining 2-3% is covered by a Medicare Government Trust Fund.

Because Medicare Part A pays only 80% of the hospital charges, an individual may purchase supplementary insurance to pay the 20% copay, or they may fund the copay out of their own

pocket. If the Affordable Care Act was replaced with a "Medicare for all" type plan, the out-of-pocket cost to the individual would substantially decrease.

Medicare Part B covers payments to physicians, be they family doctors or surgeons and is funded partially by premiums deducted from individuals' Social Security payments. These premiums cover roughly 25% of the payments made to physicians with most of the remainder coming from General Revenue transfers, namely income taxes. The same is true for Medicare Part D which covers prescription drugs with roughly 13% coming from premiums deducted from Social Security payments and the rest from General Fund transfers.

The total cost of the Medicare system for those over 65, as it exists today, is approximately \$250 to \$300 billion per year, with an expected growth rate that will eventually overwhelm the Federal budget by the year 2030. In conclusion, the prospect of "Medicare for all," regardless of age, is economically impossible. Senator Sanders believes such a plan could be paid for by enacting a tax on "speculative Wall Street trading." However, in my own professional opinion this is impossible, as the revenue projections from this tax would produce far fewer dollars than expected.

I believe that a "Medicare for all" system is a wonderful idea and would be of huge benefit to the individual. However, it would be a financial catastrophe for the Federal Government.

Raymond A. Beplat
President