

# A Single-Payer Health System For All Illinoisans

## The Only Solution For Illinois

[www.healthcareil.org](http://www.healthcareil.org)

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This first slide represents are rising health care costs as a proportion of gross domestic product. You can see the growing disparity between health care costs as a percentage of GDP in the US and Canada, but that's not why I'm showing you this slide right now.

The point is that gross domestic product is the measure of all the goods and services that we produce as a society. It represents our total social output. and as health care costs grow, the problem affects all sectors of our society. It's a social problem.

We see the effect of our nation's health care crisis not only in the rising numbers of uninsured, but also in terms of the economic costs to business and the restrictions placed on governments when funds have to be diverted to other needy areas.

Indeed the health crisis is a problem with tentacles that reach everywhere. It's a problem for both doctors and patients for business and labor for government and for private citizens. It should be obvious that such a comprehensive problem should not be addressed with band-aids and half-measures, yet we persist in convincing ourselves that real reform is impossible or that maybe this time a band-aid will work.

Since the early 1990s, MN, OR, ME, FL, UT, WA, CA, VT, have been among the states that have attempted to patch up their fundamentally flawed systems. All of them have failed.

MA using the same plan that Gov. RB now proposes for IL, is failing for the second time. With the plan proposed by the majority of the Adequate HC Task force, IL is about to embark on the same path.

The aim of this talk is to show you that there's a better way.

The way that we're most used to thinking about the health care crisis is in terms in the number of uninsured. There are currently 1.7 million uninsured Illinoisans according to the US Census Bureau. And data from the Institute of Medicine shows that 18 Illinoisans die every week due to a lack of health insurance.

The most commonly proposed solutions to the health care situation involve finding ways to help the uninsured afford private health insurance policies. But simply providing private health insurance to them is not a solution. One reason is that having health insurance coverage is no longer synonymous with access to care. The enormous increase in health care costs has caused consistent deterioration in the quality of private insurance policies. Today's private policies are so laden with deductibles, co-payments, and other uncovered services, that more than one quarter of the insured find themselves going without needed care due to costs. And as health costs continue to explode, both employers and insurance companies have found that the only way to offer affordable premiums is to create new generations or stripped down near worthless coverage.

We can see this reflected in Illinois' epidemic of medical bankruptcies. Illness and medical bills now contribute to half of all US bankruptcies. About 40,000 Illinoisans found themselves financially ruined in 2004. But perhaps more significantly, more than  $\frac{3}{4}$  of those 40,000 had

insurance at the time they got sick. At the very least, even if it doesn't get you access to care, health insurance is supposed to protect you and your family from financial ruin in the event of medical emergency. Current policies don't even do that.

And if citizens are victims of the vicious cycle of health care costs, so are businesses. Recent fair share campaigns by labor unions and other groups have focused legitimately on employers such as Wal-Mart who provide low wages and skimpy benefits effectively asking taxpayers to cover their workers. In fact until recently Wal-Mart had a program that trained employees on how to apply for Medicaid benefits. But even employers who want to provide for their employees including many small businesses find themselves crushed under the weight of rising health care costs that are not their fault.

Those who sustain benefits for their employees quickly find themselves at a competitive disadvantage. As a result, forcing employers to provide coverage to their employees only forces them to cut wages other benefits or jobs. Many simply drop coverage altogether. And as employers drop coverage, the numbers of uninsured rise and government is left to pick them up costing us all more.

One example of this is in the State Children's Health Insurance Program. There were 8 million uninsured children in the US in 1985. In 1997 when s-chip was passed, 5 million kids got coverage through the program. But because of the deterioration of the health system, 5 million more became uninsured since then. This has made expansion of this public program a zero sum game. Because the health system continues to deteriorate, because we haven't solved the fundamental issues, we have the same number of uninsured kids now, that we had in 1988. We're still paying for those 5 million that got coverage, and would have to pay for that again to cover another 8 million.

What does this mean? Lesson 1 is that simply expanding private health insurance policies is not a solution. Current private insurance policies offer inadequate protection and as we just saw, any gains in coverage would be quickly offsets cost rise an employers shed benefits.

Lesson 2 is that any real solution to the health care crisis has to do two things.

First, it has to offer coverage more comprehensive than that currently available in the private market. As we saw, current policies cause people to go without care that they need and cause them to go bankrupt when they get sick. And second, we have to control costs so that benefits are sustainable.

So how do we explain this problem and start to solve it? We have a few places to start, beginning with the rest of the advanced world. Although we as Americans have a strong tendency toward exceptionalism, the United States is not the only nation in the world struggling with the problem of how to provide health care to all its residence. This international experience is instructive. Looking at other industrialized nations I want to highlight 3 things.

The first is of that all the other industrialized nations listed here the United States is the only one that does not provide some form of national health insurance for all its citizens.

The second is that although we're used to hearing that we have the best health system in the world, in reality the United States performs poorly in comparison with these other nations on major international health indicators. This data from the Organization for Economic Cooperation and Development shows that the lower life expectancy in the United States.

And this one shows our far higher rate of infant mortality. And we could go on and on like this through maternal mortality, hospital inpatient days per capita etc.

Two studies last year detailed how the British and Canadians have lower rates of nearly every chronic disease. In fact when the World Health Organization ranked national health systems based on overall performance, the US ranked 37<sup>th</sup> just behind Costa Rica.

The 3<sup>rd</sup> thing I want to highlight is that although these nations insure everyone and keep their populations healthier, they spend far less than we do. This slide illustrates health spending per capita in each of these nations in 2005.

Why do we spend so much and get so little? The easiest way to answer this question is to ask yourself a question. If you were an insurance CEO who would you want to insure?

This graph breaks down the US population by health spending decile. The people who spend the most are on the right side of the graph, and the people who spend the least are on the left.

As you can see, 20% of the population accounts for more than 80% of health spending. I'm going to tell you two things that probably aren't going to surprise you. The first is that private insurers are only interested in the people that cost little; the sick and the poor are already relegated to government programs. That 80% represents people who are in Medicare—the elderly, the disabled, the sick, and costly. And in Medicaid, our program for the poor. Private insurers compete for the healthy and the profitable.

This chart helps us explain how we can spend so much more for so much less. Among the nations we just looked at, all of them have taken the fundamental step of rejecting the financing of care by for-profit insurance companies except for the US. The natural market behavior of health insurance companies is to compete to cover healthy, profitable people, while shunning anyone who actually needs care. To do this they erect massive bureaucracies with no other purpose other than to fight claims, issue denials, and screen out the sick. They consume our care dollars but their main output is paperwork headaches.

In response, hospitals and doctors' offices must employ armies of administrators to deal with the separate payment bureaucracies of thousands of different insurance companies. US businesses are saddled with the costly burden of administering their own health benefits. Co-payment collection and processing, eligibility termination, utilization reviews, sales, marketing—the scope of the bloat is staggering.

This slide begins to give an idea of the explosion of administrative waste within our health system, comparing the growth of administrators to the growth of physicians between 1970 and 2005.

In 2003 a team of Harvard researchers totaled it up and found that 1/3 of our health spending goes to administrative costs.

It doesn't have to be this way. It's the natural outgrowth of a fragmented system that relies on profit-seeking insurance companies to finance health care.

Eliminating private health insurance companies and streamlining financing through a single public payer could recover enough currently wasted money to cover the uninsured. The Harvard researchers estimated that the US could save \$350 billion with a single payer system. In Illinois, we could save about \$17 billion dollars of our \$87 billion in health spending. Combined with what we're currently spending out of pocket and in taxes, that's enough to provide comprehensive coverage to every Illinoisan without spending any more than we are now.

The single payer plan is very simple.

Step one is eliminating private insurers freeing up \$17 billion in administrative waste. Step two is to roll current state and federal funding, Medicare, Medicaid etc., into a single public or quasi-public fund.

Step three is to eliminate premiums, co-pays, deductibles and the other out of pocket costs that families and businesses pay. These funds, which currently go to push paper around, will be re-directed through a progressive income contribution so that now the money pays for care, not for administrative costs.

Since private insurance company inefficiencies are cut out, this will be a tax cut for most individuals and businesses. Nearly all will be paying less. The single payer entity would negotiate a formulary with physicians like Medicare does now, globally budget hospitals, increase primary and preventive care by removing barriers to access, and bulk purchase drugs and medical supplies. All this means that costs will be controlled long term so that the single payer benefits are sustainable.

The benefits of single payer are comprehensive coverage for all medically necessary services. What's covered is doctor, hospital, long term care, mental health, vision, dental, drug, etc. There's free choice of doctor and hospital. Health workers are unleashed from corporate dictates over patient care, HMOs will not be telling doctors what they can and cannot do as far as patient treatment anymore, and hospitals are guaranteed a secure and regular budget.

We're in an election year and the candidates, the pundits and the interest groups have been putting forward a plethora of plans in the hopes of influencing the candidate's agendas. The media often presents the health reform debate as though there was a bevy of different approaches to fixing our broken health system. But the convoluted proposals and policy jargon can be easily simplified. There are only two options for reform.

The first is to preserve private insurance companies as the primary financiers of our health system, preserving all the waste that comes with them.

The second is to replace them with a (national) health insurance system for everybody.

Our Governor Rod Blagojevich recently introduced a proposal called Illinois Covered that was heralded for its innovation but really looked a lot like proposals all over the country and a lot like the ones being proposed on the national level.

It included a modest expansion of public coverage, tax credits to buy coverage from private insurers and a state risk pool which would put the uninsured together, ostensibly to bargain down health care costs.

But a little noticed and little talked about provision in the Governor's plan was an individual mandate, or what we like to call, 'The Marie Antoinette Approach' to providing universal health coverage.

It essentially criminalizes being uninsured, forcing people to buy defective insurance company products or pay a heavy fine.

Because the Illinois individual mandate plan is so similar to the MA individual mandate plan, the MA experience is instructive.

Upon passage MA promised comprehensive coverage for affordable prices but quickly learned that this was impossible. This slide quickly gives some context to an individual mandate plan. MA planned to punish those who failed to buy insurance company products by charging them a fine. 50% of the cost of the policy's premium. Even if the state could manage a \$250 /month premium, the penalty for not buying a defective insurance industry product would be more than the normal fines for drunk driving domestic assault, or making a terrorist threat.

Illinois proposes to charge a violator not 50%, but up to 115% of the cost of a policy. It's easy to see that there's something wrong with a plan that says an uninsured resident is worse than a spousal abuser or a terrorist.

This is the road that we're on now in Illinois.

This slide compares Mary Flowers' House Bill 311, the Health Care for all Illinois Act, with the Governor's 'Illinois Covered' plan. Whereas in the Governor's plan, as many as 2/3 of the uninsured stay that way, under a single payer plan all Illinois residents are covered. The benefits under single payer were full coverage for all medically necessary needs whereas the Governor offered only skimpy policies which restricted access and protection. The Flowers' bill would expand Medicare to all Illinoisans, the Blagojevich plan would punish people who didn't buy insurance industry products. Flowers funds her plan through a redirection of \$17 billion dollars in administrative waste meaning no net cost increase for anyone; the Blagojevich plan was to raise \$2.1 billion dollars in new takes to waste on private insurers who take a 1/3 cut for administrative costs and profit.

And finally the single payer plan was effective in cost control, insuring sustainable benefits for everyone for the future. And in the Blagojevich plan, any gains in coverage would quickly be erased by rising costs.

The problems with the Blagojevich plan are common to all subsidy and individual mandate schemes. That's why they will never work as solutions to the health care crisis. They offer sub-standard coverage, they're unaffordable, they offer micro-coverage for macro-costs preserving wasteful private insurers and another layer state administrative waste. And they offer no realistic cost controls, so any gains in public coverage would be unsustainable, due to rising costs.

Perhaps the criticism most often leveled against single payer is that it's the right idea but it's just not politically feasible. But whenever the public is polled, regularly 2/3 rd say that they want it.

59% of physicians say that they want a single payer system and perhaps most significantly, the business community and traditionally conservative sectors are now realizing the need for it as they are crushed by health care costs, and competition from nations with national health insurance systems.

This is Glen Barton, former CEO of Caterpillar. He's the past chairman of the Health and Retirement Task Force, a business roundtable representing 150 of the nation's top employers that have total assts of more than \$4 trillion dollars. He gave written testimony to Illinois' Adequate Health Care Task Force saying the quickest and simplest solution is to go to a single payer system.

The conservative business press has also started to realize the need for single payer, in the face of hefty competition in manufacturing and other sectors from industrialized countries with social insurance systems. The Wall Street Journal says that if done right health care in America could be dramatically better with true single payer coverage.

Fortune magazine says that single payer is an idea that's so easy to slam politically yet so sensible for business that only Republicans can sell it. It may take a Republican president to bless the socialization of health spending that we need.

And CNBC/MSN money says 'Think as a small business how you could benefit from a single payer system. You wouldn't lose potential employees to larger firms that offer more attractive health benefits. Health insurance cots would cease to be a line item in your budget. A serious illness befalling you or an employee wouldn't be a company wide financial crisis, you might even save money.

Another one of the arguments most commonly made by advocates of incremental reforms such as Governor Blagojevich's, is while these measures are insufficient to solve the health crisis, there worthwhile achievable steps to single payer coverage. Yet despite all their claims of pragmatism, incremental reformers have been unable to shepherd through meaningful reform in nearly four decades of trying.

Upon passage, incremental reform in each of these states was hailed by politicians and the media as a step towards universal coverage. Today, not one has achieved it.

The definition of insanity is to repeat an action expecting a different result. This is exactly what we have done. And while these distraction have diverted attention away from the real solution, the problem has only gotten worse.

Should we lose sight of the true solution, Illinois will suffer the same fate.

What our state needs is not more patchwork reforms. We need leaders willing to stand up for the only solution that will work, a single payer statewide health insurer system for all Illinoisans.

Many would be supporters of single payer health care insurance find themselves eager to compromise when political opportunity presents itself. True reform, they say, is too unfeasible and by advocating the perfect one becomes the enemy of the good. The reality of social progress contradicts this interpretation.

A celebrated new history of one of our state's great heroes provides a fine example. Contrary to the popular perception of Abraham Lincoln as a committed abolitionist, who restrained himself in skillful political maneuver, Professor James Oaks shows that it was only the constant popular pressure deployed by abolitionists that eventually created the platform upon which Lincoln could embrace emancipation. Similarly, single payer supporters must be ever vigilant in advocating the true solution. We have seen in the experience of other states what happens when we lose sight and compromise.

The history of great social achievement is rife with instances in which forces of institutionalized power told social movement that what they wanted was politically unfeasible, and they would have to prepare themselves to compromise and settle for half measures. The abolition of human slavery, the enfranchisement of women, the civil rights act, an end to child labor, the 40 hour work week, minimum wage laws, social security- in each of these instances activists held fast to their principles and soon discovered that what was impossible or politically unfeasible as suddenly possible.