

# POLICY *focus*

RECIPES FOR RATIONAL GOVERNMENT

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## Why 'Medicare for All' Is the Wrong Solution

by Rachel DiCarlo Currie, Senior Fellow

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### Introduction

Nine years after Barack Obama signed the Affordable Care Act (ACA) into law, many Democrats want to replace or supplement the ACA with a further expansion of government-provided health insurance. Their most ambitious proposal — endorsed by leading Democratic presidential candidates — would create a new single-payer program covering all Americans.

While Democrats are divided over the future of private health insurance, the “Medicare for All” plan championed by Bernie Sanders would replace virtually all other insurance options.

Medicare for All would be the simplest way to guarantee universal coverage. Unfortunately, it would also make other healthcare problems much worse.

To understand why, it's worth reviewing five important healthcare realities: 1) Health insurance does not guarantee immediate access to care from preferred providers. 2) The best healthcare systems in other Western countries do not rely on a single-payer model. 3) More than a third of Medicare beneficiaries are now covered by private-insurance plans. 4) Both current and future retirees will receive dramatically more in Medicare benefits than they will pay in Medicare taxes. 5) The entire world depends on American medical innovation — and, to a large extent, profits drive innovation.

With that in mind, policymakers should reject Medicare for All and instead focus on improving access to affordable, reliable coverage while maintaining America's innovation edge.

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## Why You Should Care

Medicare for All is rapidly gaining support among Democrats in Congress and around the country. If enacted into law, it could lead to:

- **A significant decrease in access to health care**, primarily due to longer wait times. Based on a survey of specialist physicians, the Fraser Institute **estimates** that the median waiting time in Canada’s single-payer health system—that is, the time “between referral from a general practitioner and receipt of treatment”—jumped from 9.3 weeks in 1993 to 19.8 weeks in 2018, a 113 percent increase.
- **The abolition—or near-abolition—of private health insurance.** PolitiFact has **confirmed** that the Medicare for All **legislation** Sen. Bernie Sanders introduced in 2017 would “replace all other insurance, with limited exceptions, such as cosmetic surgery.” That’s hardly surprising, given that the stated goal of the proposal is Medicare **for all**.
- **A massive tax hike.** According to a **study** by the left-leaning Urban Institute, the single-payer healthcare system that Sanders **proposed** during the 2016 presidential campaign would have increased federal spending by \$32 trillion between 2017 and 2026.

The healthcare status quo leaves too many Americans without access to affordable, reliable insurance. But Medicare for All is the wrong solution. Rather than scrap the current system altogether, we should fix its most obvious flaws while building on its best features.

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## More Information

### America’s Current Healthcare Landscape

The 2010 Affordable Care Act (ACA) significantly increased the **number of Americans with health coverage**, primarily through an expansion of Medicaid and the Children’s Health Insurance Program (CHIP), along with the creation of ACA exchanges and tax subsidies for the individual market. It also prohibited insurance companies from denying coverage, or raising the price of coverage, based on preexisting health conditions.

The law delivered clear benefits to (a) sick people and (b) lower-income people who now qualify for government-provided insurance or generous exchange subsidies. At the same time, by distorting and driving up the cost of insurance in the individual market, the ACA made health coverage unaffordable for many Americans outside of those groups.

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“What Democrats have never been willing to admit,” **writes** Robert Laszewski, president of Health Policy and Strategy Associates, “is that the program has been devastating for the middle class—those who get no subsidy, or a relatively small subsidy—for the way it has wrecked their individual health insurance market.”

Costs in the employer market have been rising, too. According to a Commonwealth Fund **analysis**, average premiums for employer-provided health plans jumped by 4.4 percent for single plans and by 5.5 percent for family plans in 2017. Remarkably, family premiums stood at or above \$20,000 in seven states and the District of Columbia.

As for Medicare and Medicaid, they remain unsustainable over the long term without substantial reforms, and Medicaid continues to offer **subpar coverage** because of its **low provider reimbursement rates**.

Meanwhile, America is grappling with both the **worst drug-overdose epidemic in our history** and the **longest sustained decline in life expectancy at birth** since the era of World War I and the influenza pandemic.

No wonder Republicans and Democrats alike feel deeply dissatisfied with the healthcare status quo.

## Coverage vs. Access

Would a new, government-run single-payer system—a “Medicare for All” program—make things better? It certainly would help us achieve universal coverage. But coverage alone does not guarantee immediate access to health care from preferred providers.

In recent years, many Americans insured through the ACA exchanges have discovered this the hard way. “Compared with the insurance that companies offer their employees,” the *New York Times* **reported** in 2016, “[ACA] plans provide less coverage away from patients’ home states, require higher patient outlays for medicines and include a more limited number of doctors and hospitals, referred to as a narrow network policy.”

Similar accessibility issues have long plagued the Medicaid program. A 2019 **survey** commissioned by the Medicaid and CHIP Payment and Access Commission found that, while providers accept 90 percent of new patients with private insurance and more than 85 percent of those with Medicare, they accept less than 71 percent of new patients insured by Medicaid. The share of providers taking new Medicaid patients falls even lower when we narrow it to physicians in general or family practice (just over 68 percent) or psychiatrists (less than 36 percent).

Looking abroad, Canada’s single-payer system is famous for providing all Canadians with health-insurance security but notorious for producing long wait times. The Fraser Institute **calculates** that, in 2018, the median waiting time in Canada

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“between referral from a general practitioner and receipt of treatment” was 19.8 weeks, up from 9.3 weeks in 1993. For some treatments, the wait times were much longer. Indeed, the median waiting time between referral from a general practitioner and receipt of orthopedic surgery was a staggering 39 weeks.

What about Sweden, a country that **Bernie Sanders**, **Alexandria Ocasio-Cortez**, and other American progressives want us to emulate? According to the 2018 **Euro Health Consumer Index**, put together by researchers Arne Björnberg and Ann Yung Phang, Sweden suffers from “an abysmal waiting time situation” that “seems very difficult to rectify.” Björnberg and Phang believe the accessibility problem is even worse in Britain and Ireland. (“British and Irish patients paint the most negative pictures of accessibility of any nations in Europe.”)

In early January 2018, the *New York Times* **took note** of a “dire” situation engulfing Britain’s government-run National Health Service: “At some emergency wards, patients wait more than 12 hours before they are tended to. Corridors are jammed with beds carrying frail and elderly patients waiting to be admitted to hospital wards. Outpatient appointments were canceled to free up staff members, and by Wednesday morning hospitals had been ordered to postpone nonurgent surgeries until the end of the month.”

## The World’s Best Healthcare System?

Of course, the U.S. system generates horror stories of its own. Which raises the question: Which country has the world’s best healthcare model? Are any single-payer countries among the top performers?

In 2017, five healthcare experts—all of whom support universal coverage and/or universal access to affordable coverage and/or the ACA—created a **bracket-style tournament** in which they compared health care in eight countries: Australia, Britain, Canada, France, Germany, Singapore, Switzerland, and the United States.

The winner was Switzerland, which also earned the top score in the 2018 **Euro Health Consumer Index**. The Alpine nation holds a unique distinction: Its consumer-driven healthcare model inspired the ACA exchanges, yet many conservative policy wonks believe the Swiss model represents the **best healthcare system in the world**.

“Switzerland does a good job of combining conservative and progressive beliefs about health care systems into a workable model providing top-notch access and quality at a reasonable

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cost,” wrote pediatrician Aaron Carroll, one of the five judges. “It doesn’t hurt that it does so through private (although heavily regulated) insurance.”

The other finalist in the healthcare knockout tournament was France. Germany received high marks, too. Meanwhile, the Netherlands placed second—behind only Switzerland—in the Euro Health Consumer Index. None of those countries use a Canadian-style single-payer model.

## A Closer Look at the Existing Medicare Program

In fairness, we don’t really know whether Medicare for All would mean an expansion of the existing Medicare program, a new “public option” on the ACA exchanges, a Canadian-style system, or something more radical. But we do know that the Medicare for All legislation introduced by Bernie Sanders in 2017 would, according to **PolitiFact**, “replace all other insurance, with limited exceptions, such as cosmetic surgery.”

Sanders may not realize that **more than a third** of Medicare beneficiaries are now covered by private-insurance plans, thanks to the Medicare Advantage program. In addition, “Medicare claims are processed and coverage decisions often made by contracting intermediaries from the private insurance industry,” **writes** Rob Cunningham, former deputy editor of the journal *Health Affairs*. For that matter, “Medicare itself was cloned from a private insurance model.”

Over the long term, Medicare’s current financial structure is unsustainable. As Urban Institute scholars Eugene Steuerle and Caleb Quakenbush have **shown**, both current and future retirees will receive dramatically more in Medicare benefits than they will pay in Medicare taxes. For example, Steuerle and Quakenbush project that a married, one-earner couple with an average income who turn 65 in 2030 will pay \$93,000 in lifetime Medicare taxes but receive \$645,000 in lifetime Medicare benefits (net of premiums).

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## What Really Drives Medical Innovation?

For all the deficiencies in our healthcare payment system, America remains the undisputed global leader in medical innovation. What explains that?

“America clearly contributes more to pharmaceutical revenue, and hence incentives for new drug development, than its income and population size would suggest,” **write** USC health economists Dana Goldman and Darius Lakdawalla. In fact, these researchers estimate that U.S. consumers are responsible for 64 percent to 78 percent of worldwide pharmaceutical profits—even though they earn just 27 percent of global income. Understandably, many Americans resent paying such high drug prices while rich Europeans effectively free-ride on U.S. innovation.

The awkward reality, though, is that profits drive innovation: As Goldman and Lakdawalla put it, “Evidence conclusively demonstrates that higher expected revenues leads to more drug discovery”—and “if American prices dropped to overseas levels, global profits would fall by \$134 billion.”

Thus, by clamping down on private profits, a Sanders-style Medicare for All program would jeopardize the sort of innovation that has fueled medical progress across the world.

If we hope to achieve a durable compromise on health care, neither Republicans nor Democrats will be able to get everything they want. A genuine compromise would balance greater competition, price transparency, and consumer choice with a reasonable mix of regulations, subsidies, and public programs.

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### Out-of-Pocket Healthcare Spending in Canada and the U.S.

Speaking to CBS News in February, Democratic presidential candidate Bernie Sanders made a provocative comment about Canada’s government-run healthcare system. “In Canada,” he **said**, “they have provided quality care to all people without out-of-pocket expenses.”

That would be extraordinary if it were true. But it’s not.

In 2017, Canada’s out-of-pocket health expenditures amounted to more than 1.5 percent of GDP, according to **OECD data**. The equivalent figure in America was just under 1.9 percent of GDP.

However, out-of-pocket expenditures **accounted for a larger portion of all health spending** in Canada (nearly 15 percent)—and in most Western European countries, including the Nordics—than they did in America (11 percent).

Here’s **PolitiFact**: “In Canada, if you actually go into a hospital and get treated there, it is free. Across the country, hospital visits and care at the doctor’s office are covered 100 percent. But prescription drugs and some outpatient care are a different matter entirely.”

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## What You Can Do

### Get Informed

Learn more about why ‘Medicare for All’ is the wrong solution. Visit:

- [The Fraser Institute](#)
- [The New York Times](#)
- [The Urban Institute](#)

### Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what’s going on and encourage them to join you in getting involved.

### Become a Leader in the Community

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

### Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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### ABOUT INDEPENDENT WOMEN’S FORUM

Independent Women’s Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

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