

Financing Medicare for All

“How are you going to pay for it?”

That is the question that bookends nearly every media conversation that takes place on Medicare for All. The straightforward answer is, we already are.

Unlike other government outlays – for example, a ship for the Navy – Medicare for All does not represent any new spending at all. Instead, it represents a rebalance of how our current dollars are spent.

If Congress were to authorize the Navy to procure an aircraft carrier, and appropriate the necessary funding, the federal government would spend approximately [\\$13 billion](#) building that ship. If Congress does not authorize and appropriate the funding, then the ship will not get built. People will not individually purchase an aircraft carrier, nor will any private corporation.

Health care is fundamentally different. If the status quo stays in place, between 2022 and 2031 the federal government will spend \$59.65 trillion.¹ According to [estimates](#) from the conservative Mercatus Center, under the Senate’s Medicare for All legislation, those expenditures will drop by approximately \$2 trillion.²

Another [study](#) released by PERI at the University of Massachusetts found that “Medicare for All could reduce total health care spending in the U.S. by nearly 10 percent,” resulting in more than \$5 trillion in savings.

Today, the traditional Medicare program only spends 2 percent of its costs on administration. That’s less than [one-sixth](#) the administrative costs of private health insurance companies.

Studies have found that the U.S. could save [up \\$500 billion annually](#) in billing and administrative costs by moving to Medicare for All. That money could be used to greatly expand primary care in this country and make certain that all Americans get the health care they needed when they need it – saving billions on expensive emergency room care and hospital visits.

Moreover, the United States pays, by far, the [highest prices](#) in the world for prescription drugs – because Congress has done nothing to regulate the price of medicine. If the U.S. joined the rest of the industrialized world and negotiated with the pharmaceutical companies to lower prices, our country could save up to [\\$113 billion](#) per year.

A Medicare for All system not only benefits individuals and families, it would [benefit](#) the business community. Small- and medium-sized businesses would be free to focus on their core

¹ This figure is the Mercatus Center’s [extrapolation](#) of Centers for Medicare & Medicaid Services’ projected national health expenditures from 2017 to 2026.

² The Mercatus Center also provided a cost estimate for their own version of Medicare for All, which was not based on S. 1808. Under this plan, provider payments were placed on a higher scale, but no other adjustments were made to the plan – an outcome of the legislative process that would be highly unlikely. Under this scenario costs would increase by \$3.2 trillion. As the [People’s Policy Project notes](#), “What the Mercatus M4A plan really represents is a totally separate plan Mercatus came up with that has higher provider rates than the ones in Sanders M4A plan.”

business goals instead of wasting precious energy and resources navigating an incredibly complex system to provide health insurance to their employees.

Under the current system, while [thousands of Americans die](#) each year because they lack access to the health care they desperately need, the top five health insurance companies in 2018 made [\\$21 billion](#) in profits, led by the UnitedHealth Group, which made [\\$11.99 billion](#).

As tens of thousands of American families face [bankruptcy and financial ruin](#) because of the outrageously high cost of health care, the top 65 healthcare CEOs made [\\$1.7 billion](#) in compensation in 2017 including \$83.2 million for the CEO of UnitedHealth Group; \$58.7 million for the CEO of Aetna; and \$43.9 million for the CEO of Cigna.

There is broad consensus – from conservative to progressive economists – that the Senate Medicare for All bill, as written, would result in substantial savings to the American people.

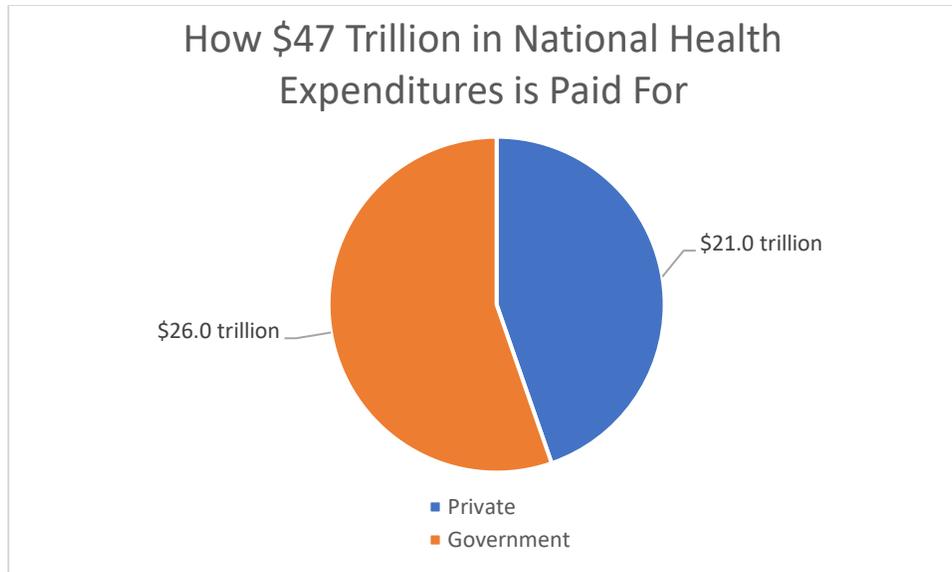
The question is what entity is fundamentally responsible for financing our nation’s health?

Medicare for All represents a belief that our current system relies far too heavily on individuals’ ability to finance necessary and lifesaving medical care through premiums, co-pays, deductibles, and other out-of-pocket expenses. Under a Medicare for All system, government would be the chief financer of health care.

The largest share of national health expenditures already comes from the government, amounting to \$26 trillion out of the \$47 trillion, or 55 percent, of what our country will spend on health care from 2018 to 2027.³

Household, business, and philanthropic spending makes up the rest, with \$20.7 trillion in projected spending from 2018 to 2027. It should be noted that for expensive medical illnesses and procedures, private philanthropy has become a [major source of funding](#), and not just from the wealthy and foundations.

³ This total is derived from CMS’s [National Health Expenditure data](#) (Table 16), modified to add the value of tax expenditures to the government side, and subtract it from the private side, with an exception for the tax expenditures benefiting the federal workforce. Tax expenditure data from the [Office of Management and Budget](#).



GoFundMe has reported that one in three of the site’s campaigns are to pay for medical bills. The site hosts more than [250,000 of these campaigns](#), raising more than \$650 million each year. In November 2018, Spectrum health [rejected a candidate](#) for a heart transplant because it did not believe she could afford the regimen of immunosuppressive drugs required after surgery. The rejection letter recommended “a fundraising effort of \$10,000.”

This gets to the heart of why the rebalancing of the chart above is necessary. Fundamentally, our dysfunctional system not only puts health care out of financial reach for millions of Americans who cannot afford necessary drugs such as insulin, it is regressive in its individual financial impact.

According to the [Bureau of Labor Statistics](#), health care – and health insurance, specifically – account for a much higher share of spending for those toward the bottom of the income distribution than those at the top. Lower income groups also spend a greater portion of their income on costs not covered by insurance. Medicare for All solves the fundamental moral question of making sure those at the bottom are no longer locked out of the health care system due to cost. Our financing system must fundamentally correct this flaw in our current system.

As the wealthiest country in the world, we have a variety of options available to support a Medicare for All, single-payer health care system that guarantees high quality, affordable health care as a right, not a privilege, to every man, woman, and child in this country.

Those options include, but are not limited to:

- Creating a 4 percent income-based premium paid by employees, exempting the first \$29,000 in income for a family of four;
- Imposing a 7.5 percent income-based premium paid by employers, exempting the first \$2 million in payroll to protect small businesses;
- Eliminating health tax expenditures;

- Making the federal income tax more progressive, including a marginal tax rate of up to 70 percent on those making above \$10 million, taxing earned and unearned income at the same rates, and limiting tax deductions for filers in the top tax bracket;
- Making the estate tax more progressive, including a 77 percent top rate on an inheritance above \$1 billion;
- Establishing a tax on extreme wealth;
- Closing the “Gingrich-Edwards Loophole”;
- Imposing a fee on large financial institutions; and
- Repealing corporate accounting gimmicks.

These are just some of the policies that could provide revenue to finance Medicare for All. Under every single one of these options the average American family will save thousands of dollars a year because it will no longer be writing large checks to private health insurance companies.

A [study](#) by RAND found that moving to a Medicare-for-all system in New York would save a family with an income of \$185,000 or less about \$3,000 a year, on average. Citizens for Tax Justice found that middle class families would see their after-tax income go up by about [\\$3,240](#) a year under Medicare for All. Another study found that middle class families would spend about [14 percent less](#) of their income on health care than they do today. Even the projections from the Mercatus Center suggest that the average American could [save about \\$6,000 under](#) Medicare for all over a 10-year period.

Today, the United States has the [most expensive, inefficient, and bureaucratic health care system](#) in the world. Despite the fact that we are the only major country on Earth not to guarantee health care for all -- and have 34 million Americans who are uninsured and even more who are [underinsured](#) -- we now spend more than twice as much per capita on health care as the average developed country.

According to a recent [study](#), 45 percent of Americans are worried a major illness could leave them bankrupt, 1 out of 4 Americans skipped needed medical care because they could not afford it, and 77 percent are concerned rising health costs will cause significant and lasting damage to our economy.

According to the Centers for Medicare & Medicaid Services, we spend [more than \\$10,700](#) per capita on health care. Meanwhile, Canada spends just [\\$4,826](#), France spends [\\$4,902](#), Germany spends [\\$5,728](#), and the United Kingdom spends [\\$4,264](#) per person on health care.

Further, despite the fact that health care spending consumes [almost 18 percent](#) of our GDP, our health care outcomes are worse than all of these other countries. For example, our life expectancy is [2.5 years lower](#) than Germany's and our mortality rate for children under the age of 18 is at the top of the [list](#) compared to other developed countries.

In other words, every major industrialized nation on earth has made health care a right, provided universal coverage to all, and achieved far better health outcomes in terms of life expectancy and infant mortality rates – all while spending far less per capita than we do. Please do not tell us that

the United States of America, the wealthiest nation in the history of the world, cannot do the same.

There needs to be vigorous debate as to the best way to finance our Medicare for All legislation. Unlike the Republican leadership in Congress which held no hearings on their disastrous bill which would have thrown [32 million people](#) off of health insurance, we will continue to get the best ideas from economists, doctors, nurses, and ordinary Americans to guarantee health care as a fundamental right.