Funding a National Single-Payer System
“Medicare for All” would save billions, and could be redistributive.

BY GERALD FRIEDMAN

The Expanded & Improved Medicare for All Act” (HR 676) would establish a single authority responsible for paying for health care for all Americans. Providing universal coverage with a “single-payer” system would change many aspects of American health care. While it would raise some costs by providing access to care for those currently uninsured or under-insured, it would save much larger sums by eliminating insurance middlemen and radically simplifying payment to doctors and hospitals. While providing superior health care, a single-payer system would save as much as $570 billion now wasted on administrative overhead and monopoly profits. A single-payer system would also make health-care financing dramatically more progressive by replacing fixed, income-invariant health-care expenditures with progressive taxes. This series of charts and graphs shows why we need a single-payer system and how it could be funded.

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Figure 1: Health-Care Spending and GDP, 1960-2010

Health-care costs have risen much faster than income in the United States over the last 50 years, rising from 5% of Gross Domestic Product in 1960 to nearly 18% today. Some of the increase in costs in the United States, as with other countries, is associated with improvements in care and longevity. Costs have risen much faster in the United States, however, because of the growing administrative burden of our private health-insurance system.

Figure 2: Projected Health Care Spending of GDP: Current System and Single-Payer

With $570 billion in savings on administration and monopoly profits, a single-payer system would reduce dramatically the burden of health care costs on the United States economy. Over time, furthermore, a single-payer system would allow us to slow the growth in health-care spending.
A single-payer system would produce huge administrative savings by simplifying billing operations within providers’ offices and hospitals, and by redistributing the monopoly profits currently enjoyed by pharmaceutical makers and other companies.

The single-payer system would be paid for by a variety of taxes. The Tobin tax is a tax on financial transactions that would raise revenue while discouraging the types of speculative finance that led to the current economic crisis. The remaining revenue would come from taxes targeted at those best able to pay, including those with high incomes and with incomes from property (including capital gains, dividends, interest, profits, and rents).

With private health insurance, health-care expenditures are largely fixed with respect to income and, therefore, are a heavier burden on the poor and middle classes than on the wealthy. By linking health-care expenditures to income, a tax-funded single-payer system would provide savings for all Americans below the wealthiest top 5%.