

## **You Better Be Scared of Medicare for All**

You heard Bernie say it during the Democratic debates; Warren advocated for it too. The phrase “Medicare for All” has become a mainstay of the progressive left. The universalist name evokes a feel-good aura, implying that any alternative is discriminatory or incomplete. But although catchy branding is good for campaigns, it can easily obscure the inconvenient details of the underlying policy. So when Professor Reich reassures us in his recent article that we shouldn’t be [“so scared of Medicare for All,”](#) we should receive his optimism with some healthy skepticism.

At the heart of Reich’s piece is the oft-touted claim that Medicare for All would reduce our overall spending by cutting down on administrative costs. If there is only one public insurer, the argument goes, then there is no need for hundreds of private insurers to each keep their own paperwork and filing systems. To those familiar with economies of scale, the natural expectation is that a single administrator will perform more efficiently and reduce costs.

But is this claim sound? To start, we need to examine what we mean by “Medicare for All.”

Reich considers two versions of the plan. The first is a moderate version that makes the government a liaison for collecting fees and reimbursing insurance companies. The second is a radical version that scraps private insurance altogether, potentially also scrapping premiums, co-payments, and deductibles. But, Reich can’t pick a side. He endorses the more radical plan, promising that our “overall costs would go way down,” yet he also reassures us that we “could still buy private insurance to supplement Medicare for All.” Professor, you can’t have your cake and eat it too.

Let’s take a closer look at the moderate plan. Reich is right that it wouldn’t save much: any plan that includes Medicare Advantage, a private insurance supplement to Medicare, will retain much of the existing bloat. Defenders of Medicare claim that administrative costs constitute less than two percent of its operating expenditure, a figure from the CMS. But a more accurate figure is the NHEA’s estimate, which includes the cost of administering the supplemental Medicare Advantage and Part D plans. The adjusted cost is over three times higher, at [six percent](#).

But even this figure is misleading. As health economist Robert Book explains, expressing administrative costs as a proportion of total costs skews the playing field against private insurers because the average Medicare patient spends much more. Medicare tends to enroll people over

65, people with disabilities, and people with end-stage renal disease. As a result, in 2014, Medicare spent an average of \$11,000 per beneficiary, compared to private plans at \$4,600. When we examine administrative costs *per beneficiary*, it's a whole different story. In 2005, Medicare's administrative costs were \$509 per primary beneficiary, while those of private plans were only \$453 per beneficiary. In reality, from 2000 to 2005, Medicare's per beneficiary administrative costs were consistently ["5 to 48 percent higher"](#) than private plans.

Some additional context helps explain why: the majority of the administrative costs come from designing plans for members, costs that don't decrease with economies of scale. Only 4 percent of administrative costs—for either private or Medicare—are spent on claims processing. Furthermore, while Reich may be correct that private insurance costs more overall, this is because they usually have more to offer: tailored care management, greater drug coverage, and limits on out of pocket expenses. These additional benefits are why 70 percent of America's retirees purchase ["private insurance in addition to or instead of traditional Medicare."](#) Medicare has lower total costs because lower total benefits.

Now, Reich might correctly retort that adopting Sanders' radical plan could resolve some of these concerns by bolstering benefits. It turns out that this option is simply unaffordable. According to a 2016 study from health policy professor Kenneth Thorpe, over 70 percent of households with private insurance today ["would pay more in new taxes than they would save through the elimination of premiums and cost sharing."](#) In fact, the study Reich *himself* cites from the Urban Institute actually finds that Sanders' plan will cost ["\\$34.0 trillion over 10 years,"](#) a whopping 60 percent increase in total federal spending. For context, Warren's wealth tax would [raise just \\$2.75 trillion](#) over a decade while repealing Trump's 2017 tax cut would raise only \$2 trillion. Funding Medicare for All would be a nightmare, particularly in today's gridlocked Congress.

At this point, you might protest that we are deviating away from the whole point of Medicare for All. And you'd be right—countless Americans are denied access to the care they need, particular those who are already marginalized. As Reich points out, a crushing 30 million Americans lack coverage altogether. We *should* be outraged at the failure of our healthcare system to provide coverage for all.

But we have other tools at our disposal. In their 2019 book *Healing American Healthcare*, healthcare experts Edward Eichhorn and Dr. Michael Hutchinson outline [six ways](#) to improve

quality while cutting costs. One way is to establish a national platform to negotiate drug prices with pharmaceutical companies. Another step is to streamline billing by establishing a national standard for the cost of care. Yet another solution is to alleviate physician burnout by reducing the complexity of Electronic Health Records. Reforms like these are both cheap and effective because they patch the holes instead of reinventing the entire system.

We should demand change. But Reich paints a false dichotomy between Medicare for All and complacency. Ultimately, his proposal creates worse healthcare and higher taxes for all. Reasonable reforms can provide quality healthcare to all without breaking the bank.

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