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California Universal Health Care: An economic stimulus and life-saving proposal

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On June 1, 2017, the California Senate approved a bill to establish universal single-payer healthcare for all residents (SB 562). This state legislation comes in the midst of federal proposals anticipated to almost double the number of uninsured Americans over a decade, to a total of 51 million.[1] Uninsured individuals have a 40% elevated risk of mortality,[2] such that this coverage loss would be responsible for an estimated 27,000–95,000 deaths through 2025.[3] In contrast with federal proposals, the Healthy California Act is projected to improve access and efficiency in healthcare. Universal coverage would close the gap that presently leaves 2.7 million Californians uninsured and 12 million underinsured.[4] Despite these advantages of universal coverage, hesitation remains at state and federal levels regarding universal healthcare. We consider the potential for a system of universal coverage combined with a single-payer financial model to improve both the health and prosperity of California, the sixth largest economy in the world and the most populous US state. We also evaluate perceived and actual challenges to implementation. Successful healthcare reform in California could galvanize a transformation of the health policy landscape across the US.

Health and economic benefits of universal healthcare

Universal healthcare improves health outcomes by ensuring that everyone has continuous access to care regardless of pre-existing conditions, ability to pay, or any other factors. This continuity is particularly important for the management of chronic conditions, as exemplified by the dire state of HIV intervention in the US: more than half of Americans diagnosed with HIV are not receiving treatment.[5] A principal factor driving this sobering

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APG conceived of the manuscript and all authors contributed to its writing.

statistic is the barrier of re-engagement in care following dropout,[6] a difficulty eased in a simplified system where everyone has continuous healthcare coverage.

In other countries, a shift to universal healthcare has been associated with reduced mortality.[7] Specifically, 34 countries score higher than the US on the Health Access & Quality Index (HAQ), a metric based on amenable mortality, or death that could be averted with medical care.[8] All of these countries provide a form of universal healthcare (Fig 1).[9,10]

Beyond direct impact, universal healthcare generates myriad positive economic externalities, including a healthier and therefore more productive workforce. For instance, the introduction of universal healthcare in Jamaica reduced sick days by 34%, and overall achieved productivity gains that more than recouped the healthcare expenditure.[11] In the US, colorectal cancer is responsible for over $US 15.3 billion in productivity losses annually.[12] These losses are cost-effectively reduced by screening, which the vast majority of uninsured people do not receive.[13] At an individual level, prior to the Affordable Care Act, medical costs were the most common cause for bankruptcy.[14] Bankruptcy is not only devastating for individuals and families, but also detrimental for corporations to which debts are owed. Conversely, Medicaid expansion is linked to a reduction in unpaid debts.[15] Catastrophic health expenses amplify inequity across American society, as lower wage positions are less likely to offer health insurance.

Economic benefits of a single-payer health system

Within the US, there are widespread concerns that universal healthcare would be prohibitively expensive. Analysis of the California plan suggests otherwise. Implementing universal coverage through a single-payer system is projected to reduce health spending in the state by $37.5 billion annually, from the present $368.5 billion down to $331 billion.[4] Although extending coverage to those currently uninsured does increase costs, these expenses would be recouped by the savings realized through a single-payer system.

Single-payer plans can provide high quality care at lower cost than private insurance through three mechanisms: efficient investment in preventative care, reduced administrative costs, and increased negotiating power. With regard to preventative care, profit-driven insurance companies have fiscal obligations to shareholders that can conflict with patient care and long-term investments in disease prevention. The revolving of customers in and out of coverage as well as among insurers further disincentives a longer-term health perspective on the part of any single insurer. Although it is preferable to avoid both disease and the expense of downstream medical care, prevention initiatives are difficult to justify when the future benefits accrue to another insurance provider. The result is a systemic undervaluation of preventative measures, even those requiring only modest upfront investment. With a single-payer system retaining individuals throughout their lifespans, patient and payer interests are more closely aligned.

Administrative costs can be significantly reduced under a single-payer system. These costs account for over 25% of US hospital expenditures, more than twice the percentage under Canada’s single-payer system.[16] Administrative savings can be realized in at least two ways.

Firstly, payment can be streamlined at the provider level, as providers deal with only one payer. Secondly, bureaucratic functions which are currently redundant across insurers can be consolidated.

The comparatively high prices of pharmaceuticals in the US also inflate healthcare costs. As a unified purchaser, California will gain substantial negotiating power with drug manufacturers. Such negotiating power has been used by European and Canadian single-payer systems to purchase drugs at prices well below those paid in the US, likewise minimizing the overnight price gouging exemplified recently by pyrimethamine for toxoplasmosis (raised by 5500%)[17] and the EpiPen® epinephrine injection (by 791%).[18]

Businesses of all sizes would benefit. Healthcare provision for employees currently accounts for 14–22% of payroll costs.[4] Replacing payroll contributions, the complete $331 billion cost of the universal system could be covered by a 2.3% gross tax on corporate revenue above $2 million and a 2.3% sales tax on non-essentials, as proposed by an external analysis.[4] On balance, employers would see financial gains between 0.6%, for the largest firms, to 22%, for small companies.[4] These savings constitute an economic stimulus for corporations employing California residents. Revenue for California healthcare will also draw from a recently passed 230% increase in the tobacco tax. The benefits of the tobacco tax are two-fold: the tax generates revenue, and it discourages consumption, which in turn reduces long-term adverse health effects and treatment costs.

Perceived and actual challenges for universal single-payer healthcare in the US

Many Americans are hesitant to embrace universal single-payer healthcare due to fears that quality and efficiency of care would erode. However, the inefficiency of the current US healthcare system belies such fears. Better outcomes are achieved with lower costs in many countries with universal healthcare. For example, the US ranks 59th for amenable mortality from heart disease, 44th for amenable mortality from cancer,[8] and 41st for infant mortality,[10] despite the highest per-capita healthcare expenditures in the world.[19] Over the past 15 years, healthcare premiums have soared by more than 150% and healthcare expenditures by 130%, compared to only a 35% rise in median household income.[20–22] Meanwhile, the trend of increasing life expectancy in the US has been slight—even reversing since 2014.[23] Beyond longevity, quality of life is in crisis: America is in the midst of an unprecedented mental health epidemic, with a per-capita burden of mental health disorders second only to Russia.[24] Collectively, this evidence reveals substantial room for improvement in the US, undermining the argument that private healthcare is necessarily superior to a public system.

Opponents of single-payer plans further contend that individual choices will be restricted. However, the current system of employer-linked insurance often requires patients to switch provider networks when changing jobs, introducing high out-of-pocket costs to maintain one’s provider. Under a single-payer system, a patient’s employment does not determine their network. Opponents also argue that government involvement in healthcare would exacerbate inefficiency. This fallacy is inconsistent with billing and insurance-related expenses that are six times higher for private insurance than Medicare and Medicaid.[25]

Legitimate hurdles do remain before a universal single-payer system is likely to be adopted in California. The current bill has been returned to the state Senate by the Speaker of the California Assembly with a request for additional detail. Following legislative approval, a voter referendum is necessary to authorize the new taxes. In addition, a waiver must be obtained from the federal government before Medicaid funds can be used within the reformed system, a step which would likely have been straightforward under the previous administration but may be opposed by the current one. Without a waiver, the financial advantages of a single streamlined system will be more difficult to realize. The political popularity of universal single-payer healthcare in the US has additionally been tempered by the misalignment between short-term election cycles and long-term benefits. Irrespective of reductions in annual health expenditure over the long term, the transition will incur upfront costs. Finally, diligent planning is required to optimize the balance between costs and benefits, as well as to maintain continuity in service delivery.

Regardless of the political challenges to its implementation, California has identified a healthcare system that is equitable and economically viable, if not economically stimulating. The time is right: recent polls show that the popularity of single-payer healthcare in the US rising amidst the turmoil at the federal level,[26] and business leaders—traditionally a locus of opposition—are increasingly advocating for such plans.[27] The state's commitment to accessible healthcare is a transformational step, not only for Californians, but also for the residents of other states who will be watching carefully as California takes the lead.

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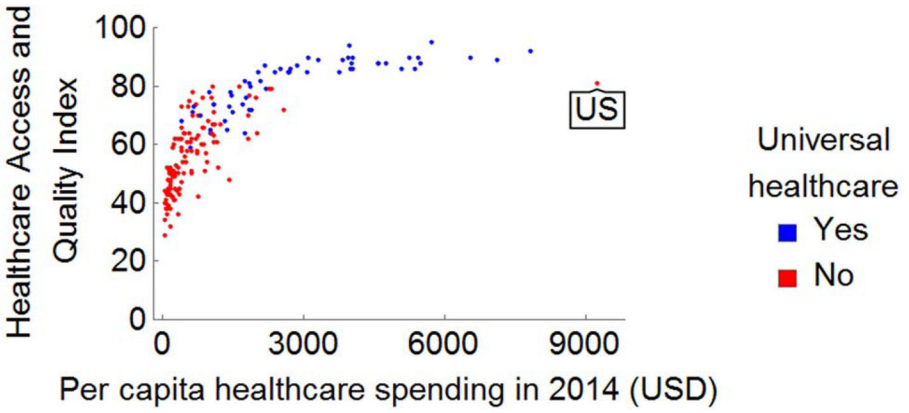

Figure.

The Healthcare Access and Quality Index, a composite indicator of the mortality that could be averted with appropriate healthcare, and per-capita healthcare spending for 175 countries. Blue points indicate countries with universal healthcare and red points indicate countries without. The US has the greatest per-capita healthcare spending in the world, but 34 countries - each of which provides healthcare for all its citizens - score more highly than the US on the HAQ Index.[8,9,19]