

For Immediate Release
August 2, 2018

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Is RAND's Single Payer Report Overly Optimistic?

The RAND Corporation's recently released report titled "Estimating the Effects of a Single-Payer Proposal in New York State" provides a less biased analysis of the underlying costs of a government run single payer system. Many of its assumptions, however, are aspirational, if not unrealistic, and the report fails to address a number of unique features of New York's health care delivery and financing system. If those assumptions are unattainable and if New York factors are more accurately reflected, the impact will likely be far more significant, exceeding even the already exorbitant projected tax burden of \$139 billion. Some of the more glaring issues are:

- The savings rely heavily on the assumption that health care provider reimbursement under single payer will grow at the rate of current Medicaid and Medicare spending, representing a significant cut in reimbursement for doctors and hospitals currently serving the commercially insured population. The report fails to acknowledge that most New York hospitals currently rely on the commercially insured population to cross subsidize the losses from government programs, such as Medicaid and Medicare. New York's hospitals will either refuse the rate cuts or suffer severe financial hardship, resulting in closures and a reduction in the quality of health care in the state.
- The report fails to account for any loss of insurance industry jobs. Other reports estimate the job loss to be as much as 150,000 employed New Yorkers. The loss of those jobs will result in a loss in both state and local tax revenue further adding to the cost of a single payer program.
- RAND's analysis assumes the same federal funding from Medicare, Medicaid and the Affordable Care Act. That assumption is based entirely on New York obtaining a waiver from the federal government. The waiver is highly unlikely with this administration and without it, federal funding will be severely diminished.
- For single payer to proceed as envisioned in New York, it would require an act of Congress to change federal law. Without a Congressional act, the law would likely be challenged and at risk is nearly half of the population currently receiving health benefits.

Without half of the currently covered population in the “single payer system”, the savings are unattainable and the taxes will be far greater.

- The report relies on the assumption of a continuation of the existing New York health care taxes, accounting for over \$5 billion. Those taxes include an insurer premium tax, a covered lives assessment and the Health Care Reform Act surcharge. Those taxes are assessments on commercial health insurance. If commercial health insurance is eliminated, those taxes will have to be added to the cost of single payer.
- Medicaid cost sharing by counties (\$8 billion) will no longer be collected under single payer. The loss of these revenues will necessitate billions more in higher taxes.

These are just a few examples of potential number of question marks in the RAND report. Even under RAND’s best-case scenario, single payer will require \$139 billion in new taxes and will cost \$309 billion overall. The new taxes will be paid by both employers and individuals. The employers are not just New York large businesses, but small businesses many of which are already struggling. The individuals include not only the wealthy but also middle income New Yorkers. For example, RAND projects single payer would cost small businesses, on average, \$1200-1800 per employee. RAND also projects New York families earning over \$141,000 will see a double-digit tax increase. According to the US Census Bureau, nearly 1 million New York families earned over \$141,000.

Even if every projection and assumption that RAND proposes comes through, single payer would still not create the tremendous savings its proponents claim. In the end, this report shows that all we can count on are higher taxes and diminished services paid for on the backs of doctors, hospitals, businesses and average taxpayers. More alarming is the conclusion by RAND that “congestion” will occur whereby the increased demand for services will not be met by the provider system. The congestion, according to report will actually help control savings.

With New York on the path to attaining universal coverage by reducing the rate of uninsured to historic lows (5%), why would the state destroy the current system and replace it with an unproven costly government run solution? The New York Conference of Blue Cross and Blue Shield Plans is committed to attaining universal coverage under the current public-private partnership and developing solutions to making coverage more affordable and improving the quality of health care for all New Yorkers.

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The New York State Conference of Blue Cross and Blue Shield Plans (NYSCOP) is a partnership of Excellus Blue Cross Blue Shield and Empire Blue Cross Blue Shield. Together, the two health plans provide comprehensive health coverage for an estimated seven million New Yorkers.

For more information, please visit NYSCOP at: www.nysblues.org.