

Single-payer plan in New York could cover all without increasing spending

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A single-payer health care plan could expand coverage for all New York State residents, but would require significant new tax revenue, according to an analysis released today by the RAND Corporation and the New York State Health Foundation.

A plan outlined by the New York Health Act is likely to increase use of [health](#) services as more people receive coverage. But overall [health care](#) costs would decrease slightly over time if administrative costs are reduced and state officials slow the growth of payments to health care providers, according to the analysis.

The New York Health Act proposes progressively graduated taxes to fund the plan, but does not specify tax rates or structure. Researchers estimate that possible tax schedules imposed to support a single-payer plan would cut health care payments for most of the state's households, while the highest-income households would pay substantially more than they do today.

"Our analysis finds that a single-payer plan in New York does not have to increase the amount of money spent overall on health care in the state, but it would substantially change who pays for health care," said Jodi Liu, the study's lead author and an associate policy researcher at RAND, a nonprofit research organization. "While we estimate the impacts of the New York Health Act across a number of reasonable assumptions, the actual effects would be subject to many future decisions that ultimately influence cost and who pays."

"There was a great need for an independent, rigorous, and credible analysis of an issue that has arrived center stage for New York State and the nation," said David Sandman, president and CEO of the New York State Health Foundation, a private, statewide foundation. "With a fair and factual assessment in hand, the public and policymakers can make up their own minds about the merits of a single-payer approach."

About the New York Health Act

The New York State Legislature is considering a bill that would create a single-payer plan providing coverage to all state residents. In addition, calls for some type of single-payer health plan have increased at the national level.

As outlined in the legislation, the plan—to be called New York Health—would offer comprehensive benefits, except for long-term care benefits that may be included later. Patients would have no deductibles, copayments or other out-of-pocket costs at the point of service for covered services.

The plan would be funded by a new trust fund, which would receive funding from the federal government (in lieu of federal financing for current health programs in the state, if federal waivers are approved), current state and local funding for health care, and revenue from two new state taxes. One would be a payroll tax paid jointly by employers (80 percent) and employees (20 percent). A second tax would be on income not subject to payroll taxes, such as interest, dividends and capital gains.

RAND researchers used a microsimulation model to estimate the plan's effects on health care use, spending, and payments in New York compared to what is expected under the status quo for the years 2022, 2026 and 2031.

Key Findings

The analysis estimates that under the New York Health Act, total health spending would be similar in 2022 as with the status quo and become 3 percent lower by 2031. The decrease reflects the assumption that provider payment rates would grow more slowly over time under New York Health than the current health system, as has been the case with other publicly financed health programs.

Researchers estimate that new taxes for health care would need to be about \$139 billion in 2022 and \$210 billion in 2031 to fully finance New York Health. Under the status quo, the state is expected to collect about \$89 billion in taxes from all sources in 2022; thus, the new taxes would be a 156 percent increase in total state tax revenue.

As payments for health care shift from premiums and out-of-pocket payments to progressive taxes, most households in New York could pay less and the highest-income households could pay substantially more, suggests the RAND study. The shift in who pays more or less would ultimately depend on the design of the tax schedule.

Estimates of New Taxes

While the bill mandates only that the new taxes be graduated and does not specify the levels, RAND researchers estimate the impacts of one possible set of graduated marginal tax rates applied to three income brackets. The analyzed scenario has a payroll tax that begins at 6 percent for the lowest bracket (those earning under \$27,500 in 2022), rises to 12 percent for the middle bracket, and to 18 percent for those in the highest bracket (above \$141,200 in 2022). The nonpayroll tax follows the same schedule and the rates are about 6 percent, 12 percent, and 19 percent for the three brackets.

Under these analyzed tax schedules in 2022, New Yorkers with household compensation (income plus employer contributions to health care) below the 90th percentile would pay an average of \$2,800 less per person for health care. While payments decline for most people in this group, payments would likely increase for those people who work for employers that did not previously offer health care coverage.

For New York residents in the 90th to 95th percentile of the household compensation, average health care payments would increase by \$1,700 per person in 2022. The top 5 percent of New Yorkers by household compensation—a heterogeneous group with average household compensation of about \$1,255,700 in 2022—would pay an average of \$50,200 more per person.

The effects on employer health care payments would vary by whether the business currently provides health care to workers, according to the study. Employers that currently offer health coverage would contribute \$200 to \$800 less per worker on average for employee health benefits under the single-payer plan in 2022. Meanwhile, employers who do not offer coverage under the status quo would pay an estimated \$1,200 to \$1,800 more per worker on average in 2022 because of new payroll taxes.

Researchers say that the introduction of new taxes could result in some residents and businesses leaving the state, potentially altering the financing of the plan. If even a small percentage of the highest-income residents move or find a way to shield income from the new taxes, tax schedules would need to be revised and could require increasing the financial burden on middle and lower-income residents.

"The estimated effects of the New York Health Act are highly dependent on assumptions about provider payments, administrative costs, and drug prices," said Christine Eibner, co-author of the study and

the Paul O'Neill Alcoa Chair in Policy Analysis at RAND. "The actual cost of a single-payer health plan in New York would be sensitive to the extent to which state officials would negotiate or set price levels and generate efficiencies that would curb health care spending."

More information: The study, "An Assessment of the New York Health Act: A Single-Payer Option for New York State," is available at www.rand.org

Provided by RAND Corporation

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