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Adopting single-payer system would crush economy

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It is an old joke among health-policy wonks that what the American people really want from health-care reform is unlimited care, from the doctor of their choice, with no wait, free of charge.

For Republicans, trying to square this circle has led to panic, paralysis, and half-baked policy proposals such as the Obamacare-replacement bill that passed the House last month. For Democrats, it has led from simple disasters such as Obamacare itself to a position somewhere between fantasy and delusion.

The latest effort to fix health care with fairy dust comes from California, whose Senate voted last week to establish a statewide single-payer system. As ambitious as the California legislation is, encompassing everything from routine checkups to dental and nursing-home care, its authors haven't yet figured out how it will be paid for.

The plan includes no copays, premiums, or deductibles. Perhaps that's because the legislature's own estimates suggest it would cost at least \$400 billion, more than the state's entire present-day budget. In fairness, legislators hope to recoup about half that amount from the federal government and the elimination of existing state and local health programs. But even so, the plan would necessitate a \$200 billion tax hike. One suggestion being bandied about is a 15 percent state payroll tax. Ouch.

The cost of California's plan is right in line with that of other recent single-payer proposals. For example, last fall, Colorado voters rejected a proposal to establish a single-payer system in that state that was projected to cost more than \$64 billion per year by 2028. Voters apparently took note of the fact that, even after figuring in savings from existing programs, possible federal funding, and a new 10 percent payroll tax, the plan would have still run a \$12 billion deficit within ten years.

Similarly, last year Vermont was forced to abandon its efforts to set up a single-payer system after it couldn't find a way to pay for the plan's nearly \$4 trillion price tag. The state had considered a number of financing mechanisms, including an 11.5 percent payroll tax and an income-tax hike (disguised as a premium) to 9.5 percent.

On the national level, who could forget Bernie Sanders's proposed "Medicare for All" system, which would have cost \$13.8 trillion over its first decade of operation? Bernie would have paid for his plan by increasing the top U.S. income-tax rate to an astounding 52 percent, raising everyone else's income taxes by 2.2 percentage points, and raising payroll taxes by 6.2 points. Of course, it is no surprise that Medicare for All would be so expensive, since our current Medicare program is running \$58 trillion in the red going forward.

It turns out that “free” health care isn’t really free at all.

How, though, could a single-payer system possibly cost so much? Aren’t we constantly told that other countries spend far less than we do on health care?

It is true that the U.S. spends nearly a third more on health care than the second-highest-spending developed country (Sweden), both in per capita dollars and as a percentage of GDP. But that reduction in spending can come with a price of its own: the most effective way to hold down health-care costs is to limit the availability of care.

Some other developed countries ration care directly. Some spend less on facilities, technology, or physician incomes, leading to long waits for care. Such trade-offs are not inherently bad, and not all health care is of equal value, though that would seem to be a determination most appropriately made by patients rather than the government. But the fact remains that no health care system anywhere in the world provides everyone with unlimited care.

Moreover, foreign health-care systems rely heavily on the U.S. system to drive medical innovation and technology. There’s a reason why more than half of all new drugs are patented in the United States, and why 80 percent of non-pharmaceutical medical breakthroughs, from transplants to MRIs, were introduced first here.

If the U.S. were to reduce its investment in such innovation in order to bring costs into line with international norms, would other countries pick up the slack, or would the next revolutionary cancer drug simply never be developed? In the end, there is still no free lunch.

American single-payer advocates simply ignore these trade-offs. They know that their fellow citizens instinctively resist rationing imposed from outside, so they promise “unlimited” care for all, which is about as realistic as promising personal unicorns for all. In the process, they also ignore the fact that many of the systems they admire are neither single-payer nor free to patients.

Above and beyond the exorbitant taxes that must almost always be levied to fund their single-payer schemes, many of these countries impose other costs on patients. There are frequently co-payments, deductibles, and other cost-sharing requirements. In fact, in countries such as Australia, Germany, Japan, the Netherlands, and Switzerland, consumers cover a greater portion of health care spending out-of-pocket than do Americans. But American single-payer proposals eliminate most or all such cost-sharing.

Adopting a single-payer system would crush the American economy, lowering wages, destroying jobs, and throwing millions into poverty. The Tax Foundation, for instance, estimated that Sanders’s plan would have reduced the U.S. GDP by 9.5 percent and after-tax income for all Americans by an average of 12.8 percent in the long run.

That is, simply put, not going to happen. So Americans are likely to end up with a lot less health care than they have been promised.

Santa Claus always will be more popular than the Grinch. But the health-care debate needs a bit more Grinch and a lot less Santa Claus. Americans cannot have unlimited care, from the doctor of their choice, with no wait, for free. The politician that tells them as much will not be popular.

But he or she may save them from something that will much more likely resemble a nightmare than a utopian dream.

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