Single payer sympathy?

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July 29, 2018

A July 30 2018 Op-Ed in the Wall Street Journal, titled "The tax and spend health care solution"

> Why is paying for health care such a mess in America? Why is it so hard to fix? Cross-subsidies are the original sin. The government wants to subsidize health care for poor people, chronically sick people, and people who have money but choose to spend less of it on health care than officials find sufficient. These are worthy goals, easily achieved in a completely free-market system by raising taxes and then subsidizing health care or insurance, at market prices, for people the government wishes to help.
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> But lawmakers do not want to be seen taxing and spending, so they hide transfers in cross-subsidies. They require emergency rooms to treat everyone who comes along, and then hospitals must overcharge everybody else. Medicare and Medicaid do not pay the full amount their services cost. Hospitals then overcharge private insurance and the few remaining cash customers.
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> Overcharging paying customers and providing free care in an emergency room is economically equivalent to a tax on emergency-room services that funds subsidies for others. But the effective tax and expenditure of a forced cross-subsidy do not show up on the federal budget.
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> Over the long term, cross-subsidies are far more inefficient than forthright taxing and spending. If the hospital is going to overcharge private insurance and paying customers to cross-subsidize the poor, the uninsured, Medicare, Medicaid and, increasingly, victims of limited exchange policies, then the hospital must be protected from competition. If competitors can come in and offer services to the paying customers, the scheme unravels.
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> No competition means no pressure to innovate for better service and lower costs. .....

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As usual, I have to wait 30 days to post the whole thing. It synthesizes some of my earlier blog posts (here here here) on how cross subsidies are worse than straightforward, on budget, taxing and spending.

Let me here admit to one of the implications of this view. Single payer might not be so bad -- it might not be as bad as the current Medicare, Medicaid, Obamacare, VA, etc. mess.

But before you quote that, let's be careful to define what we mean by "single payer," which has become a mantra and litmus test on the left. There is a huge difference between "there is a single payer that everyone *can* use," and "there is a single payer that everyone *must* use."

Most on the left promise the former and mean the latter. Not only is there some sort of single easy to access health care and insurance scheme for poor or unfortunate people, but you and I are *forbidden* to escape it, to have private doctors, private hospitals, or private insurance outside the scheme. Doctors are forbidden to have private cash paying customers. That truly is a nightmare, and it will mean the allocation of good medical care by connections and bribes.

But a single provider or payer than anyone in trouble *can* use, supported by taxes, not cross-subsidized by restrictions on your and my health care -- not underpaying in a private system and forcing that system to overcharge others -- while allowing a vibrant completely competitive free market in private health care on top of that, is not such a terrible idea, and follows from my Op-Ed. A single bureaucracy that hands out vouchers, pays full market costs, or pays partially but allows doctors to charge whatever they want on top of that would work. A VA like system of public hospitals and clinics would work too. Like public schools, or public restrooms, you can use them, but you don't have to; you're free to spend your money on better options if you like, and people are free to start businesses to serve you. And no cross-subisides.

Whether we restrict provision with income and other tests, and thus introduce another marginal disincentive to work, or give everyone access and count on most working people to choose a better product, I leave for another day. It would always be an inefficient bureaucratic problem, but it might not be the nightmare of anti-competitive inefficiency of the current system.

The free market describes well how your and my health care and insurance should work. It does not offer nearly so clear advice on how the government should manage the finances and bureaucracy that provide subsidies (if we want to provide them). There are always tradeoffs, generosity vs. moral hazard and disincentives. Economics is crucial to understanding those tradeoffs, of course, but the answer will always be a muddy middle of tradeoffs. I have offered that taxing and spending -- on budget and appropriated -- to provide those subsidies may be better than the current mandated cross subsidies. We already have a "single payer" -- the federal government. The argument that a single point of entry, a single payer, or a single provider, may be more rational and cost effective than the current system *for the purpose of providing*

subsidized care is not as crazy as it sounds -- if it allows a free the market for the majority of Americans who own cars, houses, TVs and cell phones and can pay for better services in that free market.

"Single payer" also usually means "single price-setter." It means a gargantuan Federal bureaucracy that will somehow produce health care cost savings by simply decreeing that doctors and hospitals be paid less. Good luck with that.

Both left and right forget that "negotiation" means only you pay less and somebody else pays more. We can't all pay less by negotiation. Price controls mean rationing. Period. This is the heart of current "single payer" proposals, and they are doomed.

My "single payer" is just that, a "payer," operating in a completely free market.

Still, when a politician endorses "single payer," ask "does that mean we all *can* use a single payer? Or does that mean we all *must* use a single payer?"

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