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Health Care: News and Information is a service of the Healthcare Leadership Council (HLC) to help our readers stay fully informed about the latest health care issues as we work to advance a high-quality health care system.

Jim Edwards, Editor

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Study: Savings Under “Single-Payer” a Mirage

If the United States went to a government-run health system, the administrative savings some claim would exist, in fact, just wouldn't be there. Nor would they provide coverage to all the uninsured.

- New research from the Manhattan Institute reports that the real economic costs of a single-payer health system would sink any administrative cost savings.
- Scholar Benjamin Zycher's study, “Comparing Public and Private Health Insurance: Would A Single-Payer System Save Enough to Cover the Uninsured?,” looks into the purported savings that would occur by junking America's private sector health care for a government-run, single-payer system.
- This report's analysis finds that covering all the uninsured simply by switching to government-run health care, using the supposed administrative savings, is a pipe dream.

The government actually spends about twice the reported amount on Medicare's administrative costs.

- The Medicare budget reports about 3 percent going toward direct administrative costs. But there's more to it.
- Really, Medicare's administrative costs run about 6 percent of its spending. That's when you consider the indirect costs. A lot more government spending goes toward functions that support Medicare, such as enforcement. Only it isn't reflected in Medicare's budget figures.
- With private sector health insurance, 11 to 14 percent of premium dollars cover administration. Remember also, that private sector “administrative costs” include the taxes they pay, a factor that doesn't affect government agencies.

Single-payer could save administrative costs -- initially. But once the uninsured got coverage, consumption would rise. The savings would go out the window. And then the belt-tightening starts inflicting pain on every American.

--MORE --

- Changing from market-based to government-run health care would save about \$100 billion a

year on administrative costs.

- That would give \$2,100 in health benefits to each of the 47 million uninsured. But the average rise in health care consumption would be between \$1,700 and \$3,400 per person formerly without coverage. You get more of what you subsidize.
- In this case, a single-payer system would see net health care costs likely result in deficit. The switch would range from a \$19 billion annual surplus to a \$61 billion gap. A \$21 billion annual deficit is the midpoint.
- The government would suffer budget-balancing pressure. Its only options would be price controls, rationing of care or tax increases. The most probable scenario: a painful combination of all three.

The siren song of single-payer would be a trap of epic proportions. A shift to government-run health care would do far more harm than good. Remember, administration in the private sector isn't "waste." While the government can waste taxpayer money, the private sector strives for efficiency. Any private dollar spent on administration helps consumers and saves their costs overall. That's the market working. Claims about covering the uninsured through savings of "administrative costs" are a lot of hyperbole. The fact is, there isn't enough "administrative" money to fulfill what politicians promise. And once on that path, there'd be tons of pain when the care rationing, price controls and tax increases kicked in.

The Healthcare Leadership Council, representing the innovators in each sector of the health care industry, is committed to advancing a market-based health care system that values innovation and provides affordable, high-quality care.

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