



SINGLE-PAYER SYSTEM

WHAT IS A 'SINGLE-PAYER SYSTEM' FOR HEALTH CARE?

Some policymakers have proposed moving to a single-payer system as a way to meet the goals of achieving universal health insurance coverage, lowering health spending, and improving health care quality. In general “single payer” means the health insurance system covers the health care spending for all of a specified population and is financed by the government, typically from tax revenues.

Although the term describes how the system is financed, it does not define who employs the health care providers. The term “socialized medicine” differs from “single payer” in that the former refers to a system in which the government not only pay for the medical spending, but also owns the health care facilities and employs the physicians and other health care workers.

Examples of Single-Payer Systems

The Canadian health care system follows a single-payer model. It provides health insurance coverage for all legal residents and is jointly funded by the federal and provincial taxation. Each province designs and administers its own program, including setting payment rates for health care services and prescription drugs, and establishing overall health care spending budgets. Health care services are provided by private physicians and hospitals. Residents can purchase private insurance to cover services excluded

from the public programs, such as vision and dental care, outpatient prescription drugs, rehabilitation services, home care, and private rooms in hospitals.

Medicare is often referred to a single-payer system, and some single-payer proposals are characterized as “Medicare for all.” Medicare is financed through federal income and payroll taxes as well as beneficiary premiums. The program covers medical services for eligible beneficiaries, and care is received from private health care providers. Medicare is not operated completely by the government, however, as private insurers participate through the Medicare Advantage and Part D prescription drug programs. In these Medicare programs, private insurers are paid by the federal government to provide insurance coverage and bear the risk if spending exceeds those payments.



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Implications of Moving to a Single-Payer System

The impact of a single-payer system on insurance coverage rates, health care spending, providers, consumers, and taxpayers depends on the details underlying the system. Potential implications include:

Increased health insurance coverage rates. Universal or near-universal coverage is generally attainable in a single-payer system.

Lower provider payment rates. Single-payer systems usually set the provider payment rates for covered health care services. The United States currently has much higher prices for most medical services and prescription drugs than other developed countries. Under a single-payer system, the government could set lower payment rates and potentially control overall costs by establishing aggregate spending limits and by limiting utilization. Those mechanisms could lower health spending, but also could lead to delays in care. Any cost controls could be subject to political pressures and influences, which could limit cost savings.

Lower administrative costs. A single-payer system could reduce the costs of administering the system, lower the administrative burden on health care providers, and simplify enrollment and system navigation for consumers. These administrative efficiencies could be offset, at least in part, by costs associated with increased government involvement and oversight.

Higher taxes. To finance a single-payer health care system, broad public funding would be needed in the form of new or increased federal and/or state taxes. How those taxes are structured, and how they compare with current health insurance premiums, would affect the impact on consumers and how that impact would vary among consumers. The total financial impact on consumers also would reflect any cost-sharing requirements and how they compare to those under the current system, as well as any limitations in coverage.

Reduced role for private insurance. A single-payer system could replace all or most other private insurance, as well as other public programs (e.g., Medicaid). As in Canada, private insurance could be made available for services not covered by the single-payer system, such as dental and vision care. Private plans also could be incorporated as they are under the Medicare Advantage and Part D programs.

Reduced health care innovation. There are concerns that compared to the current market-based system, moving to a single-payer system could reduce the level of innovation available in both the delivery of health care and the design of health care benefits. For instance, the Medicare program can be slower to test and adopt delivery system innovations than the private insurance market.

