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The Costs and Savings of the New York Health Act

My name is Leonard Rodberg. I am Emeritus Professor of Urban Studies at Queens College, City University of New York. I am also Research Director of the New York Metro Chapter of Physicians for a National Health Program and a member of the Board of Directors of the Campaign for New York Health, the coalition we have created to advocate for the New York Health Act.

I have been working on the issue of health care reform in various settings, including in Washington, DC, for many years. I helped draft the New York Health Act as an advisor to Assemblyman Richard Gottfried, and I have worked with him and Senator Rivera to evaluate the economic impact of that Act. I am here today to discuss the costs and savings of the Act and to urge passage of the New York Health Act.

I am sure other witnesses will describe to you why we need the New York Health Act: That we spend more for health care than any other nation on earth, and yet millions go without the care they need because they can't afford it; that our health statistics lag behind those of dozens of other countries; and that the situation is getting worse as costs continue to rise. I will focus here on the practical economics of this essential legislation.

Over the past four years, two substantial studies of the Act have been conducted. In 2015, Prof. Gerald Friedman of UMass/Amherst released his economic analysis of the New York Health Act. I oversaw that study on behalf of the Campaign for New York Health, which funded the study. Prof. Friedman found that there would be very significant savings, even as every New Yorker was covered and all financial barriers to receiving care were removed. Last summer, the highly-respected RAND Corporation conducted an in-depth analysis of the Act, sponsored by the New York State Health Foundation. They found that this legislation would cover everyone, improve benefits without copays or deductibles, cost no more than we are now spending, provide savings for most New Yorkers, and control costs going forward into the future.

On behalf of the Campaign, I undertook an evaluation of the RAND report. My analysis of its findings is attached to this testimony.

RAND used conservative assumptions, ignoring numerous published studies, in estimating several key parameters in their study. They did, though, offer alternative assumptions based on published research and analysis, and I used those in my analysis. These alternatives support significant savings in health plan administration and drug and medical device pricing. I also examined doctor and hospital administrative savings, for which RAND did not offer alternatives, but where published studies suggest substantial further savings. These greater projected savings enable improvements and additional coverage to be incorporated into the New York Health Act, while still keeping overall spending below what we now spend.

The savings that I estimate we can achieve are as follows:

- Insurance plan administrative savings of \$20.2 billion, or 71% below current plan overhead.
- Health care provider savings of \$16.3 billion, or 62% below their current billing costs.
- Savings through negotiating lower drug prices (as our Medicaid program already does) of \$18.6 billion, or 33% of current spending.

There are additional costs of \$17.1 billion as well, since more people will be covered, and their coverage will be more complete and without copays and deductibles. This is an 8.1% increase in the cost of providing health care services. RAND calculated these extra costs, and I used their results for this increased cost. There are then net savings of \$38 billion, or 12% below current projections for 2022.

These projected savings enable us to consider a number of improvements to the way we currently pay for health care. I've included the following in my final estimates:

- Raising all physician payment rates to the level currently paid by commercial insurance, since Medicare and Medicaid rates are often insufficient to cover costs
- Paying Medicare Part B premiums so that Medicare recipients won't have to pay them
- Paying the local county share of Medicaid payments
- And, finally, incorporating universal long-term care into the New York Health Act, using RAND estimates for what this will cost.

The net result is that, with these improvements, we would save \$11.3 billion, or 3.6%, below what we now project for 2022. New taxes of \$157.9 billion would be required. While this sounds

like a lot, and it is a lot, it is actually almost 10% below the \$169 billion currently spent by businesses, consumers, Medicare recipients, and local and state governments.

Not only can we cover everyone, improve the coverage they now have, add long-term care, and spend less than we are now spending, but we can control costs heading into the future, something no other health reform plan can do. We know this, because we have seen the cost of both the Medicare program and the Medicaid program rise much more slowly, in line with general inflation, than the cost of privately administered health insurance.

We need to learn from what others around the world have already found, that you can use government intelligently to provide health care for all our people without their having to face the financial barriers that keep many of them from getting the care they need. We are proposing an efficient, simplified single payer system that can improve the life of every New Yorker, and of our health care providers as well, at a cost we can afford.

I urge you to support the New York Health Act.

I am attaching to my testimony my full report on the RAND study entitled "Summary and Evaluation of the RAND Corporation's Assessment of the New York Health Act." In a separate addendum, I am adding several other related documents including (1) a four-page summary of the conclusions of this report entitled "Savings and Spending Under the New York Health Act FAQ"; (2) a set of tables and graphs entitled "How the New York Health Act Works in Tables and Figures"; (3) responses to four frequently asked questions, FAQs on Federal waivers, ERISA, Wait Times, and Assisting Displaced Workers. These policy documents were prepared by myself and Dr. Henry Moss, another Board member of the NY Metro Chapter of Physicians for a National Health Program. I have also sent them via email to the Analysts for the two Health Committees.

Thank you.