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The Costs and Savings of the New York Health Act

My name is Leonard Rodberg. I am Professor Emeritus 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 will be very significant savings, even as every New Yorker is covered and all financial barriers to receiving care are removed. In 2018, 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 will 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 can be downloaded here.

RAND used conservative assumptions, ignoring numerous published peer-reviewed 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 there will be substantial savings in a single payer plan like the New York Health Act. These greater projected savings enable improvements and additional coverage to be incorporated into the New York Health Act, while still keeping overall spending well below what we now spend on health care.

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

• Insurance plan administrative savings of $20 billion, or 71% less than the overhead of private insurance plans.

• Physician and hospital savings of $16 billion, or 62% less than current billing costs.

• Savings through negotiating lower drug prices, as our Medicaid program already does, of $19 billion, or 33% below current spending.

There are additional costs of $17 billion, an increase of 8%, as more people get care, their coverage becomes more complete and they don't have to pay copays and deductibles. Overall, there are net savings of $38 billion per year, or 12% below current projections for 2022.

These 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 not enough to cover their costs.

• Paying Medicare Part B premiums to the Federal government, so that Medicare recipients won't have to pay them.

• Paying the local share of Medicaid payments, allowing local property taxes to be reduced.

• And, finally, incorporating universal long-term care into the New York Health Act, using the RAND estimate of $18 billion, or 6% of total spending, for what this will cost.

The net result is that, with these improvements, we will save $11 billion, or 3.6%, below what we project for 2022. New taxes of $158 billion will be required. While this sounds like a lot, and it is a lot, it is actually almost 7% below the $169 billion currently spent on health care by businesses, consumers, Medicare recipients, and local and state governments. Because the new taxes will be progressively graduated, with those of higher income paying more than those with lower incomes, between 80-90% of New Yorkers will spend less than they are now spending.

Not only can we cover every New Yorker, 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 than the cost of private 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 us from getting the care we 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.

We are often asked whether the New York Health Act can function if we don't receive Federal waivers. The short answer is "Yes." NY Health can be implemented more easily if New York receives Federal Medicare and Medicaid funds in "bulk" payments, but if not, the funds will still be available though in slightly less convenient forms. I discuss this in more detail in my report on the RAND study and in an analysis of Federal waivers prepared by Dr. Henry Moss and myself.

Thank you.