Public Hearing Testimony

My name is Ashley Fox and I am an Assistant Professor at Rockefeller College of Public Affairs and Policy at the University at Albany. My research focusses on comparative health policy and I have experience consulting on universal health coverage including being part of a team that worked on the ultimately unsuccessful single-payer proposal in Vermont.

What I want to speak to in the brief time that I have in my testimony is to address head on the most common criticism that tends to be the death knell of single-payer proposals- that is, the idea that to finance single-payer, we must raise taxes and double or triple public spending.
What I want to say to that assertion is the following:

YES. That universal health coverage, by definition, means universal tax financing of health coverage. [1]

But what I want to specifically speak to is why and how it is the case that we can indeed spend less and get more through a tax financed health insurance program than we can through private health insurance coverage. And what I most want to point out is that we are already paying a highly regressive health care tax- that is what I refer as the **Private Health Insurance Premium Tax.**

Let me explain.

60% of working age adults get their health insurance through an employer sponsored plan [see KFF]. The average cost of an employer sponsored plan for family coverage in 2018 was almost $20,000 per employee [see KFF]. Of that, employers contribute about $15,000 towards their employees plan and employees contribute about $5,000.

So putting aside the fact that $20,000 per employee is a huge cost, let me discuss some features of this way of financing health coverage that are particularly inefficient and regressive. First, consider that the way private premiums are structured, an employee that makes $20,000 a year in almost all cases is going to be paying the same amount from his/her paycheck as an employee making $100,000 a year.[2] For the employee making $20,000/yr that would constitute 25% of their income. For an employee making $100,000 a year, that would constitute 5% of their income. That is what I would call a regressive tax and that is excluding the downward pressure on wages that undoubtedly occurs because employers are having to pay so much for their employees' health plans.[3]

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[1] I do not view a system that relies on the voluntary private provision of health coverage to the majority of the population to be a universal health coverage system. So even if we filled in some of the remaining gaps, I still would not consider that to be a universal health coverage system.

[2] According KFF, Only one in 10 employers with 500 or more employees uses a salary-based premium model, whereby workers who earn less pay less of the share of their health care plan.

[3] To the unions out there- think about how much more you could negotiate on wages if you did not have to negotiate on health insurance? Employers- think about how much money you could put towards other uses without this regressive Private Health Insurance Premium Tax around your neck?

Now let me talk about how, typically, single-payer plans, like Medicare are financed. A typical way to finance a single-payer plan is through a payroll tax. Medicare Part A in the US is predominately financed through a modest payroll tax of 2.9 percent of earnings paid by employers and their employees (1.45 percent each) [see KFF]. First, note what a small tax that is. Next note, that because it is specified as a proportion of your wage that it is not regressive in the same way that a premium tax is. So for someone making $20,000/yr would only pay $290/yr and someone making $100,000 would pay $1,450/yr.

Granted, the Medicare payroll tax does not pay for everything, just Part A. But, mind you, Medicare covers older adults who have the greatest health burdens whereas employer-sponsored insurance tends to cover younger, healthier people. Why should our health insurance cost so much more than what it costs to finance insurance for older adults?

I recently took a look at my paystub to try to figure out what I am paying for my private health coverage versus Medicare to put all of this in perspective for myself. I have the Empire Plan, which is a quite generous plan that many state employees have. I looked at my paystub, which is paid to me bi-weekly, and I saw that $225 per paycheck goes to my health plan, which amounts $450 a month. If multiply that out by 12 months, that comes to about $5,400 a year for my portion of the cost of my health plan, which is in the range of the estimates for your average employee contribution to an employer-sponsored family plan. Then I looked at what I was paying in Medicare, which was $52 per paycheck, so about $100 per month or about $1,200 per year. Now, I don't know about you all, but personally, if I could pay, let's even say $350 month with a cost savings of over $1,000/yr and get more comprehensive universal health coverage for myself and my family that I can be guaranteed to have regardless of whether I change jobs, lose my job, decide to work for myself, with no additional co-payments or costs sharing, etc., that would be a better deal from a purely rational, self-interested perspective. The Rand Report, which employs a progressive payroll tax assumption has estimated that households making under $276,000 for a family of 4 can expect to pay less than they presently are on health care and will receive more comprehensive coverage.

Personally, I think that saving money and getting more for what you pay is a good thing all around. It's good for people and its good for business.

Thank you.