

## **Summary of Gerald Friedman's comprehensive study of Context, Savings, Costs, Financing that compares our present Health care system with the Ohio Health Plan**

### **What is the Ohio Health Plan?**

The Ohio Health Plan replaces the private insurance market-based system with a Single, publicly-funded program that provides that everyone will be covered for all medical needs: hospitalization, doctor visits, dental, vision, mental/behavioral health, prescribed occupational and physical therapy, prescription drugs, medical devices, and rehabilitative care.

### **Advantages of Ohio Health Plan over present health care system.**

1. Reduces insurance administration costs from 9% to 2 %. This is a \$9.31 Billion savings per year in Ohio.
2. Increases disposable income for 95% of Ohioans. Most individuals will save an average of \$2300 in 2019. The largest savings will go to working families and middle-income households.
3. Increases employment by lowering the insurance burden on businesses that pay for health care for employees.
4. Covers all the uninsured and increases coverage for those with inadequate coverage.
5. Reduces financial barriers like co-pays and deductibles. 33% of Americans now face financial barriers to seeing a doctor.
6. Eliminates medical bankruptcies. Ohio has 20,000 bankruptcies per year due to medical bills.
7. Reduces economic inequity. Switching deductibles, copays and premiums to a progressive income and payroll tax takes the burden off the poor, middle income, the sick, and the elderly.

### **30-year trends in Ohio with our private insurance market-based system.**

1. Ever-increasing costs of health care means less disposable income for Ohio's working families as they face increasing copays, deductibles and premiums.
2. Compared to other wealthy nations, Ohio's health care system is inefficient with increasing mortality rates especially for mothers and infants.
3. Increased out of pocket costs have increased bankruptcies, especially among the elderly. 20,000 Ohioans apply for bankruptcy each year due to health care costs.
4. 33 % of Americans report that cost is a barrier to seeing doctors. 1,395,000 people in Ohio do not see doctors because of the cost. This results in increase in premature mortality of 23%.
5. This results in 300 added deaths per 100,000 or 32,000 preventable deaths per year.
6. Life expectancy has fallen, especially for the poor and minority populations.
7. Hospitals systems function like monopolies, steering patients to network hospitals and buying out physicians resulting in less choice of provider, decreased quality and less access to care.

## Ohio Health Plan will save Money - A lot of it!!

- Ohio will save \$38.467 Billion with single-payer efficiency - based savings.

Table 1. Projected savings (in \$billions) from single payer in Ohio

Provider administration	\$	10.032
Market Power (Pharmaceuticals and Hospitals)	\$	15.529
Insurance Administration	\$	9.310
Employer administration	\$	1.378
Fraud reduction	\$	2.217
Total savings	\$	38.467

- Over \$9 Billion saved in insurance administrative waste.
- \$1.3 Billion of administrative expense saved by employers due to not having to manage health insurance for their employees.
- Saves over \$10 Billion in provider offices due to simplified billing.
- Budgeting hospitals and negotiating with drug companies on price and fraud reduction saves another \$17 Billion.

## Why would we save money?

- Simplified administration dramatically lowers costs and reduces time wasted.
- 15% of current insurance premiums go to redundant billing, overhead, profit, advertising, marketing, CEO salaries. These costs do not serve patients.
- Drug costs are 3 to 4 times as high in the US than other countries which negotiate prices. The Ohio Health Plan requires negotiations for drugs.
- Current system has other costly abuse such as fraud, overcharging, and monopoly pricing.

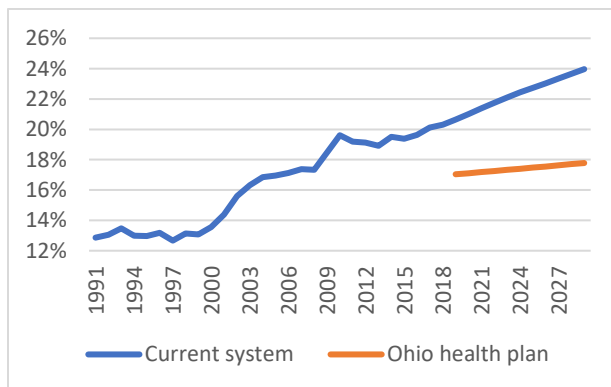


Figure 1. Health care as share of state GDP: Current system and proposed single payer

## What Single-payer would look like.

- All medically necessary services would be covered with no exceptions for pre-existing conditions.
- There would be no private insurance premiums taken out of paychecks and copays and deductibles are eliminated.
- Everyone will have comprehensive coverage that includes dental, vision and mental and behavioral health care along with complete choice of Ohio provider.
- Increased costs for the Ohio Health Plan are covered by income, payroll, and sin taxes and administrative savings instead of private insurance premiums, co-pays deductibles and other out of pocket costs.
- 95 % of Ohioans would save money. Those with incomes of over \$ 200,000 will pay more but the recent federal tax cuts to the rich make up most of the difference.
- There would be an economic stimulus with more disposable income for 95% of Ohioans.
- Doctors would have additional 6 hours a week related to less time spent on paper work and billing issues. This would allow 10 % more time with patients.
- Taxpayers save because all public employees would be covered and this lowers the cost to governments for employee health care.
- Businesses can hire more employees because they are paying less for employee health care.

## Revenue sources: How do we pay for it?

- Total cost will be \$140 Billion per year in Ohio without reform.

Table 2. Ohio Health Care Costs (in billions)

Personal health expenditures	\$	127.372
Insurance and government administration	\$	11.527
Employer administration	\$	1.378
Uncompensated care	\$	(0.638)
<b>Total spending</b>	<b>\$</b>	<b>139.639</b>

- \$75 Billion is already present from existing sources. As noted in Table 1, \$38 Billion is available from administrative savings.

Table 3. Existing Revenues (in billions)

Medicare	\$	34.895
Medicaid	\$	24.823
SCHIP	\$	0.522
VA	\$	4.511
Fed share of Medicaid rate adjustment	\$	1.191
New Federal Medicaid for utilization	\$	0.441
Other third party (local public health, TRICARE, IHS, charity, etc.)	\$	2.403
Remaining out-of-pocket (actuarial value of 96%)	\$	4.572
<b>Current state spending</b>	<b>\$</b>	<b>0.626</b>

ACA subsidies	\$	0.711
<i>Total Available revenue</i>	\$	74.694

- It costs \$13 Billion to cover the uninsured and improve coverage and eliminate copays and deductibles. Table 4. Cost of Program Improvements (in billions)

Universal coverage	\$	1.551
Utilization (removal of copays and deductibles)	\$	5.798
Medicaid rate	\$	1.713
Assumption of Medicare premiums	\$	3.894
Transition costs for UI and retraining	\$	0.178
<i>Cost of program improvements</i>	\$	13.136

- Businesses and individuals spend \$65 Billion in addition to the existing government revenues of \$75 Billion, but this does not cover the uninsured and leaves many with poor coverage.
- Only \$40 Billion is needed in new tax revenue to cover the remaining costs of the Ohio Health Plan. **Businesses and individuals will save \$25 Billion**

Table 5. Total Costs and Revenues (in billions)

Total Current Spending	\$	139.639
Total Savings with Single Payer	\$	38.467
Cost of Program Improvements	\$	13.136
Net spending, single payer, 2019	\$	114.309
Total Available revenue	\$	74.694
Needed revenue	\$	39.614

- Business payroll taxes could be as low as 10-12% versus many businesses pay up to 22% of payroll to insure employees.
- The above rate will be graduated for small businesses.
- Income taxes 3-5% on individuals and families would apply but would be phased in for lower income families. (95% of Ohioans will pay less than the existing copays, deductibles and private insurance premiums cost them now).
- Tax on alcohol, cigarettes, tobacco and marijuana will help improve health and keep other taxes lower.

### Concluding remark.

“The question then is not whether Ohio can afford single payer because a single-payer plan is cheaper than continuing with the status quo. Rather the question is whether the people of Ohio can continue to pay for an inefficient and wasteful health care system that often fails to care for them. They can certainly afford one that is more effective and less profligate with their money.”