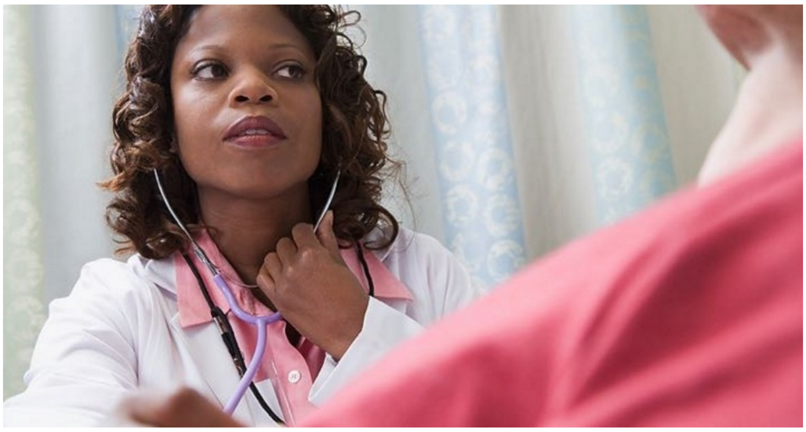
The Costs — Monetary and Social — of "Medicare for All" Are Enormous



The Mercatus Center, a libertarian policy organization based at George Mason University in Virginia, released an analysis on Monday of the "Medicare for All" plan — otherwise known as single-payer — being pushed by socialist Senator Bernie Sanders. *The study concluded that the financial costs would be enormous.* While the study did not examine the social costs of such a scheme, those costs would also be huge.

First, the plan would require tax increases far beyond what have ever been seen in the United States. This is because the costs of such a single-payer plan would *increase* government spending over the next 10 years by $32.6 trillion dollars. Under the system, patients would make no copays when obtaining a medical service or procedure and would not have to meet any sort of deductible.

"Enacting something like 'Medicare for All' would be a transformative change in the size of the federal government," declared Charles Blahous, the author of the study. Blahous previously worked in the presidential administrations of George W. Bush and Barack Obama.

Others have reached the same conclusions. Kenneth Thorpe, a professor at Atlanta's Emory University, authored a similar study that he said "is showing that if you are going to go in this direction, it's going to cost the federal government $2.5 trillion to $3 trillion a year in terms of spending. Even though people don't pay premiums, the tax increases are going to be enormous. There are going to be a lot of people who'll pay more in taxes than they save on premiums." Thorpe is no libertarian activist — in fact, he was a senior health policy advisor for President Bill Clinton.

The New American examined the various proposals to reduce healthcare costs while increasing care and found the same thing to be true. The article on single-payer healthcare in our healthcare series, entitled "Does Single-payer Signal a Solution?", can be found here.

The Mercatus analysis concluded that even by doubling all federal individual and corporate income taxes, the revenues would still not be enough to cover the additional costs.

Sanders struck back at the conclusions of the study, predictably by raising the specter of the Koch brothers, since they are among the financial funders of the Mercatus Center, and Charles Koch is on the board of the center. "If every major country on earth can guarantee health care to all, and achieve better health outcomes, while spending substantially less per capita than we do, it is absurd for anyone to suggest that the United States cannot do the same," Sanders said. "This grossly misleading and biased report is the Koch brothers' response to the growing support in our country for a 'Medicare for all' program."

Sanders has not done a cost analysis for his plan, but he apparently instinctively believes it would work.

While it would not work financially, many Democrats are considering whether it would work politically in the 2020 presidential race.

Democrats could be expected to tout one aspect of the study, however, which concluded that "Medicare for all" would lower the costs of prescription drugs — $846 billion over 10 years, under the supposition that the government would deal directly with pharmaceutical companies. Of course, theoretically, if no drugs were provided under the plan, the savings would be even more — and the reality is that there could be far fewer drugs brought to market under such a plan, as the financial incentives would be greatly reduced for the drug manufacturers. In the United Kingdom, for example, doctors will sometimes simply refuse to prescribe a drug if it is too expensive (in their opinion) and so no patients under their socialized system even get the drug.

Before Medicare and Medicaid, many received medical care for free, or at least at a reduced rate; now they are charged for their medical care — as it is billed to the government program. Few can now remember the days before Medicare and Medicaid, when some medical care was simply given away free or at a drastically reduced rate by the doctor. In a 1968 article in *Trans-Action* magazine, Theodore Marmor, a member of the Institute for Research on Poverty at the University of Wisconsin, wrote that it had once "been a common practice among physicians to reduce or do away with fees for low-income patients. With Medicare, many poor aged people could not afford to pay, and to pay at a higher level."

One physician explained a few years after the programs' enactment to the *Wall Street Journal* why fees had to increase for the poor and the aged. "Before Medicare I was charging low-income patients only $4 for house calls [this was the late 1960s] because I knew they had limited means. But under Medicare I don't dare give them that lower price or the Medicare people will start reimbursing me at $4 for all claims on the grounds that this is my customary fee."

In addition to the financial considerations examined by the Mercatus analysts, there are social costs to consider. Two such "costs" that are very likely would include decreased freedom to choose a doctor and loss of privacy.

Once the government becomes the *customer* for the doctor, and not the patient, the relationship between physician and patient is seriously altered. No longer can patients expect any measure of privacy with their doctor.

After all, it is the "government" who is paying for the service, not the patient — at least not directly. While it is true that working Americans *will* be paying for the service, through confiscatory tax rates, the physician will know that it is the federal government bureaucrats that he has to please, not the patient, because they will control the purse strings.

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