The Daily Dish

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DOUGLAS HOLTZ-EAKIN | JANUARY 19, 2016

On Saturday, President Obama announced a plan to expand unemployment benefits by providing supplemental payments to workers who lose their jobs and end up taking a new job with lower wages. The proposed plan would cover up to $10,000 over two years for experienced workers who now make less than $50,000. Although this plan would be federally funded, it would be implemented by the states through the unemployment insurance programs.

A revised recovery plan for Puerto Rico has been released revealing that the debt is worse than previously indicated. Puerto Rico's first five-year plan projected $14 billion of debt relief, but officials announced the deficit is expected to grow to $16 billion over the next five years. In addition, top officials are expecting Puerto Rico's revenue to fall by $1.7 trillion over the same time period.

Eakinomics: Sander's Single Payer Health System

Saturday Senator Bernie Sanders released his "Medicare for All" single-payer health care reform. The description — albeit quite thin — is here and a sparse financial analysis is here. Let's take them in turn.

The basic promise is any health care wanted or needed at no (direct) cost: "Universal single-payer health care means comprehensive coverage for all Americans. Bernie's plan will cover the entire continuum of health care, from inpatient to outpatient care; preventive to emergency care; primary care to specialty care, including long-term and palliative care; vision, hearing and oral health care; mental health and substance abuse services; as well as prescription medications, medical equipment, supplies, diagnostics and treatments. Patients will be able to choose a health care provider without worrying about whether that provider is in-network and will be able to get the care they need without having to read any fine print or trying to figure out how they can afford the out-of-pocket costs."

Even better, the total bill will be smaller: “Bernie’s plan will cost over $6 trillion less than the current health care system over the next ten years.” Where will these savings come from? “By moving to an integrated system, the government will finally have the ability to stand up to drug companies and negotiate fair prices for the American people collectively. It will also ensure the federal government can track access to various providers and make smart investments to avoid provider shortages and ensure communities can access the providers they need.”

Here’ the problem. “Standing up to drug companies” would presumably lower spending on pharmaceuticals. Fine, but the vast majority of health care spending is for hospitals and doctors so it is far from obvious how price controls on drugs will solve the problem. And make no mistake, there will be price controls and not negotiated “fair prices”; indeed there is nothing about a federal single payer that permits it to negotiate more effectively with the only hospital in a rural county. In the end, “costs” will be kept down with price controls and that means the single payer will have to decide who gets — and who does not — the underpriced services.

How will the government pay this bill? The analysis presented indicates that even with the optimistic savings assumptions, the Sanders plan will require an additional $1 trillion in new tax revenue every year. The majority would come from a new 6.2 percent payroll tax on employer — hardly the remedy for a sluggish labor market.

That’s what a single payer would look like in practice: price controls on hospitals, docs and drugs; enormous tax increases, and damaged labor market opportunities.

From the Forum

Week in Regulation by Sam Batkins, AAF Director of Regulatory Policy