The Daily Dish

Alternative Paths to Universal Coverage

DOUGLAS HOLTZ-EAKIN | NOVEMBER 18, 2019

Eakinomics: Alternative Paths to Universal Coverage

Medicare for All (M4A) proposals have consumed all of the political oxygen on the left. But there are some who shy away from the idea of overturning the entirety of myriad U.S. health systems for a single, cookie-cutter system. A popular alternative is a so-called Medicare Buy-in. Just as with M4A, there are many different flavors of Medicare Buy-ins, but the basic notion is to permit those below the Medicare qualifying age (65) to purchase Medicare services as an alternative to private insurance.

Consider H.R. 1346, the Medicare Buy-in and Health Care Stabilization Act of 2019, which would allow people from 50-64 years old to buy Medicare coverage for a premium based on the cost of their benefits. Specifically, those aged 50-64 and not currently enrolled in another government insurance plan are eligible to purchase a Medicare Buy-in plan. The premium charged will be the average of the amount per person "for benefits and administrative expenses that will be payable under parts A, B, and D." A new analysis (conveniently entitled H.R. 1346 – The Medicare Buy-in and Health Care Stabilization Act of 2019) by the Center for Health and the Economy at the American Action Forum (H&E) estimates that the proposed bill would cost a bit more than $180 billion over the first 10 years. Despite this price tag, "Nearly 300,000 people are expected to buy into Medicare in its first year. This number is expected to decrease to less than 200,000 by the year 2029." That's over $700,000 per covered life — pretty pricey. Now, to be fair, a lot of the money is plowed into the Affordable Care Act's (ACA) individual markets (especially a reinsurance fund), and it does produce lower individual-market premiums. But the overall rise in the number of covered individuals is still only 500,000, which translates to $350,000 per insured individual. Still a bit on the high side!

Given the fact that Medicare is a popular brand, Medicare Buy-in is all politics and no policy. Since M4A is a policy non-starter and Medicare Buy-in is the same, maybe it is time for the left to go back to the tried and true: the ACA. Maybe it could be fine-tuned to pass Supreme Court muster and appeal to every state (as originally intended, the ACA would address the coverage goals).

Fortunately, H&E also has a study of the impact of fully implementing the ACA (conveniently entitled "Fully Implementing the Affordable Care Act"). In particular, the study assumes that the Medicaid expansion occurs in every state, that the penalty for being uninsured remains in place, and the funding for Cost Sharing Reduction payments (that cover co-pays and deductibles for low-income individuals) are fully funded. Does that get to universal coverage?

Hardly. "A fully implemented ACA would lead to a decrease in the number of uninsured, primarily because of the Medicaid expansion but also because of lower premiums. Initially, there would be a decrease in the uninsured of roughly 4 million people. By 2029, the decrease the uninsured would be around 3 million relative to the baseline." This scenario is expected to raise spending by $170 billion (over 10 years), or a mere $55,000 (ballpark) per insured individual.

The moral is that the goal of (literally) universal coverage is not reasonable, given the underlying cost of care.

Only if health care delivery systems become a better value will there be the interest and feasibility of every individual in buying insurance. The route to universal coverage runs through reforms that make the health care sector more productive and efficient.