Insight

What the Congressional Budget Office Just Said About Single-Payer

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The Big Picture

On May 1, the Congressional Budget Office (CBO) published a report entitled "Key Design Components and Considerations for Establishing a Single-Payer Health Care System," written at the request of House Budget Committee Chairman John Yarmuth. The report is not a score of H.R.1384 (the Medicare for All Act of 2019 that is a variation of Senator Bernie Sanders's proposal), or any other specific piece of legislation. As such, the report does not delve into the types of cost estimates one might anticipate from CBO, and there are no headline-grabbing pronouncements about trillions in new federal outlays.

Instead the report primarily curates many of the outstanding questions surrounding a single-payer system. While the report may not have been the boon for which advocates were hoping, nor the knockout blow opponents were anticipating, policymakers can glean a wealth of scoring signals to inform how single-payer legislation is crafted going forward. What follows are eight notable takeaways from the report.

Key Takeaways

1. *No Topline Cost Estimate, but Single-Payer Will Score Big*

As alluded to above, there is no topline federal spending dollar figure because CBO did not undertake to score a single-payer proposal, but CBO did indicate such a bill would come with a big price tag. Perhaps the most significant, though by no means unexpected, takeaway from the report is this sentence: "In a federally administered single-payer system, the associated cash flows would be federal transactions, in CBO's view, and the spending and revenues for the system would appear in the federal budget."

There are essentially two ways to think about cost: expenses to the federal government alone, and system-wide spending from both public and private sources. In the report, CBO seems relatively agnostic on whether a single-payer system would increase or decrease total national spending on health care. It contends that total spending depends on both the specifics of a proposal and, more important, the myriad ways various actors might respond to a single-payer system.

Nevertheless, if CBO scored a single-payer proposal, it would conclude such a plan is extremely expensive to the federal government, regardless of whether total national spending on health care increased, decreased, or stayed static. That total number matters from a political and procedural perspective. In other words, there may be no headline-grabbing dollar figure attached to this report, but there would be to a legislative score.

2. *Little Discussion of Broader Economic Effects*

CBO is largely silent on the broader economic impacts of shifting the United States to a publicly financed, single-payer system. The report's authors spend little more than a paragraph grappling with the potential implications of entirely remaking almost one-sixth of the nation's economy. The authors do raise some of these issues—acknowledging likely effects on labor supply and employee compensation, as well as questions about what happens to employees of large insurers and other workers whose jobs may not translate to the new system—but then declare them "beyond the scope of this report." One would expect any actual legislative score would need to address these wider economic and labor-market impacts, but House Democrats have changed the rules for CBO and no longer require dynamic scoring of legislative proposals. While it is unfortunate the report does not further explore these questions, it is not terribly surprising.

3. *Lower Administrative Costs*

CBO clearly signals that it will credit a single-payer proposal with savings from lower administrative costs when compared to the current multipayer system. It notes that administrative costs for Medicare fee-for-service (Parts A and B) are only 1.4 percent, compared to 6 percent for Medicare Advantage and Part D and 12 percent under private insurance. It also postulates that single-payer "would probably have lower administrative costs…because it would consolidate administrative tasks and eliminate insurer's profits." The report further notes, however, that the specifics of the eventual proposal will affect the degree to which administrative savings are achieved.

4. *CBO is Wary of Increased Utilization*

The report highlights the delicate balance between providing comprehensive coverage and dramatically increasing utilization. While the most ambitious single-payer proposals envision a system without patient out-of-pocket costs, CBO expresses concern that such an arrangement could lead to markedly higher rates of health care utilization, driving up costs to the government. It notes on several instances that cost-sharing requirements or other utilization management tools would be key to restraining spending. This should put legislators on notice: Particularly generous benefit packages with minimal barriers to care or few if any direct costs for patients are likely to incur higher overall cost scores from CBO. The report does make some suggestions for thinking about cost-sharing requirements, such as varying rates of cost-sharing based on the type of care being received. But it also notes that complex, value-based cost-sharing will increase administrative costs.

5. *Long-Term Services and Supports (LTSS) Would Be Expensive*

Recent proposals, including H.R. 1384, have included long-term care services within the single-payer system's benefit package. CBO anticipates big costs associated with such benefits. The report states, "public spending would increase substantially relative to current spending if everyone received LTSS benefits." CBO argues that the increased cost here would reflect more than just a transfer of private spending to public spending, because in some instances family members are currently meeting each other's long-term care needs without compensation. It also points out that even without an expansion of long-term care, existing programs will likely see increased spending as people who are currently eligible but unenrolled become aware of their eligibility amid the flurry of health reform information. This expected dynamic is akin to the "woodwork effect" that occurred after the Affordable Care Act expanded Medicaid, as many people who had previously been eligible signed up for the first time even though nothing related to their status had changed under the new law.

6. *CBO Is Still Dubious About Direct Government Negotiations for Prescription Drugs*

CBO has long held that direct negotiations between the government and drug manufacturers over the prices of

drugs purchased through the Medicare program are unlikely to yield savings. CBO has argued before that, short of simply mandating drug prices—which has a host of other problematic implications—the government would have little leverage in negotiations. Without a formulary—and the corresponding leverage of favorable or unfavorable placement on that formulary, or outright exclusion from the formulary—the government would have little to offer manufactures in exchange for lower prices. CBO has also indicated in the past that it sees political pressure as a barrier to lawmakers or administration officials outright rejecting medications that patients want.

The report restates these concerns in regard to a single-payer system. It notes that "it is uncertain whether the single-payer plan could use the threat of excluding certain drugs from the formulary as a negotiating strategy. It is also unclear whether a single-payer plan could withstand the political pressure that might result from excluding some drugs." Looking more broadly at drug pricing, CBO seems uncertain of the implications of most options for structuring drug payments in a single-payer system. How that uncertainty would affect a legislative score is unclear.

7. *Multipayer Systems and a Continuing Role for Private Insurance*

For a report on single-payer health care, CBO spends a substantial amount of time discussing multipayer-system alternatives and contemplating various ways for private insurance to continue to function even in a single-payer environment. In fact, two entire pages of the report are given over to policy ideas for achieving universal coverage through the current multipayer system, rather than shifting to a single-payer system.

8. *Questions, Questions, and More Questions*

The final observation from the CBO report on single-payer health care is just how many outstanding questions the report raises. Every single section title in the report ends with a question mark, and most of the report is simply a recitation of all the uncertainties. How will providers be paid? Who will own hospitals? Would the system be entirely federally managed, or would it be a federal/state partnership more akin to Medicaid? Who would determine covered services, and on what basis? In one section, CBO drills down on how decisions about new treatments will be made and questions the potential impact on access to innovative medical breakthroughs under a single-payer system. As much as single-payer—or "Medicare for All"—has dominated the policy conversation in recent months, it's striking how much uncertainty there still is around the specifics.

Conclusion

While the CBO single-payer report is an excellent resource for policy wonks going forward, it is hardly a bombshell. Its political and messaging significance is likely minimal, beyond potentially a few quotes pulled out of context. Nor will the report shake up the policy landscape or debate over single-payer. Its real significance lies in the insights it provides policymakers into how CBO might view various policy options when scoring single-payer legislation at a later date.