

# New York State Academy of Family Physicians

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## UNIVERSAL HEALTH INSURANCE/SINGLE PAYER Statement by New York Academy of Family Physicians.

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- Thank you for conducting public hearings on this most important topic. My name is Stephen Offord. I am a Family Physician who practices medicine in Saratoga Springs, NY. I represent the New York State Academy of Family Physicians, which has over 4,300 doctors and medical students throughout the State.
- The NYS Academy and its parent organization, the American Academy of Family Physicians, have long been advocates of universal health care. The State Academy had even developed a proposal in 1999 that advocated moving New York State to universal coverage through a combination of expanding Medicaid, Child Health Plus, and Family Health Plus while leaving largely intact the current system of cost control, reimbursement, administration, and quality control.
- Since we advanced our proposal several years ago, our members have also refined their thinking. We believe the best path towards achieving universal health care for all New Yorkers is by implementing a Single Payer. We are probably one of the few physicians groups to advocate this approach. The Single Payer concept is the best way for controlling costs and thereby insuring long-term survival of universal, comprehensive coverage. The simple truth is that if we attempt universal, comprehensive coverage by maintaining or tinkering with the current system of cost control and administrative excess, then as a society we will not be able to sustain the costs of such care. We will end up either bankrupt or chipping away at coverage or implementing even more administrative steps, or a combination thereof. Moving to universal coverage is a big step. The current system is not working; we should not take a failure and make it a bigger failure.
- Instead, we should enact comprehensive reform. A single payer approach will meet every one of the objectives listed in your hearing notice. It will achieve universal coverage, improve the efficiency and quality of the health-care delivery system, control the cost of health insurance, distribute the cost of health insurance and care fairly and equitably, improve the state's economy and the competitiveness of its businesses, and promote the viability of health care providers. The Single Payer is not a perfect approach, but it is the best one for achieving all these objectives; no other approach comes close.

## Key Components of the Program

Every New Yorker will automatically qualify for equal, comprehensive health insurance under a uniform public plan. All payments will be funneled through a single payer, thereby saving billions of dollars in administrative costs and achieving cost containment through global expenditure controls rather than minute bureaucratic scrutiny. Health care will be publicly financed but privately delivered.

I will address each of your objectives in your hearing notice as stated above.

**(1) Equitably Financing Universal Coverage.** Although different means could be used to finance the system, we believe a tax-based system should fund universal health coverage, replacing the current approach of government-employers-individuals. Moving to a publicly financed system reflects the major means of raising revenue in our existing health care system. Currently, government pays about 60% of the cost of health care (Medicaid, Medicare, State/Local/Federal Government employee coverage); employers pay about 20% and individuals pay about 20% through premium sharing, co-pays, deductibles, and other out-of-pocket expenditures. A universal program will levy taxes to cover the 40% that is not currently tax-based. Employers and employees already pay a sort of payroll tax now when they purchase health insurance or self-insure. Further, a tax-based system will distribute the cost of health insurance care fairly and equitably. For example, under the current system, all the employees of a particular employer may pay 50% of the cost of the premium regardless of their respective wages and salaries. No longer will a person who receives half the wage of another person have to pay the same amount for coverage. We also believe that a tax-based system will be fairer to employers and help make them more competitive.

**(2) Improving the Efficiency of the Health Care System.** A single payer will reduce administrative costs and help finance the cost of covering the uninsured.

- *Multiple Rules and Procedures.* A system with multiple insurers is costlier than a single-payer system. It means multiple rules, procedures, criteria, and payment levels. Our current system breeds errors, requires a separate subsystem to correct those errors, and involves duplicate systems by which the provider and the payer record essentially the same information. Communicating information about coordination of benefits is also extremely inefficient. The current system encourages payers to withhold payment until they are absolutely satisfied that claims are correct. Providers must deal with multiple insurance products, forcing them to determine patients' eligibility and keep track of the various copayments, referral networks, and approval requirements.
- *Lower Administrative Costs.* Moving to a single payer system will get rid of the multiple rules and procedures, and eliminate enrollment and eligibility problems. Based on the single payer in Canada, we could reduce administrative costs by 10%–15% of total health spending or \$10 billion–\$15 billion.

### **(3) Controlling the Cost of Health Care.**

- *Health Care System Budget.* Here is how cost would be controlled under a single payer. Within the framework of public policy, the single payer will develop an overall budget to control spending, which will permit our health care system to plan for needed growth, including increases in reimbursement. A health care budget will allow for system-wide projections of anticipated resource needs, revenues and expenditures. It offers the capacity

for better and more equitably controlling medical care inflation and for shifting scarce resources to the areas of greatest need. For the first time, the public and providers will be asked to examine whether the growth in the system is in line with available resources. It will provide public fiscal accountability.

The health budget limits the supply and prices of goods rather than erecting enormous bureaucracies to limit demand, like managed care does. The current rises in health spending on a yearly basis are unsustainable. Without an overall budget and control over the rate of that rise, our current system may drive our State into insolvency and drive business out of the State.

- *Bilateral reimbursement negotiations.* Within the context of the global budget, reimbursement levels will then be determined through bi-lateral negotiations between provider groups and the single payer. In other words, physicians and other provider groups will be represented by a negotiating entity. The single payer will have a significant degree of power since all reimbursement will flow from it. Thus, providers will have to have the ability to negotiate on a collective basis with the single payer to ensure that providers receive adequate reimbursement, which will ensure they are financially stable and therefore able to deliver quality health care. Perhaps a collective bargaining agent would represent doctors, one for hospitals, and so forth.

**(4) Improving the Quality of Health Care.** All of us are concerned that patient care is of the highest quality for everyone, including the indigent. A single payer will help promote and protect quality in a number of ways:

- *Comprehensive, Equal Coverage.* The best guarantor of high-quality care is a unified system that does not treat patients differently based on employment, financial status, or source of payment. Guaranteed coverage also improves the timeliness of care, which improves health status.
- *Provider Continuity.* Under a single payer, people will not have to “switch” providers as they do now when their employer switches insurance or if a doctor drops out of a plan.
- *Universal Database.* The single payer’s standardized, confidential electronic health record and resulting database will create the information infrastructure needed to identify emerging health problems early and track progress in addressing them. Similarly, the universal database can identify and help address quality of care issues.
- *Focusing Funds on Key Health Objectives.* A universal, single payer system can focus funds better on the key preventable diseases that are responsible for more than half of all deaths; similarly, it can better ensure early treatment of common but serious conditions such as hypertension, diabetes and obesity. A universal system can focus funds on providing incentives for people to pursue understaffed medical careers and for practitioners to locate in underserved areas.
- *Public Accountability.* Single payer systems are accountable to the public. When things go wrong, the public knows where to go to demand action, and the corrections implemented will be more successful because they will be implemented at a systemic level.

## **(5) Improving The State's Economy and the Competitiveness of Its Businesses**

- *Cost Control.* A single payer, with its more effective cost control mechanisms, means that annual medical care inflation will be better controlled, slowing down the rapid increases in health care costs, which will help to make businesses more competitive.
- *A streamlined system,* created by a single payer, will also lower the costs of health care.
- *Equitable contributions.* Universal coverage, which can be attained and maintained only by a single payer system, will level the play among employers. Under the existing system, many employers pay significant amounts of money for coverage while others pay nothing or very little. A single payer system, financed by taxes, will ensure equitable distribution of the costs of coverage.
- *Healthier workforce.* With universal coverage and the single payer's ability for focusing funds on key health objectives, employers will have a healthier workforce.

**(6) Promote the Viability of Health Care Providers.** A single payer system will help strengthen providers in the following ways:

- *Universal coverage* means that providers will be paid for their services, which means they will no longer suffer the fiscal consequences of bad debt and charity care; and, they will not have to continue to be in the bad debt collection business. Hospitals, in particular, will not have to keep track of their bad debt and charity care losses in order to prove they deserve the payment they are seeking from the Indigent Care Pools
- *Administrative Savings.* Providers will not have to use armies of people to figure out how to comply with the volumes of different rules, procedures, and forms required by the multiple insurers that currently pay them.
- *Faster Provider Payment.* The single payer can arrange rapid payment by separating the flow of money from the adjudication of claims. The single payer can deposit into a provider account on a regular basis, for example monthly, a pre-determined amount that reflects a portion of the provider's expected billings. Claims and reimbursement can then be reconciled on, say, a quarterly basis. A single payer will significantly improve cash flow issues.
- *Funds for Systems Improvement.* A single payer can allocate funds to address the underlying causes of health problems rather than inspecting and micromanaging individual practice variations.
- *Malpractice.* Canada has a smaller incidence of malpractice suits compared to the US. When all the medical costs are covered, much of the incentive for malpractice suits – recovering the money to pay for an expensive illness or complication – is gone. Also, timely care and continuity of care fosters improved quality, so there is less malpractice. The incentive for defensive medicine will decrease. Under the single payer, the focus in malpractice cases broadens from who will pay for a medical mistake to helping providers learn from mistakes and preventing them.

Thank you again for conducting hearings on the important topic of increasing health insurance coverage. A single payer is the best mechanism for achieving this goal and we urge its adoption.