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'Single payer' isn't as equitable as it sounds

By Author | Date

When Senator Bernie Sanders rekindled the debate over single payer healthcare last week — and brought a surprising number of Democrats aboard — he cited inequity as the primary reason healthcare needs such dramatic change.

Indeed, proponents of so-called "Medicare for all" — a nationally sponsored and administered insurance scheme — often point to other countries with national health systems, citing them as exemplars of equal distribution of healthcare services, efficiency, and rationality.

But while there are some good arguments for single payer, especially with regard to its promise of universal coverage and reduced administrative costs, let's be careful about drawing conclusions from other countries as to its efficacy and equity. In many countries with a single payer plan, there is a parallel private system in place — usually one that serves the wealthier people in society with a wider range of healthcare services than the public system.

Examples abound. In the United Kingdom, a private medical insurance (PMI) system operates side-by-side with the National Health Service. Collecting premiums from financial institutions and other high-end employers, the British PMI payers offer well-heeled bankers and others access to a series of private hospitals and doctors. Beyond that, individuals and small businesses also have access to PMI and the same cohort of private providers.

In all, more than 12 percent of people in the UK are served by the PMI insurers, private doctors, and private hospitals. Sales of PMI are growing as the NHS faces intense budget pressures from the government, leading to longer waits for even vital medical care.

Interestingly, the private doctors are usually also on the payroll of the NHS. In fact, some of them see their private patients in so-called "private patient units" co-located in NHS hospitals. Some of those private units are virtual, in that they are actually beds in the same wards housing NHS patients.

What do you get in the UK when you are a PMI customer? A choice of providers, faster access, and the availability of certain diagnostic and therapeutic options not available to you under the state-sponsored system.

Meanwhile, in Israel, where people take great pride in universal coverage provided under a national system, the overlap between the public and private system is called "Sharap." Private doctors at institutions like Hadassah Medical Center are available to patients in the same facility as public patients. Private hospitals likewise offer more amenities and a wider range of services and choice of doctors.

More than 40 percent of the Israeli population has this commercial insurance. The extent to which people have chosen to spend their income on this product has grown impressively. In 2000, 18 percent of total household healthcare spending in Israel was designated for private health insurance. In 2011, the amount had risen to 33 percent of total household healthcare expenses.

Australia presents a curious evolution in its national insurance plan. There, the government actually stimulated the creation of a PMI market by requiring people above a certain income to buy private insurance or pay a penalty. Congestion in public hospitals prompted this policy shift. Now, about 47 percent of the Australian public is served by private medical insurance for hospital coverage. Over 11 percent of the value of all healthcare services in the country is provided by the private market.

Of interest, Australia also created a "public option" when it created the PMI market: a government-owned insurer, Medibank, that was meant to compete with private payers. After several years of existence and gaining market share, though, Medibank was spun off by the government as Medibank Private in an IPO, netting the government almost 6 billion Australian dollars in cash.

As in the UK, the benefits to private subscribers in Israel and Australia are choice, access, and more advanced services.

Why private markets happen

Legislators in single-payer countries understand the political safety valve provided by PMI and private providers. Facing rising healthcare costs and budget constraints, the government views it as risk-free to choke back on the national healthcare system's budget. They know that the private market is available to serve the growing number of people discontented with congestion and lack of choice in the public system. Long-standing beliefs about equity end up playing second-fiddle to the government's fiscal problems.

Will the US and other countries represent two ships passing in the night? Will we move more towards a more nationalized system of care as the others continue to move more to a hybrid of public and private care?

Will our politicians and policymakers be honest with the public about what "single payer" means? We'd have to expect that "Medicare for all" — what Sanders says, if not what he means — is actually fairly close to these hybrid systems. There's no way he would outlaw the existence of private medical insurance, so his plan is a public system that wealthier people will supplement with private insurance.

Yes, the Sanders plan might remove complexity and guarantee universal coverage. But if equality is the desired result, single-payer proponents in the US are likely to be disappointed. The common feature of hybrid systems is the fact that wealthier people—those who can afford PMI — will get more choice, better access, and an ability to obtain treatments not available under the single-payer system.

In essence, countries with single-payer plans often end up choosing to ration important characteristics of care based on income. What an irony if the plan Senator Sanders is trying to sell as more egalitarian instead introduces a framework that is inherently inequitable.

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