SINGLE-PAYER HEALTH CARE SYSTEM

HUNDREDS OF BILLIONS IN START-UP COSTS & NEW TAXES, $42 BILLION DEFICIT WITHIN ONE YEAR

The Legislative Analyst's Office's (LAO) analysis of SB 840 (Kuehl), the single-payer health care system proposal, reveals that a government-run health care system would not overcome the biggest issue in health care today: escalating medical costs. Further, administrative cost savings realized by government-run health care would be substantially offset by decreased access to and quality of care triggered by government rationing of services, physician shortages, and unmanageable demand.

SINGLE-PAYER HEALTH CARE: BY THE NUMBERS

According to the LAO, in the first full year of implementation (2011-12), the single-payer health care system will create a $42 billion deficit. The 67 percent of the funding coming from new taxes on individuals and businesses will not be enough. Instead, the LAO estimates that the combined payroll tax rates for employers and employees would have to increase to 16 percent, and self-employed and nonwage income would have to be taxed at 15.5 percent to keep pace with escalating medical costs. Below are the LAO's highlights of the fiscal impact of the single-payer system after just one year of operation:

1. SHORTFALL: $42 BILLION
   - In the worst-case scenario, where administrative costs, utilization rates, and cost growth of the system are higher than anticipated, the projected shortfall could reach $65 billion.
   - In the best-case scenario, the single-payer system's financial shortfall would still be significant: $19 billion.

2. COST: $210 BILLION
   The total cost of the single-payer system includes:
   - Health Care Benefits: $194.3 billion
   - Administration: $7.7 billion
   - Contribution to reserves: $7.7 billion

3. FUNDING: $167 BILLION TOTAL, $113 BILLION IN NEW TAXES
   Individuals and businesses will shoulder the biggest burden in financing the single-payer health care system, which will be funded by four new taxes, redirected state and federal funds and state retiree contributions, and local government contributions. Altogether, these sources will generate $167.4 billion in revenues in the first year and $206 billion by 2015.

NEW TAXES: WHO'S PAYING WHAT? (in Billions)

<table>
<thead>
<tr>
<th>Source (tax rate)</th>
<th>2011-12</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers (8%)</td>
<td>$58</td>
<td>$70</td>
</tr>
<tr>
<td>Employees (4%)</td>
<td>$29</td>
<td>$35</td>
</tr>
<tr>
<td>Self-Employed (11.5%)</td>
<td>$7</td>
<td>$9</td>
</tr>
<tr>
<td>Nonwage Income (11.5%)</td>
<td>$19</td>
<td>$24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$113</strong></td>
<td><strong>$139</strong></td>
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REFERENCES


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