## **REPORT SUMMARY:**

The Negative Economic Effects of Medicare Buy-In and Public Option Proposals

BY ALEX BRILL

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Democratic lawmakers and political candidates have shown renewed interest in enlarging government healthcare programs. These proposals would significantly alter the existing healthcare landscape by expanding the share of the population covered by public payors and increasing the government's fiscal responsibility, influence, and control over the healthcare sector.

Proposals to expand Medicare or offer a public option were a fixture of Democratic presidential candidates' platforms and have been popular in Congress. Proposals range from creating single-payer coverage for all U.S. residents to allowing Americans aged 50–64 to "buy in" to Medicare to adding a public option to the health insurance marketplace.

## STAKEHOLDER IMPACT

Like any policy change, Medicare buy-in or a public option would create winners and losers by shifting the burden of paying for the healthcare of more Americans to the government. Proponents claim savings from their proposals, but taxpayers will have to pay for an expansion of Medicare, and promised

savings have to come from somewhere. In short, such a policy change would negatively affect more people than is commonly understood, and these proposals should be concerning to a range of stakeholders, including workers, employers, healthcare providers, consumers, and taxpayers.

#### LONG-TERM EFFECTS

In addition to the near-term fiscal and economic impact of expanding Medicare to millions of additional individuals, there are potential adverse long-term effects on access to and quality of care, as well as future innovation. Expanding Medicare or introducing a public option will cause average reimbursement rates to fall. Hospitals and other medical facilities that are only marginally profitable are more likely to close if their reimbursement rates decline. Moreover, if the dominant impact is to move patients away from coordinated value-based coverage and toward fee-for-service care, the returns on new technologies and innovative delivery services may be diminished.



### STAKEHOLDERS AFFECTED BY MEDICARE EXPANSION

# WORKERS & EMPLOYERS



Savings for employers and wage increases for workers could be less than employers' healthcare costs, and workers or employers would likely need to pay for supplemental insurance



#### **CONSUMERS**

The number of uninsured individuals would decrease only 0.2%, while premiums would increase 2–10% for people who remain in the individual market

# HEALTHCARE PROVIDERS



Healthcare providers will be negatively impacted because Medicare pays significantly less than private insurance does



#### **TAXPAYERS**

Expanding Medicare would cost taxpayers trillions of dollars

# Conclusion

While there is a good argument to be made for healthcare reform in the United States, the best route is not to drive more individuals into traditional, fee-for-service Medicare or a public option. Rather, healthcare reform should look to better align incentives among patients, payors, and providers and, in particular, ensure that providers are rewarded for delivering cost-effective care that reduces unnecessary costs and promotes better health outcomes.

Expanding the government's role in the healthcare sector and setting lower prices risks the viability of broad swaths of the healthcare system and could be harmful to workers, employers, healthcare providers, consumers, and taxpayers.

#### **ABOUT THE AUTHOR**

Alex Brill is the founder and CEO of Matrix Global Advisors, an economic policy consulting firm in Washington, DC. He served on the staff of the House Ways and Means Committee from 2002 to 2007 and the White House Council of Economic Advisers from 2001 to 2002.

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