Current Perspective

DAVID W. PARKE II, MD

Single-Payer Health Care: Of Canada and California

California wants to emulate Canada. Specifically, California politicians are looking to Canada and a few other countries in designing a single-payer system (SPS) for health care. All leading California Democratic gubernatorial candidates pledged support for SPS. And considering that 44% of California voters are registered Democrats, with registered Republicans accounting for only 25% of the electorate, it's likely that the state's next governor will be the Democrat's candidate, Gavin Newsom. California is not the only state where SPS is in front of the legislature or on a state initiative. Consider Vermont, Colorado, New York, and Michigan.

A conversion to SPS health care in California would be nothing short of massively expensive and risky. California has a larger population than that of Canada and a considerably bigger economy. But if successful, a California conversion might be considered a road map for other states.

Why Canada? Developed nations' SPS's vary considerably. In the United Kingdom, the government is the single direct payer. Its National Health System is the world's largest health service and employs nearly 2 million people. However, about 11% of the population has supplementary private insurance and others pay cash to access the private sector—sometimes referred to as the "Harley Street" option.

Spain and Australia are other examples of SPS health care—but these 2 countries have a more robust mix of government funding of a core bundle of care and private insurance layered on top.

Canada represents yet another version of SPS. Funding and benefit packages derive from a combination of federal and 13 provincial and territorial systems. Provincial government ministries of health set budget and payments, and they incorporate private companies. (For example, health care benefits and funding in Ontario are different than their counterparts in British Columbia.) Participating physicians must accept only national insurance and its set payments for covered services. Private insurance is available only for those services not covered under the SPS.

From the standpoint of its advocates, Canadian health care solves the twin goals of universal coverage and reducing cost. Basic care is covered and those covered services don't result in any out-of-pocket costs. Those opposed to SPS point out that universal coverage isn't actually universal access if the system is so resource-constrained that there are long waiting lists for care or if many services aren't included. And they point out that the services are not free; they are supported by the tax base.

While surveys show the Canadian system to be very popular at home, Ontario has been projected to see health costs consume 80% of its provincial budget by 2030. And a survey by the Commonwealth Fund in 2014 showed 20% of adult Canadians who needed to see a specialist waited 2 months or longer, versus 6% in the United States.

The results of multiple surveys indicate that about 35%-45% of Americans support SPS (although the support erodes when the tax implications are disclosed). But only 5% supported it just 4 years ago.

David W. Parke II, MD
Academy CEO

So what is the chance for a state-based SPS? Pretty slim. Redirecting Medicare and Medicaid funds would require a federal waiver. And existing law prohibits individual states from dictating how private employers can structure self-insurance.

And then there's the cost. A legislative study estimated the cost of California SPS to be about $400 billion—twice the state budget. Even after accounting for the Medicare, Medicaid, and private insurance funds transfer to a state program, the additional cost has been estimated at $50 billion to $100 billion. One solution would be an incremental 15% tax on earned income and/or sales taxes or a business tax.

The reality is that an SPS in California won't happen any time soon. But it will remain both a part of the national health care debate and a core policy goal for many elected officials and citizens alike.