New campaign launched to preserve—not privatize—Medicare

By Alan Dieffenbach
Vermont Citizens Campaign for Health

Back in 1988, Lee Iacocca, then head of Chrysler Corp., testified before a congressio-
nal committee that his company paid more for employee health benefits than for steel. The figure at the time was $570 per car, versus $223 for the same car built in Canada.

The situation has only gotten worse for American business in the decade and a half since then. Companies willing to maintain their health benefit commitments to workers have found their costs rising dramatically. Others have fought morale-sapping battles with unions to get workers to accept more of the burden of paying for health care. Some large firms have elected to self-insure, basi-
cally meting employee medical expenses out of company revenues at considerable admin-
istrative cost. And a few have “solved” the problem by simply dropping health benefits altogether.

It is surprising, then, that business has not been more active in seeking fundamen-
tal reform of the nation’s health care system. In part, business has probably remained on the sidelines because of a long-standing bias toward private-sector, free-market solutions. This may, however, be an occasion on which a non-governmental solution is not the answer.

Consider the following benefits to business of a single-payer program:

Lower health costs: Under the recent Lewin Group analysis of the revenue needs of a single-payer system in Vermont, employer contributions are estimated at 5.8 percent of payroll, far below current levels of spending of the vast majority of businesses in the state.

Lower personnel management costs: Without responsibility for developing and managing health benefit plans, human resources offices could easily be downsized.

Lower costs related to workers’ compensation: Since the medical costs of workers injured on the job would already be covered by the single-payer plan, workers compensa-
tion premiums would be substantially reduced.

Reduced labor-management strife: Re-
search indicates that health benefits are the key issue in three out of four strikes. Quarrels over health cost burden-sharing are common in virtually every employment setting.

Reduction of health coverage costs for retirees: The obligations that many compa-
nies have undertaken to meet health care costs of retirees would be considerably lightened or eliminated altogether under single payer.

Improved employee health: Especially in employment settings where health benefits are not currently being offered, a significant improvement in employee health status can be anticipated—with accompanying improve-
ment in morale.

Greater freedom in deploying workforce: Under a single-payer system, employers would no longer be forced to hire part-time employees or engage “independent contrac-
tors” as a way of reducing fringe benefit costs.

Improved competitiveness vis-à-vis the rest of the world: All other countries in the industrialized world already offer universal health care programs to their citizens.

Elimination of cost shifting: Under cur-
rent arrangements, costs to the health care system which result from providing uncom-
penated care to the uninsured are shifted to the premiums of those who can pay—mainly employers. In a system in which everyone is covered, this would no longer be the case.

Reduced regional and state taxes: We all pay the health care costs of teachers and other municipal and state employees through tax payments. To the extent that single-payer reform reduces overall health care expendi-
tures, we can expect our tax bills to shrink.

We need to recognize that while the vast majority of employers stand to benefit from single-payer health care reforms, some will be asked to shoulder new expenses. This group includes mainly small and marginal businesses that currently do not offer health benefits to employees. The fine-tuning of a single-payer program will have to take this into account through some kind of sliding scale or subsidy arrangement.