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Single-Payer Health Care Reform: Cost Considerations in Maine

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Cost Considerations in Maine

by Daniel Bryant

Many students of the American healthcare system have pointed out problems with it, including rising costs, waste, inequitable coverage, inadequate healthcare workforce, burnout and moral injury among professional and support staff, and poor health outcomes compared to those in other countries. In response, reformers have offered a variety of remedies, everything from increased reliance on healthcare markets, tight regulation of them, adjustments to specific elements of the existing system, introduction of a *public option* to compete with commercial insurance, and replacement of the multipayer public and commercial system with a publicly funded one covering most of the population, a so-called single-payer system. Critics of these reform suggestions point to the problems with them, especially their potential costs. In this commentary, I address the issue of costs in the case of a state-based single-payer model for the state of Maine.

The model would have the following features: coverage of the commercially, self-, and un-insured populations by a publicly funded, privately and publicly provided state plan supplemented with vision, hearing, and dental benefits; continuation of Medicare, Veterans Affairs (VA), and Indian Health Service (IHS) programs funded as before but subsidized and supplemented with the additional benefits; incorporation of the Medicaid (MaineCare) program into the state plan, supplemented with the additional benefits and funded as part of the overall funding scheme along with existing federal funds accessed through waivers; elimination of all but token cost sharing; achievement of provider and payer savings; provider reimbursement at rates above Medicare's made possible by provider savings, reimbursement negotiation, and hospital global budgets; and continuation of coverage of long-term care through MaineCare and private arrangements.

Before looking at the cost of such a single-payer system and how it would compare to costs in the existing system, however, we should be clear about the use of the word, cost. First, there is the cost that is the price of, or charge for, the healthcare services provided by medical professionals, institutions, drug and device producers, and others. Second, there is the cost to state and federal programs and commercial insurers of the payments to those providers to cover those costs. And third, and probably of most interest to Maine residents, is the cost to individuals of funding those multiple payers through withholding, income, sales, and other taxes; premiums; cost sharing; and out-of-pocket payments.

Because the cost to residents in the current system is determined by the first two costs, those specific costs need to be identified. Table 1, based on Center for Medicare and Medicaid Services' (CMS) data,[1] shows personal healthcare costs by provider for the year 2020. As these are the latest complete figures available, and the economic effects of the COVID-19 epidemic may have distorted subsequent figures, I will use 2020 data in the following analyses and assume that any conclusions drawn from them would apply generally.

In 2022 dollars, that total cost would be $18,743 million, similar to the $18,530 million cost determined by the

TABLE 1: **Cost of Maine Personal Health Care by Provider, 2020**

Provider	Amount ($ million)
Hospital[a]	6,329
Physician and clinics	3,364
Other professionals (chiropractors, therapists, private duty nurses, etc.)	564
Dentists	609
Drugs, nondurables[b]	1,933
Durables (glasses, hearing aids, oxygen, etc.)	208
Other health, residential and personal care[c]	1,942
Home health (in-home care)	473
Nursing homes[d]	884
Total cost	16,306

a Hospital-employed physicians not included
b Those not included in hospital category
c "includes spending for school health, worksite health care, Medicaid home and community-based waivers, some ambulance services, residential mental health and substance abuse facilities, and residential intellectual and developmental disability facilities" (CMS 2022: 11)
d Paid for privately and by MaineCare

Maine Center for Economic Policy (MECEP) in a 2024 study (MECEP, personal communication).

How the multiple payers pay providers for those personal healthcare costs, supplemented where needed with extrapolations using percentages from 2022 National Health Expenditure data,[2] is shown in Table 2. The second column includes the total amount paid by the various payers, the third column the amount paid by Maine residents (as opposed to federal sources) to fund the payers. My interpretations of these figures, the assumptions on which I have based them, and the extrapolations I made to fill in missing data, are certainly debatable; my point in presenting them is only to suggest a process for evaluating recent and potential healthcare costs, not to claim definitive figures for them.

This $10,209 million, then, is the cost Maine residents bore for health care in 2020, via the payments they made to the multiple payers and providers they funded. Important as these macroeconomic statistics are, what would be of particular interest to most Maine residents would be their individual cost for health care. Given the wide range of people's financial and medical circumstances, it is impossible to make any meaningful claim about such costs but looking at a simple hypothetical case can give some idea of the factors involved. Consider, for example, the healthcare costs for a hypothetical healthy 30-year-old single Maine worker who receives $70,000 in total compensation at their workplace, rents an apartment, and is paying off a new car loan (Table 3).

One way or another, then, this individual spends $8,164, or 16.6 percent, of their $49,280 wage on health care. This rate is higher than the Urban Institute's finding (Buettgens et al. 2024) that 10 percent of the average Maine resident's income pays for health care and even than the 12 percent to 13 percent of income they estimate for the 138 percent to 400 percent federal poverty level demographic ($18,754 to $54,360 income per year). The authors based their calculations, however, on "premiums paid by households [per person], adjusted for taxes, and other out-of-pocket health spending" (Buettgen et al. 2024: 13), so they may not have included all the hidden health care costs listed in Table 3. Indeed, this hypothetical individual might think their costs were just the sum of their Medicare withholding ($715), Health insurance premium ($1,265), and OOP costs ($629), or $2,609, though that is less

TABLE 2: **Cost to Payers of Providers' Services and to Maine Residents of Funding Payers, 2020**

Payer	Amount paid by payers ($ million)	Amount paid by Maine residents ($ million)
Medicare[a]	3,592	943
Medicaid—federal[b]	2,360	0
Medicaid—state[c]	745	745
Private insurance[d] (fully and self-insured)	4,621	4,621
Out-of-pocket[e]	1,720	1,720
Department of Defense and Veterans Affairs	540	0
Indian Health Service	26	0
Other private revenues[f]	792	792
Workers' Compensation (WC)[g]	168	168
Other third-party payers and programs[h]	310	155
Public health—federal	336	0
Public health—state	425	425
Miscellaneous[i]	62	31
Dental (insurance and OOP)	609	609
Total payments	16,306	10,209

a Maine resident contribution through Medicare withholding, which is 2.9 percent of total 2020 Maine payroll of $32,524 million (US BEA 2024a). Deductibles are included in out-of-pocket (OOP); MediGap plan costs in private insurance.
b 76 percent of $3,105 million total cost of Medicaid (KFF 2024).
c 24 percent of $3,105 million total cost of Medicaid, paid through various state taxes (KFF 2024).
d "Aggregate PHI [Private Health Insurance] spending is an estimate of total premium revenues, including payments made by employers on behalf of employees for health insurance, as well as the employee share of the employer-sponsored health insurance, and direct purchase health insurance [MediGap and Marketplace]," plus "administrative costs...additions to reserves, rate credits and dividends, premium taxes and fees, and net underwriting gains or losses" (CMS 2022: 25).
e "Included in this estimate is the amount paid OOP for services not covered by insurance and the amount of coinsurance or deductibles required by private health insurance (PHI) and public programs such as Medicare and Medicaid" (CMS 2022: 15). This and the following figures are not provided by CMS and are extrapolated using percentages from 2022 national figures (CMS 2023). I assumed that percentages for 2022 are comparable to those applying in 2020 and would be for the next few years as well.
f "medical portion of property and casualty insurance, philanthropic support, and non-patient revenue" (CMS 2022: 22).
g This is roughly comparable to 2020 WC medical payments of $124 million reported by the National Academy of Social Insurance (Murphy and Wolf 2022).
h Variety of programs like maternal/child health, vocational rehabilitation, too detailed to specify but perhaps half paid by state, thus by its residents.
i Unidentified payers, perhaps half paid by state, thus by its residents.

TABLE 3: **Hypothetical Maine Worker's Healthcare Costs**

Financial element		Amount ($)	Amount worker pays for health care ($)
$70,000 Compensation	Wage[a]	49,280	0
	Health benefit (employer contribution)[b]	4,760	2,380
	Other benefits (retirement, sick pay, etc.)	15,960	0
Costs paid by individual	Insurance premium[c]	1,265	1,265
	Medicare withholding (1.45% for both worker and employer)[d]	715	1,072
	Federal income tax[e]	3,998	960
	State income tax[f]	1,915	632
	Rent[g]	15,000	168
	Utilities (gas, water, electricity, internet, cable)[h]	5,568	227
	Groceries[i]	4,115	168
	Car loan[j]	6,000	41
	Car insurance[k]	862	150
	Gas[l]	400	0
	Eating out[m]	1,992	0
	Entertainment[n]	2,000	82
	OOP[o]	629	629
	Sales tax[p]	1,183	390
	Other (gifts, donations, clothing, savings, etc.)[q]	3,638	0
Cost totals		49,280	8,164

a Wages average 70.4 percent of total compensation in private industry (BLS 2024).
b Health insurance provided by employers averages 6.8 percent of total compensation (BLS 2024). It is assumed the employer funds half their contribution through product/service price inflation and half through wage reduction, which is an indirect cost to the worker.
c On average, workers pay 21 percent (BLS 2023) of their health insurance premiums and employers 79 percent, meaning if the employer pays $4,760 of premium, worker pays $1,265.
d It is assumed that the worker will pay, in addition to their own withholding, some portion of their employer's Medicare withholding, say, 50 percent, through wage reduction.
e Federal tax estimated from Forbes Advisor (https://www.forbes.com/advisor/income-tax-calculator/maine/); 24 percent of federal budget is spent on health care (CBPP 2024).
f Maine taxes from Forbes Advisor (https://www.forbes.com/advisor/income-tax-calculator/maine/); 33 percent of Maine's General Fund is spent on MaineCare and the Department of Health & Human Services (MDF 2021).
g If value of the property the renter is renting is $200,000, and property tax rate is 1.4 percent, the property tax could be ~$2,800, presumably a component of the $15,000 rent. The portion of a Maine town's budget spent on municipal workers' health insurance can be around 6 percent (based on figures from Cape Elizabeth's budget, where $1,175,200 of the $18,646,371 budget was spent on health insurance in 2023 [6.3 percent; https://www.capeelizabeth.com/Budget2024-2025], or in this case around $168.
h Utilities data from Tromler (n.d.). If labor cost is ~60 percent of utility companies' expense (Kolmar 2022) and health insurance is 6.8 percent of labor cost, then utility bills include $227 for utility workers' health insurance.
i Groceries data from Tromler (n.d.). As above, food bills would include $168 for grocery workers' health insurance.
j Labor costs of new vehicles are hard to pin down, with estimates ranging from 5 percent to 15 percent. For this calculation I used 10 percent. If health benefit is 6.8 percent of labor cost, then $41 of the annual $6000 car payment would be for auto workers' health benefit.
k Insurance data from Tromler (n.d.). MedPay and personal injury vary, but total for both might approximate $150 per year (https://1800lionlaw.com/what-is-medical-payments-coverage-medpay/).
l Estimated for mileage of 10,000. Much of that is for gas tax, which is mainly for road maintenance, and the amount, if any, for health care is not readily accessible.
m Estimate from https://finance.yahoo.com/news/see-much-average-american-spends-150022067.html. Some restaurant/bar bills and tips may contribute to the cost of employee health care, but it's hard to find evidence.
n On average Americans spend $3,568 on entertainment yearly (https://finance.yahoo.com/news/average-american-spends-much-entertainment-160222027.html), but I used only $2,000 here. Assuming 60 percent of this spending pays for labor costs (Kolmar 2022), and 6.8 percent of labor cost is for health insurance, those figures are applied here.
o Average OOP spending for 19- to 34-year-olds (https://www.healthsystemtracker.org/indicator/access-affordability/out-of-pocket-spending/)
p On average, Maine residents spent 2.4 percent of income on sales tax in 2021 (Walczak 2022). That tax accounts for 45 percent of the General Fund, 33 percent of which is spent on MaineCare and DHHS (see Note f).
q Other funding of health care could be hidden here, but is set conservatively at zero.

than a third of what this analysis suggests the costs may be ($8,164). I should note that the tax exemptions in the current employer-based insurance system and the applicability of the Table 3 calculations to families have not been considered.

Having established what the cost of health care was to Maine residents as a whole in 2020, and having looked at how a variety of apparent and inapparent healthcare costs might affect a hypothetical individual's budget in our current multipayer system, we can now turn to what the cost of a single-payer plan to Maine residents might have been in 2020. This is broken down in Table 4, modified from Table 2 and with a new column showing the amount paid by Maine residents to fund a single-payer system; that is, the amount they would have paid with previous costs and new costs consolidated in a unified system.

This $10,105 million cost to the state for the single-payer plan is slightly less than the $10,209 million residents paid in 2020. It will be noticed, though, that in this analysis private health insurance reimbursement of hospitals and professionals was at prevailing rates, which, according to a study by Lopez et al. (2020), were on average considerably higher than Medicare rates (199 percent of Medicare for hospitals, 143 percent of Medicare for physicians). As the report pointed out, "Ultimately, the capacity of providers to operate successfully would likely depend on the magnitude of the gap between private and Medicare rates, and other factors such as how effectively and quickly they are able to

TABLE 4: **Cost to Maine Residents of Single-payer System 2020**

Payer	Amount paid by Maine residents funding payers ($ million)	Amount paid by Maine residents to fund single-payer system ($ million)
Medicare[a]	943	943
Medicaid— federal[b]	0	0
Medicaid—state[c]	745	1,061
Private insurance[d] (fully and self-insured)	4,621	3,558
Out-of-pocket[e]	1,720	1,531
Department of Defense and Veterans Affairs	0	0
IHS	0	0
Other private revenues	792	792
Workers' Compensation[f]	168	168
Other third-party payers and programs[g]	155	155
Public health—federal	0	0
Public health—state	425	425
Miscellaneous	31	31
Vision, hearing, dental coverage[h]	609	919
Uninsured[i]	0	619
Drug savings[j]	0	-97
Total	10,209	10,105

a Maine resident contribution through Medicare withholding (2.9% of 2020 Maine $32,524 million payroll [US BEA 2024a]). 20% Medicare subsidy assumed comparable to deductibles included in OOP; MediGap coverage to that included in private insurance.
b Amount contributed through federal income tax not included.
c Exclusion of nursing home cost ($98 million in DHHS budget) and inclusion of provider reimbursement rate increased to Medicare's (128% of Medicaid's: MECEP pers. comm.). Hospital and professional provider cost is 48% of total $3,105 million Medicaid cost—$1,479 million. Adding 28% of that brings state responsibility up to Medicare level.
d This 23% reduction is the sum of (1) 12% reduction in payer overhead costs: administrative and profit costs less than PHI's 15% (from 85% loss ratio) and more like Medicare's 1.3% (Cubanski and Neuman 2023); I use a conservative 3% estimate; (2) 5% reduction in providers' billing and insurance-related (BIR) costs: 8.5%–13% of providers' revenues are spent on BIR costs (Jiwani et al. 2014), average perhaps 10%, which could be halved by eliminating multiple payers (Sheinker et al. 2021); and (3) 6% reduction through elimination of providers' health benefit costs: 84% of hospital (Condon 2024), physician practice (KaufmanHall 2024), and other provider expenses are labor costs and 6.8% of that amount is for health benefits (BLS 2024).
e A 5% reduction in providers' BIR administrative costs and elimination of providers' health benefit costs of 6% of expenses, for total of 11% reduction in provider costs now paid through OOP payments. See note d for description of how I arrived at these percentages.
f Workers Compensation may or may not be included in single-payer plan.
g It is uncertain how much of this would be taken over by the single-payer plan; I assume the maximum.
h Only dental data available in 2020 data. Vision and hearing care costs are presumably included in other categories. MCEP (pers. comm.) estimates $980 to cover vision, hearing, and dental services per person in 2023 or $828 in 2020 dollars. US Census data shows Maine had 1,110,000 people over the age 18 of in 2020, meaning cost of these coverages would have been $919 million.
i According to Buettgens et al. (2024), the average nonelderly Maine resident spends $9,906 a year on health care ($8,370 in 2020 dollars), and according to Myall (2019), Maine's uninsured population was 74,000 at that time, indicating a total cost to cover them of $619 million. (This is probably high as it is based on a wasteful system.)
j Estimated to be 5% of drug costs, through negotiation. The Congressional Budget Office estimates 6% reduction in drug prices in a single-payer system (CBO 2022). Mulcahy and colleagues found drug prices in Canada, which negotiates them, were 44 percent of prices in the United States (Mulcahy et al. 2024). Estimates by five economists reported in the *New York Times* (Katz et al. 2019) average a 15% reduction. I used a 5% reduction because state-level negotiation may be less effective than national.

respond to reduced payments by improving their efficiency" (Lopez et al. 2020). However, the transfer of commercial payments (premiums, cost sharing) into the single-payer system, along with the increased payments for the Medicaid population and provider savings should enable professional providers to negotiate rates acceptable to them somewhere between Medicare and commercial rates, and institutional providers to negotiate global budgets producing revenues acceptable to them somewhere between what they would have received solely at Medicare or at commercial rates in the fee-for-service institutional payment system.

Had a single-payer plan been in place in 2020, how would the people of Maine have met that $10,105 million cost? (It should be noted that, in their estimation of the cost to the state in 2023 of a single-payer plan, the MECEP arrived at a lower cost to the state for a different model: $7,938 million [MECEP personal communication].) Several funding possibilities have been suggested, including a healthcare income tax, healthcare payroll tax, and new sales taxes, and here I consider the pros and cons of each.

Payroll tax, though well established for funding both Medicare and commercial insurance, and relatively easy to carry out, has several disadvantages. First, it applies only to employed and self-employed Maine residents. Second, when it is combined with other funding, which it usually is, workers can't be sure what they as individuals or a demographic are paying in total for health care. Third, it can reduce workers' wages, bonuses, and other benefits in unclear ways. Fourth, by forcing price increases, it can reduce business competitiveness and increase inflation. Fifth, it can consume business resources and complicate labor negotiations. Sixth, it does not maintain for employers the recruitment and retention advantage that their former health benefit provided.

Sales taxes are regressive, taking a higher share of income from the less well-off than the more well-off. Second, they would hurt many businesses by increasing the final prices of their goods and services. Third, their collection and distribution would be an expense for both businesses and government. Fourth, unless imposed as a separate healthcare sales tax, buyers wouldn't know how much of that tax and the cost of their purchase was for health care.

A healthcare personal income tax, on the other hand, flat rate or progressive, would make the cost of health care clear to individuals, relieve patients of point-of-service charges, free workers from job lock, relieve employers of administrative and regulatory burdens, align with people's ability to pay for health care, and perhaps most importantly, unite the people of Maine in a sense of sharing in a common good. According to the Federal Reserve Bank of St. Louis (US BEA 2024b), total personal income in Maine was approximately $74,000 million in 2020 (possibly affected by COVID-19, as the following year it was $84,000 million). Therefore, to raise $10,105 million to fund the single-payer plan solely through a personal income tax, the state would have needed to use a rate of about 13.7 percent. This rate could be less if a corporate income tax were added, but corporations would not enjoy the savings that providers and the government payer are expected to. Such a new healthcare income tax would have met strong resistance in 2020 as it would today. Indeed, the idea of such a new tax was one of the main reasons single-payer proposals in Colorado and Vermont failed. What most people were not educated about then and may not understand now, is that the 13.7 percent tax was slightly less than the healthcare costs it would have replaced. The hypothetical worker described earlier, for example, paid 16.6% of their wages for health care.

In this commentary, I show how the replacement of Maine's 2020 multipayer healthcare system with a single-payer one—one that covers all residents equitably and without ties to employment; adds vision, hearing, and dental coverage; subsidizes some costs; produces system savings; remunerates providers at rates higher than Medicare rates; and eliminates point-of-service charges—would have cost Maine residents no more, and possibly less, than what they paid in the existing system. The cost for a single-payer plan could have been paid for by a simple, transparent, flat-rate or progressive tax on personal income and would have replaced most of the previous complex and often hidden healthcare costs. If single-payer proponents hope to convince Maine residents of the feasibility of a single-payer plan in the future, they will need to verify these cost considerations and educate the public and legislators about them.

NOTES

1 Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence: Summary Tables. https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/state-residence

2 Centers for Medicare & Medicaid Services, National Health Expenditure Data (2022). https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data

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