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What Other States Can Learn From Vermont's Bold Experiment: Embracing A Single-Payer Health Care Financing System

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Abstract

Single-payer health care systems consist of publicly financed insurance that provides basic benefits for all citizens. The design is intended to achieve universal coverage and allow greater cost control. Many states have attempted to reform their systems around single-payer principles, but none succeeded until Vermont enacted a law in May 2011. In this article we describe how our team developed a viable single-payer proposal that served as the foundation of Vermont's law. According to our estimates, after the first full ye of operation in 2015, our proposed single-payer system is expected to produce an annual savings of 25.3 percent when compared to current state health spending levels; cut employer and household health care spending by $200 million; create 3,800 jobs; and boost the state's overall economic output by $100 million. We describe how this plan was designed, and we discuss lessons for other states consideri health system reform.

Topics:
Costs and spending | Payment | Single-payer system | Taxes | Insurance claims | Cost savings | Universal coverage | Medicare | Employee Retirement Income Security Act | Cost reduction

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NOTES

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In this issue of *Health Affairs*, Harvard economist William Hsiao and his colleagues describe Vermont's single-payer health law, which Hsiao helped create and which is the first ever such law in the United States. The authors find that many of the circumstances that led to the law, which was enacted in May 2011, may be unique to Vermont. However, the state's experience is nonetheless instructive for other states.

For instance, the authors believe that states would be well served to do as Vermont has done and assemble an all-payer claims database along with uniform payment methods and uniform claims processing. These and other changes would reduce costs by improving administrative efficiency, they say.

Hsiao began to work on the Vermont plan at the request of state lawmakers who were aware of his two decades of work on health system reforms. He has helped design reforms for close to a dozen countries, including Taiwan, China, South Africa, and Poland. He hopes that Vermont's law will prompt other states to adopt single-payer plans.

Hsiao says that his research has persuaded him that the United States is considerably behind other advanced economies in the structure of its health care system. "We have put on so many Band-Aids that it has become an incoherent and incongruent system that causes much waste, inefficiencies, and poor quality of health care," he says.

Hsiao is the K.T. Li Professor of Economics at the Harvard School of Public Health. He serves as a consultant to the US Senate on Social Security, Medicare, Medicaid, and regulation of physician fees. He is a member of numerous advisory committees at the World Bank, International Monetary Fund, International Labor Organization, and World Health Organization. Hsiao earned both a master of public administration and a doctorate in economics from Harvard University.

Anna Gosline Knight is the project manager of Hsiao's study of Vermont's health system reforms. She was recently awarded a master's degree in health policy and management from the Harvard School of Public Health.

Steven Kappel is the founder of Policy Integrity LLC, a consulting firm that assists clients with the development, presentation, and evaluation of policy alternatives in health care and related areas. He was awarded a master of public administration degree from the University of Vermont.

Nicolae Done serves as the main research analyst on Hsiao's Vermont health reform research team. A former editor of the *Harvard Health Policy Review*, Done has a bachelor's degree in biochemical sciences from Harvard College.

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