



New Yorkers Save Billions Under the New York Health Act FAQ

Overview: The New York Health Act (NYHA) will generate enormous savings by replacing the marketing, bureaucracy, and profits of insurance companies with a single publicly-accountable plan, as well as by negotiating fair prices with drug companies. Data from the RAND study shows that NYHA, while covering everyone, including long-term care, and eliminating all deductibles and copays, will save more than \$11 billion in 2022 and even more in future years. By distributing the tax burden fairly based on ability to pay and having capital gains and other taxable investment income contribute to its cost, 90% of New Yorkers will see substantial savings in their spending for health care.

How Much Will the Average Person Save and Pay under the NY Health Act?

New Yorkers will save billions of dollars by not paying rising premiums, deductibles, co-pays, out-of-network charges, and long-term care costs (home care, nursing home care). We'll save tens of billions by cutting out insurance company bureaucracy and profit, lowering doctor and hospital administrative costs, and negotiating lower drug prices.

The lower cost of the single payer system will be funded by existing Medicare and Medicaid and other public funds, along with a progressively graduated tax on payroll and taxable non-payroll (investment) income. The employer will pay at least 80% of the payroll tax; the employee no more than 20%. A self-employed person would pay the full payroll tax. All New Yorkers, including children, will be covered, whether they are working or not.

The NYHA provides that the first \$25,000 of a person's annual income will not be taxed. The bill does not specify other income brackets and rates, which would be set shortly before the plan is ready to be implemented.

We can, with reasonably high accuracy, estimate what the average working New Yorker will spend under the New York Health Act single payer legislation. Over 80% of New Yorkers earn less than \$100,000 per year. For that significant majority of New Yorkers, here is what they will pay in New York Health taxes, based on the results of the RAND report and a Summary and Evaluation of that report (see below):

Annual Income	Employee		Employer		Self-employed	
	Tax	Effective rate	Tax	Effective rate	Tax	Effective rate
\$25,000	\$0	0%	\$0	0%	\$0	0%
\$50,000	\$900	1.8%	\$3,600	7.2%	\$4,500	9%
\$75,000	\$1,800	2.4%	\$7,200	9.6%	\$9,000	12%
\$100,000	\$2,700	2.7%	\$10,800	10.8%	\$13,500	13.5%

For any income below \$100,000, the maximum tax can be calculated as follows:

1. Subtract \$25,000 from the income.
2. For employees/employers/self-employed, multiply the result by 0.036/0.144/0.18.

Higher-income persons will pay proportionately more, as tax rates rise in accord with a progressively-graduated tax schedule. These taxes will raise the funds described below.

Note: The New York Health tax is a tax on individuals, not households or families. As an example, the median household income in New York State is \$65,000; if that income is earned by two employed people making \$32,500 each, their total New York Health tax will be less than \$540.

Compare all these numbers with what people spend today: The average family health insurance coverage in New York State costs \$21,000, and the average deductible is \$3,200.

What Will Overall Savings and Spending be under the New York Health Act?

Getting rid of insurance company bureaucracy and profits will save New Yorkers over \$20 billion. We will save over \$16 billion we now pay to doctors, hospitals and other providers for the administrative costs of fighting with insurance companies. Under NY Health, we could cut drug prices over \$18 billion with the bargaining power of 20 million consumers. That’s over \$55 billion a year. The New York Health Act would use the savings to pay for health care and put money back into New Yorkers’ pockets.

NY Health would pay health care providers more than Medicare and Medicaid now pay, because the rates would be required to be related to the cost of delivering the service and sufficient to assure an adequate supply of the service, and unpaid care would now be paid.

For patients, NY Health would also cover what we now spend on deductibles, co-pays, out-of-network charges, and out-of-pocket spending for long-term care.

Table 1. Savings & Additional spending – in \$ billions

Savings	
Reduced insurance company bureaucracy and profit	20.4
Reduced health care provider administrative costs	16.3
Reduced prices for prescription drugs	18.6
TOTAL SAVINGS	55.3
Additional spending	
Covering the uninsured & eliminating deductibles, copays, out-of-network charges	17.1
Improved provider payments	8.8
Long-term care – shifting unpaid care to paid	18.0
TOTAL ADDED SPENDING	43.9
NET SAVINGS	11.4

See also Figure 1. See the RAND study and a Summary and Evaluation of the RAND Report for further details on this table and what follows.¹

¹ www.rand.org/content/dam/rand/pubs/research_reports/RR2400/RR2424/RAND_RR2424.pdf; [www.infoshare.org/main/Summary and Evaluation of the RAND report - LRodberg.pdf](http://www.infoshare.org/main/Summary_and_Evaluation_of_the_RAND_report_-_LRodberg.pdf)

What does Long-term Care (Long-term Services and Supports) Add to the Cost of the New York Health Act?

Today in New York, spending on LTSS is \$22 billion by government (primarily Medicaid) and \$11 billion private spending (insurance plus out-of-pocket) -- totaling \$33 billion. The RAND study estimates that people in New York provide about \$31 billion in unpaid home care (generally provided by a family member, usually a woman), and assumes that a portion of current unpaid home care will be replaced by paid home care under NYH, costing \$18 billion. Therefore, the new public spending on LTSS under NYH would be \$11 billion plus \$18 billion, totaling \$29 billion.

Table 2. Long-term care – in \$ billions

Current government spending for LTSS	22.0
Spending shifted to NY Health:	
Current insurance spending for LTSS	4.0
Current out-of-pocket spending for LTSS	7.0
Unpaid home care shifted to paid care	18.0
TOTAL NY HEALTH SPENDING FOR LTSS	\$29.0

How Much Revenue Must be Raised by the NY Health tax?

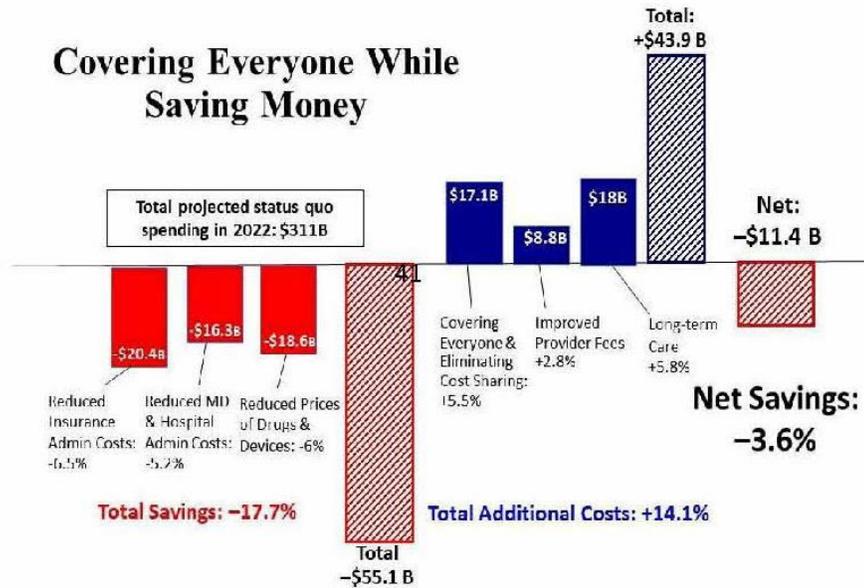
New York Health will replace current spending by New Yorkers: \$131 billion we now spend on premiums (employer and employee share, individual coverage, Medicare Part B premiums, etc.), \$29 billion in out-of-pocket costs (deductibles, co-pays, out-of-network charges, paying for long-term care, etc.). It would cover the \$8.9 billion cost of the local share of Medicaid. This current spending totals \$169.3 billion. Table 1 shows that NY Health saves \$11.4 billion in current spending. Taking account of these savings, the NY Health tax will need to raise \$157.9 billion. See also Figure 2.

Table 3. Revenue needed from NY Health Tax

Current spending replaced by NY Health	
Insurance premiums (employment-based, individual, Medicare Part B, etc.)	\$131.5
Out-of-pocket spending	28.9
Medicaid local share	8.9
TOTAL	169.3
Net savings from Table 1	-11.4
Revenue to be raised by NY Health tax	157.9

Figure 1

Sources of Savings, Added Costs, and Net Savings



Sources: Jodi Liu, et al., *An Assessment of the NY Health Act*. RAND Corporation, August 2018
 Leonard Rodberg, *Summary and Evaluation of the RAND Corporation's Assessment of the NY Health Act*, September 2018.

Figure 2

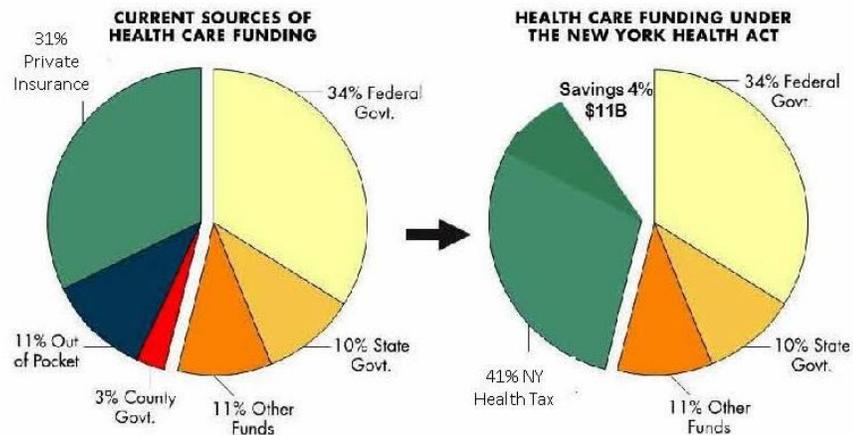
Current Sources of Funding vs. Funding under the New York Health Act

The NY Health tax replaces

private insurance, out-of-pocket costs, & county Medicaid costs

Saving billions

through administrative simplification and reduced prices of drugs and medical devices



Sources: Jodi Liu, et al., *An Assessment of the NY Health Act* (RAND Corporation, August 2018);
 Leonard Rodberg, *Summary and Evaluation of the RAND Corporation's Assessment* (September 2018).