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WASTE NOT, WANT NOT

How Eliminating Insurance and Pharmaceutical Industry Waste Could Fund Health Care for All

This report was released in conjunction with Health Care Action Week, October 3 – 10, 2004. During the week of action, 11 unions and many health care reform organizations worked together with the Jobs with Justice coalitions to send a message to politicians and employers demanding health care reforms that would expand and improve Medicare-type coverage *for all* rather than undermine or privatize existing programs.

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Executive Summary

The United States is the only industrialized country in the world that does not guarantee health insurance for its population. The U.S. spends far more per person on health care than any other country in the world – in fact more than twice as much as the average for other rich countries. Yet people in the United States do not have good health. The United States ranks near the bottom of the industrialized world in life expectancy, infant mortality, and other standard measures of health.

As bad as the health care situation is in the United States, it is getting rapidly worse. Double-digit increases in health care costs are leading more employers to drop health insurance coverage for workers or their family members, and to raise costs for those who keep coverage. The number of people without insurance or with inadequate insurance is rising rapidly, leading more people to become insecure about their access to adequate medical care.

While everyone agrees that Medicare has been an enormously successful program, many people believe that covering everyone would be too expensive – that the country simply can't afford to insure its entire population. This report sets out to prove the opposite. We already spend more than enough to insure the entire population. The reason that we pay *more* and get *less* for our money is that our health care system is enormously wasteful.

This report looks at some of the waste in the U.S. health care system. It calculates how much waste could be eliminated at the national level and at the state level, and how many people could be insured with the savings. Specifically, it looks at the waste that results from our fragmented system of private insurers, rather than using a "Medicare for All" approach that efficiently covers everyone. It also looks at the waste associated with government granted patent monopolies for prescription drugs that protect drug companies from selling in a more competitive market. Finally, the report analyses the waste from the additional subsidies for the insurance industry that were part of the recently passed Medicare prescription drug benefit.

Our report finds that:

- The savings from replacing the system of private insurers with a "Medicare for All" approach would be more than $94 billion a year. This is a very conservative estimate because it only includes the direct savings from eliminating administrative costs in the insurance industry. This figure does not include the savings that would result from reducing the paperwork health care providers (e.g. hospitals, nursing homes and doctors' offices) must deal with because of the fragmentation of the current system.

- The savings from replacing the system of private insurers with a "Medicare for All" approach would be sufficient to insure almost 55 million people, more than two thirds of the nearly 82 million people who were uninsured at some point last year.

- Even larger savings are possible with reform in the prescription drug industry. The U.S. government currently gives drug companies patent monopolies that allow them to charge as much as they want for life-saving drugs. The United States is the only country in the world that gives companies unrestricted patent monopolies, and as a result, we pay about twice as much as people in Canada and elsewhere for our drugs. If the government instead increased public funding for research and allowed a more competitive market in prescription drugs, the savings would be more than $140 billion a year.

- The savings from replacing government patent monopolies with a more competitive market in prescription drugs would be sufficient to insure 70 million people or more than 87 percent of the total uninsured population.

- The Bush Administration-backed Medicare prescription drug bill passed in 2003 included an additional $83.6 billion in subsidies for private insurers. This money was included because private insurers are too inefficient to compete with the traditional Medicare program on a level playing field. If this money had instead been used to cover the uninsured, it would have been sufficient to cover another 3.7 million people, nearly 5 percent of the uninsured population.

- Taking these three sources of potential savings together, there would be sufficient money to insure 160 percent of the uninsured. The savings would be more than enough in every single state to cover the entire uninsured population.

In short, the United States is already spending far more money than is necessary to provide adequate health insurance for all of its people. It is only necessary to redirect some of the money from powerful corporate interests -- like the insurance and pharmaceutical industries -- to provide the high quality, secure health care that everyone should have.

Introduction

People in the United States are facing an unprecedented crisis gaining access to quality, affordable health care. One of the key problems in our health care system that affects everyone is the growing number of people without insurance. In the last 3 years, the number of people who went without insurance for the entire year increased by almost 3 million to more than 45 million. A much larger number, 81.8 million, went without insurance for at least part of the year. The number of people without insurance is virtually certain to continue to rise rapidly as the price of health insurance rises at double-digit rates every year.[1]

Even those who have insurance are feeling the impact of rising costs. Employers across the country are passing on rising health care costs by forcing workers to both accept pay cuts to keep their health care coverage and to pick up more of the cost of their health insurance bills themselves. Millions of workers have to pay much of the cost of their insurance premium out of their own pocket, and often have to pay the entire cost of insuring their spouse or children. And even when they have insurance, workers often have large co-payments and deductibles that still leave them stuck with big medical bills. Out-of-pocket expenses already average almost $1,000 per person each year.[2] It should come as no surprise that health care expenses are the number one cause of personal bankruptcy.[3]

With health care costs projected to more than double over the next decade, the number of uninsured is also expected to grow rapidly.[4] By the end of the decade, the number of people who spend part of the year uninsured may exceed 100 million. Those who have insurance will have to devote an ever-larger portion of their pay to health care costs. Furthermore, even workers with good insurance will live in constant fear that if they lose their job, they will lose their insurance. Studies show that when workers lose their jobs, the prospect of getting another job with comparable health insurance is bleak – especially for the tens of millions of workers with preexisting health conditions.

Everyone recognizes the health insurance crisis facing the country, but there are sharp differences of opinion about how to deal with the problem. The Bush Administration and some members of Congress argue that the current system of health insurance is basically working; we simply need additional tax breaks to encourage businesses to provide health insurance. But these proposals do nothing to reduce the explosion in health care costs that both employers and workers are facing. Furthermore, the proposed tax breaks will mostly benefit the rich. Most workers would get little or no benefit from any new health care tax deductions.

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[1] Data on the recent trends in health insurance premiums and an assessment of their likely future direction can be found in The Kaiser Family Foundation and Health Research and Education Trust, 2004. *Employer Health Benefits: 2004 Annual Survey*. [http://www.kff.org/insurance/7148/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=46288]

[2] National Health Expenditures; Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, table 3 [http://www.cms.hhs.gov/statistics/nhe/projections-2003/t3.asp].

[3] Sullivan, T., E. Warren and J. Westbrook, 2000. *The Fragile Middle Class: Americans in Debt.* New Haven CT: Yale University Press.

[4] Center for Medicare and Medicaid Services, 2004. National Health Expenditures and Selected Economic Indicators, Levels and Average Annual Percent Change: Selected Calendar Years 1990-2013, table 1 [http://www.cms.hhs.gov/statistics/nhe/projections-2003/t1.asp].

For example, workers would benefit very little from the "Health Savings Accounts" that President Bush has proposed. Health Savings Accounts would allow people to put aside money for health care in order to avoid income tax liability, but not payroll tax liability. But since most workers pay most of their tax dollars in payroll taxes, not in income taxes, the Health Savings Accounts would provide little or no benefit to tens of millions of workers. Also, the proposal will only benefit relatively healthy people, since families who typically have substantial medical expenses will not be in a position to benefit from these tax sheltered accounts. By pulling relatively healthy people out of the standard insurance pool, Health Savings Accounts are likely to lead to an even more rapid rise in the cost of insurance, therefore further increasing the number of uninsured.

The alternative to proposals like these is to extend more health care coverage through the government, just as we did in the nineteen sixties when a powerful movement succeeded in winning health insurance for all seniors and many long term disabled people through Medicare. The creation of the Medicare program has given tens of millions of retirees security in their old age, and has meant that they do not become burdens on their children. While everyone agrees that Medicare has been an enormously successful program, many people believe that covering everyone would be too expensive – that the country simply can't afford to insure its entire population.

This report sets out to prove the opposite. The United States has the richest economy in the world, with an annual output of more than $11 trillion. We already spend more than enough to insure the entire population. The United States spends more than twice as much per person for health care as the average in other rich nations like Canada, Germany, or England. Yet these other countries all manage to provide health care insurance to everyone. Furthermore, people in the United States have the worst health care outcomes – for example we don't live as long as people in Canada, Germany, England or other rich countries.[5]

The reason that we pay *more* and get *less* for our money is that our health care system is enormously wasteful. Every year, hundreds of billions of dollars of health spending gets wasted paying the administrative costs of a fragmented and inefficient private health insurance system. Unlike Medicare, most private insurers are run for profit. Their profits come out of patients pockets. In addition, the top executives in the insurance industry often pull down annual salaries that run into the millions, or even tens of millions. This money also comes out of the pocket of patients or employers.

In addition, the web of private insurers creates a huge amount of unnecessary paperwork and bureaucracy. Insurers make money by *not* paying bills. Their profits rise when they can find ways to avoid paying bills, passing them on to either the government, other insurers, or to

[5] Comparative data on health care spending and outcomes can be found in the tables in "OECD Health Care Data 2004 – Frequently Requested Data [http://www.oecd.org/document/16/0,2340,en_2649_34631_2085200_119656_1_1_1,00.html] .

patients. As a result, the administrative costs of the private health insurance system are almost ten times as much as the administrative costs of the Medicare system.[6]

In fact, the waste that results from the system of private insurers is even larger than just the difference in administrative costs. The efforts of private insurers to evade paying claims force hospitals, doctors' offices, and other health care providers to spend hundreds of billions of dollars dealing with paperwork from the insurance industry. **If the country improved and expanded Medicare to cover everyone, there would be no reason for this endless shuffling of paper – all the bills would go to the same place.**

While the costly administration of the insurance industry is one of the biggest single sources of waste in the U.S. health care system, it is not the only one. The United States spends far more on drugs each year – more than $200 billion in 2004 – than any other country in the world. Furthermore, drug prices are the most rapidly growing health care expense. Drugs are projected to cost the country almost $520 billion annually by 2013, more than $1,700 per person.

There is no reason that drugs have to cost this much. With few exceptions, drugs are cheap to produce and would sell for a low price in a competitive market. Drugs are only expensive because the U.S. government grants the pharmaceutical industry unrestricted patent monopolies. These patent monopolies allow drug companies to charge as much as they want, without fear that competitors in the market will undercut their prices. The United States is the only country in the world that gives the industry unrestricted patent monopolies.

As a result of these unrestricted patent monopolies, people in the United States pay twice as much for their drugs as do people in Canada or other rich counties. Some drugs sell for prices in the United States that are three or four times as high as the price that the same drug – subject to the same quality and safety standards – sells for in other rich countries. For example, a recent study found that Tamoxifin, a drug used in the treatment of breast cancer, sells for more than seven times as much in the United States as in Canada.[7] There are huge potential savings from bringing the cost of drugs in the United States down to levels that are more in line with the costs elsewhere in the world.

There are two ways to reduce drug costs in the United States. First, **the U.S. government could do what other governments do, and negotiate a price with the industry based on the usefulness of the drug**. If we followed the model of Canada, Australia and other countries, these negotiations could save us close to $100 billion annually, given current levels of spending. By 2013, the savings would be up in the neighborhood of $250 billion a year.

[6] This information and other numbers in this paper are taken from the Center for Economic and Policy Research's paper, "Insuring the Uninsured: The Gains From Reducing Waste." This paper can be found at the CEPR website at [http://www.cepr.net/publications/health_care_reform.htm].

[7] See the price comparisons available at http://www.voiceoffreedom.com/archives/health/comparecosts.html .

The second way to reduce drug costs is to simply **allow new drugs to be sold in a more competitive market, like any other good**. The pharmaceutical industry claims that it needs patent protection in order to pay for research into new drugs. But more than half of bio-medical research is already supported either by the government, through the National Institutes of Health, or through private non-profit organizations such as universities, foundations, and private charities.

The Free Market Drug Act, recently proposed by Representative Dennis Kucinich, would simply increase publicly funded research by a large enough amount to replace the research currently paid for by the pharmaceutical industry, thereby eliminating the need for patent protection.[8] If passed, all of the drugs developed through publicly funded research would then be sold in a competitive market, just like pencils, papers, furniture or any of the other things we buy. While drugs would still have to be approved by the Food and Drug Administration and meet the same safety standards as they do now, the government would not enforce patent monopolies that allow firms to charge exorbitant prices. By ending the patent monopoly that the drug companies currently enjoy, the savings on prescription drugs would be close to $120 billion at current spending levels, and would rise to more than $300 billion annually by 2013.

The savings from either buying prescription drugs at a negotiated price or allowing them to be sold in a more competitive market would go far toward paying the cost of covering the uninsured. Similarly, eliminating the waste in the insurance system would also go far toward covering the cost of the uninsured. An often overlooked benefit of covering the uninsured is the reduced costs of care for people who currently do not have insurance.

People without insurance get sick and need care just like everyone else. But, because they don't have health insurance coverage, they are less likely to see a doctor and get proper care when they first develop an illness. As a result, their health problems often get much worse before they are eventually treated. In addition to being harmful to people's health, delays in seeking treatment also lead to higher health care costs. In some cases, the uninsured may bear these costs themselves, insofar as they have savings to draw upon or are able to borrow, but in many cases these expenses are passed along to other patients and taxpayers. Hospitals and other providers are forced to pass through to others the costs of treating some patients who are unable to pay their bills.

Regardless of who ultimately bears the cost, **if the United States had universal health insurance coverage, like every other wealthy country, the expenses associated with the uninsured delaying treatment for fear of medical bills would be eliminated**. While it is not easy to quantify these savings, it is likely that that they would be substantial and that the health of the uninsured would improve.[9]

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[8] For more information on the Kucinich proposal see http://www.house.gov/kucinich/issues/freemarketdrugact.htm

[9] This issue is discussed in more detail in the National Coalition of Health Care's "Facts About Health Care," [http://www.nchc.org/facts/coverage.shtml].

How Many of the Uninsured Could be Covered by Eliminating Waste?

This section shows how many of the uninsured could be covered with the savings from eliminating some of the waste in the current system. This report counts as uninsured 35 million people who are uninsured at some point in the year, but insured at other points. While these people benefit from having some health care coverage, they face the insecurity of going without insurance for at least part of the year. It uses calculations from a recent paper by the Center for Economic and Policy Research (CEPR).[10] CEPR calculated the number of people nationally and in each state who could be insured if:

1) the private insurance system was replaced by a more efficient Medicare for All type plan, with savings being used to cover the uninsured;
2) the government used its purchasing power to buy drugs at discounted prices or negotiated prices comparable to the Canadian system, and used the savings to cover the uninsured; and
3) drugs were sold in a more competitive market, as provided by the Free Market Drug Act, and the savings were used to cover the uninsured.

Of course, these are not the only sources of waste in the health care system, as noted above. In fact, the Bush administration has vastly increased the amount of waste in the system with its new Medicare prescription drug benefit. Instead of using Medicare's market power to negotiate low drug prices, the bill will pay for the purchase of more drugs at monopoly protected prices. In effect, the government will be paying the drug companies whatever price they feel like charging.

Two researchers, Alan Sager and Deborah Socolar, recently calculated that 61 percent of the $228 billion appropriated in the Medicare bill for prescription drugs over the next eight years will simply go to higher profits for the drug industry. This is easy to see, since in most cases the cost of producing additional drugs is only a small fraction of the price of the drug, and all the research to develop these drugs has already been paid for. It means that because the Bush administration approved an additional $228 billion to pay for prescription drugs over the next decade, without doing anything about the industry's monopoly pricing, the vast majority of this money will go directly into the industry's profits.[11]

Another source of waste in the Medicare bill was the decision to add another $83.6 billion to the subsidies going to private insurers who compete with the traditional Medicare program. Private insurers have been allowed to compete with the traditional publicly administered program for more than fifteen years, with their role expanded in Medicare provisions passed by

[10] This paper, "Insuring the Uninsured: The Gains from Reducing Waste," is available on the website of the Center for Economic and Policy Research, at [http://www.cepr.net/publications/health_care_reform.htm].

[11] See A. Sager and D. Socolar, 2003. "61 Percent of Medicare's New Prescription Drug Subsidy is Windfall Profit to Drug Makers," Health Reform Program, Boston University School of Public Health, [http://www.healthreformprogram.org]

Congress in 1995. While numerous studies have found that it costs Medicare more to insure people through private insurers than the traditional Medicare program,[12] the vast majority of beneficiaries have voted with their feet for the traditional program. In other words, even though the plans offered by the private system cost taxpayers more money, more than 90 percent of beneficiaries still prefer the traditional public program.

Since private insurers have been unable to compete with the traditional Medicare plan with the current level of subsidies, President Bush and the Republican Congress decided to give the insurance industry even more subsidies in the recent prescription drug bill. The bill gives the industry $83.6 billion over the period from 2004 to 2014, an average of $7.5 billion per year in additional subsidies.

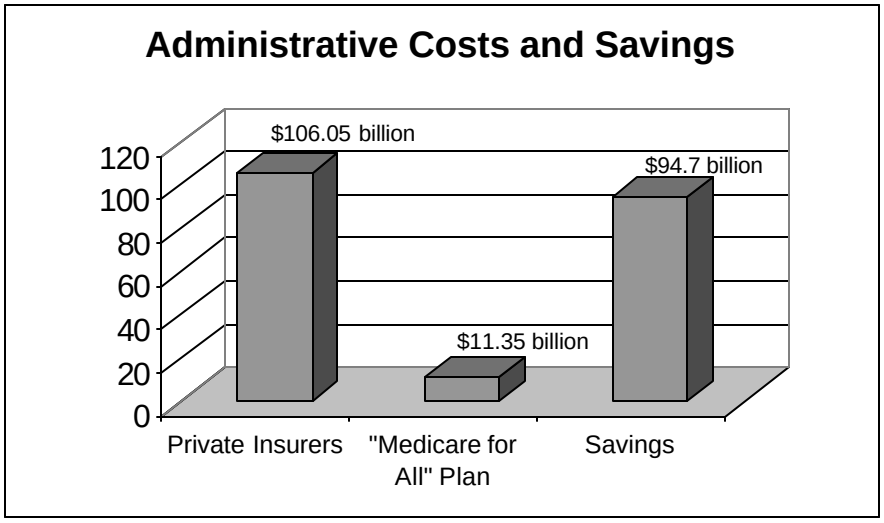
In additional to calculating how many people could be insured by replacing the private insurance system with an improved and expanded Medicare type plan or through lower cost drugs, this report also includes calculations that show how many people could be insured if the additional subsidies for the insurance industry that were included in the new Medicare prescription drug bill were instead used to cover the uninsured.[13]

[12] See for example General Accounting Office, 2000. "Medicare + Choice: Payments Exceed Cost of Fee for Service Benefits, Adding Billions to Spending."

[13] These calculations are based on the CEPR paper. It is assumed that the coverage is proportional – if $100,000 of savings on prescription drugs is sufficient to insure 30 people, then it is assumed that $10,000 of savings from these new insurance subsidies is sufficient to insure 3 people.

Figure 1 shows the amount of money being paid directly in administrative expenses through the current health care system, the amount that would be paid if insurance was instead provided through a more efficient Medicare for All plan, and the savings that would result from switching to a Medicare type plan. The figure shows that in 2003, the country spent $106.1 billion on the administrative costs of the insurance system. It shows that if the same payments were instead made through a universal Medicare type plan, that the administrative fees would have been just $11.4 billion, for a savings of $94.7 billion. Again, this is an extremely narrow measure of costs and savings, since it only includes the administration costs of the private insurance industry itself. The costs and savings calculations do not include any additional expenditures required by the administrative efforts made by hospitals, doctors' offices, nursing homes and other health care providers to deal with the paperwork resulting from the current patchwork in the insurance industry.

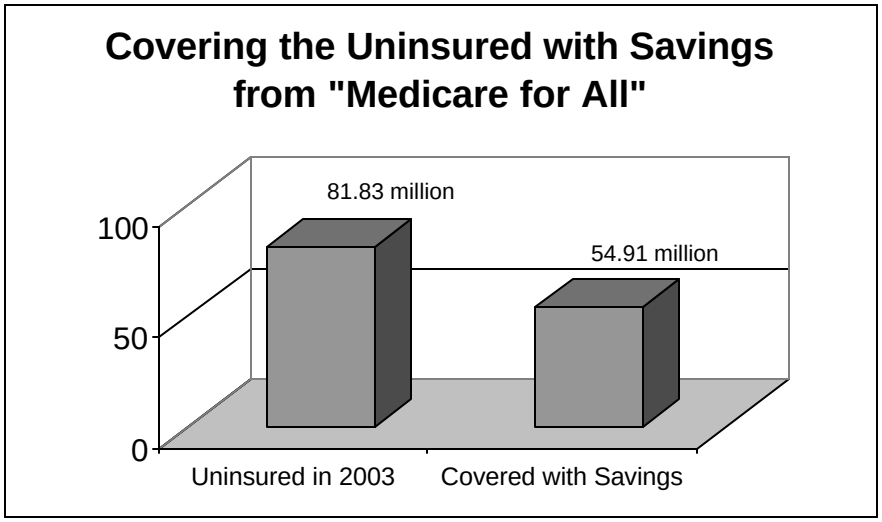
Figure 1



Source: CEPR, 2004

Figure 2 shows the number of people currently uninsured at some point during the year and the number of people who could be covered with the savings by replacing the current system of private insurers with a universal Medicare type system. It shows that 81.8 million people were without insurance at some point in 2003. The savings from adopting a universal Medicare type system would be sufficient to 54.9 million people or 67.1 percent of the uninsured.

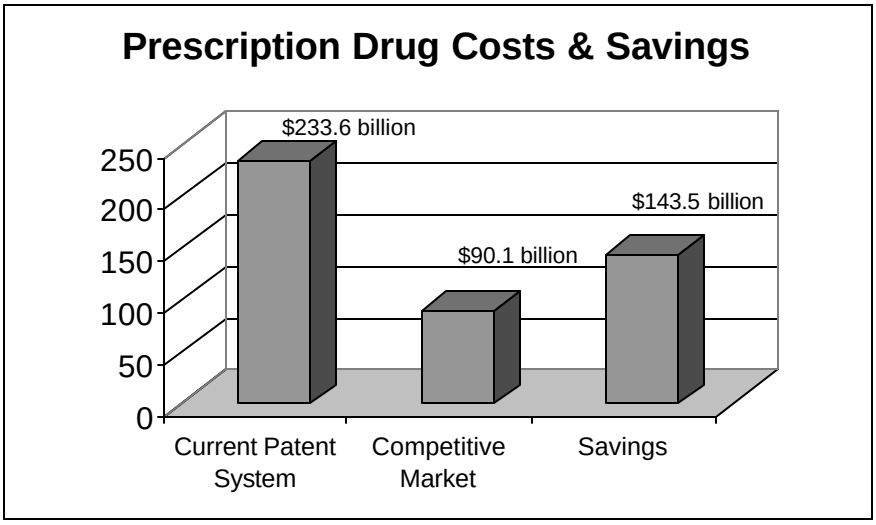
Figure 2



Source: CEPR, 2004

The next form of potential savings to consider is the savings that would result from ending the current system of patent monopolies and allowing a more competitive market, as provided for in The Free Market Drug Act. Figure 3 shows the projected level of spending on prescription drugs for 2005 under the current system as $233.6 billion. It shows that spending, both for research and for the drugs themselves, assuming that drugs were sold in a more competitive market, would be just over $90 billion. This leaves a savings of $143.5 billion.

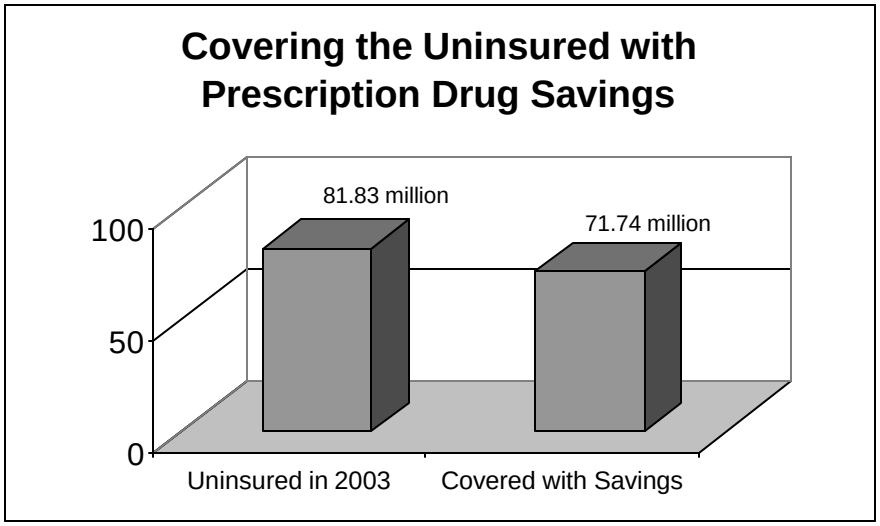
Figure 3



Source: CEPR, 2004

Figure 4 shows the number of the uninsured that could be covered with the savings from replacing patent monopolies in the prescription drug market with a competitive market. Figure 4 shows that 71.7 million, or 87.7 percent of the uninsured could be covered with the savings from adopting a more competitive market for prescription drugs.

Figure 4

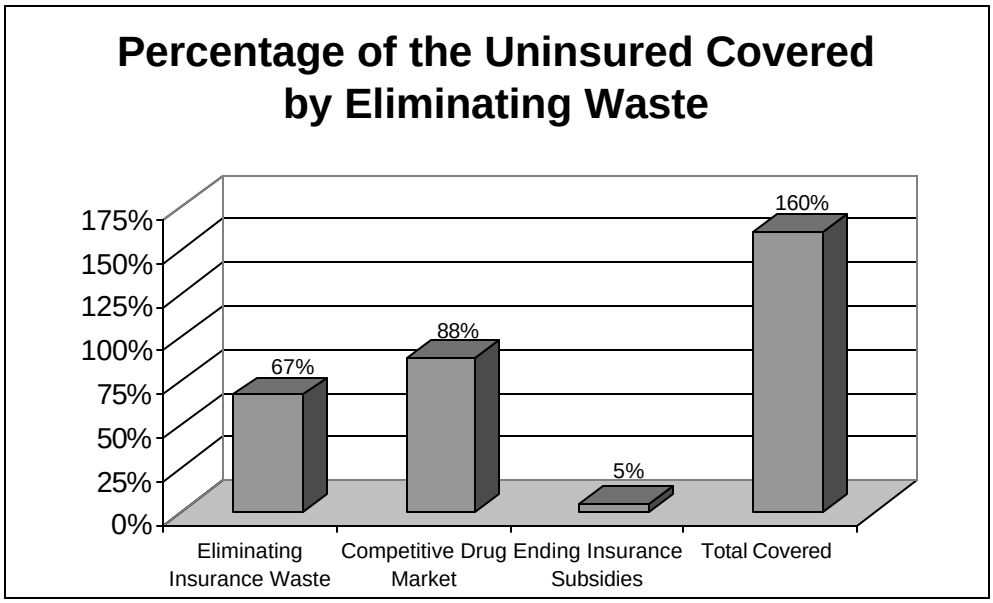


Source: CEPR, 2004

As noted before, the Medicare prescription drug bill approved by Congress and signed by President Bush included $83.6 billion in additional subsidies for the insurance industry over the years from 2004 to 2014, an average of $7.5 billion a year. Instead of subsidizing the industry, this money could be used to cover the uninsured. If this money was directed to cover the uninsured it would be sufficient to insure another 3.7 million people. While this number is relatively small compared to the total number of uninsured, covering nearly 4 million people would certainly be a better use of public funds than adding to the profits of the insurance industry.

Finally, it is useful to see what percent of the uninsured could be covered from each of these potential sources of savings. Figure 5 shows the percent of the uninsured that could be covered from eliminating the waste in the insurance system, allowing more market competition in the sale of prescription drugs, and eliminating the new insurance industry subsidies in the Medicare prescription drug bill. The chart shows that more than 60 percent of the uninsured could be covered with the savings from adopting a Medicare for All approach, while more than 70 percent can be covered by allowing prescription drugs to be sold in a more competitive market. **If all three forms of waste and corporate subsidies were eliminated, there would be enough money to insure 160 percent of the uninsured population**. In other words, taken together, these three forms of waste use 60 percent more money than would be needed to cover the country's entire uninsured population.

Figure 5



Source: CEPR, 2004

State Level Savings and the Uninsured

It is possible to break down the national savings determined above to calculate the level of savings that each state would realize by eliminating each of these sources of waste, as well as the number of uninsured who could be covered in each state. The CEPR paper included state-by-state calculations based on current spending levels in each state. Table 1 shows calculations of the administrative costs of the current insurance system on a state-by-state basis. It also shows the costs and the resulting savings assuming that the system was replaced by improving and expanding Medicare to cover everyone.

Table 1

State-by-state Savings from Medicare for All Approach

	Current insurance costs	Medicare for all plan	Savings from Medicare for all plan
		Billions of Dollars	
United States	$106.1	$11.4	$94.7
Alabama	1.7	0.2	1.5
Alaska	0.3	0.0	0.2
Arizona	1.5	0.2	1.4
Arkansas	0.8	0.1	0.7
California	11.3	1.2	10.1
Colorado	1.6	0.2	1.4
Connecticut	1.6	0.2	1.4
Delaware	0.4	0.0	0.3
District of Columbia	0.5	0.0	0.4
Florida	6.1	0.7	5.5
Georgia	3.0	0.3	2.6
Hawaii	0.6	0.1	0.5
Idaho	0.4	0.0	0.3
Illinois	5.0	0.5	4.4
Indiana	2.3	0.2	2.1
Iowa	1.1	0.1	1.0
Kansas	1.1	0.1	0.9
Kentucky	1.5	0.2	1.3
Louisiana	1.5	0.2	1.3
Maine	0.5	0.1	0.4
Maryland	2.2	0.2	1.9
Massachusetts	3.1	0.3	2.7

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State-by-state Savings from Medicare for All Approach

(Continued from page 14)

	Current insurance costs	Medicare for all plan	Savings from Medicare for all plan
		Billions of Dollars	
Michigan	3.8	0.4	3.4
Minnesota	2.4	0.3	2.1
Mississippi	0.8	0.1	0.7
Missouri	2.1	0.2	1.9
Montana	0.3	0.0	0.3
Nebraska	0.7	0.1	0.6
Nevada	0.6	0.1	0.5
New Hampshire	0.5	0.1	0.5
New Jersey	3.5	0.4	3.1
New Mexico	0.5	0.1	0.5
New York	7.5	0.8	6.7
North Carolina	2.8	0.3	2.5
North Dakota	0.3	0.0	0.3
Ohio	4.5	0.5	4.1
Oklahoma	1.1	0.1	1.0
Oregon	1.2	0.1	1.0
Pennsylvania	5.2	0.6	4.6
Rhode Island	0.4	0.0	0.4
South Carolina	1.4	0.1	1.2
South Dakota	0.3	0.0	0.3
Tennessee	2.2	0.2	2.0
Texas	7.3	0.8	6.5
Utah	0.7	0.1	0.6
Vermont	0.2	0.0	0.2
Virginia	2.6	0.3	2.3
Washington	2.1	0.2	1.8
West Virginia	0.7	0.1	0.7
Wisconsin	2.3	0.2	2.0
Wyoming	0.2	0.0	0.1

Source: CEPR

Not surprisingly, the biggest states have the biggest savings. For example, the savings in California from adopting an improved and expanded Medicare for all type approach would be

$10.1 billion a year, in Michigan $3.4 billion and in Pennsylvania $4.6 billion. However, all states would see substantial savings if the existing system of private insurers were replaced by a more efficient universal Medicare plan.

Table 2 shows the state-by-state breakdown of the uninsured, and the number of people that could be covered in each state with the savings from replacing the private health insurance system by a Medicare for All plan. In the case of California, the savings would be sufficient to insure 5.5 million people. The savings in Michigan would be enough to cover more than 2.0 million people and in Pennsylvania more than 2.6 million people.

Table 2

State-by-state Coverage of the Uninsured through Savings from a Medicare for All Plan

	Current uninsured population	**Number that could be covered by Medicare for all plan**
	Millions of People	
United States	81.834	54.912
Alabama	1.167	1.071
Alaska	.208	.127
Arizona	1.707	.923
Arkansas	.801	.563
California	11.945	5.504
Colorado	1.309	.764
Connecticut	.767	.616
Delaware	.185	.177
District of Columbia	.163	.157
Florida	4.793	3.286
Georgia	2.499	1.649
Hawaii	.346	.308
Idaho	.395	.234
Illinois	3.492	2.406
Indiana	1.534	1.317
Iowa	.637	.621
Kansas	.624	.580
Kentucky	1.059	.924
Louisiana	1.426	.945
Maine	.290	.282
Maryland	1.354	.957
Massachusetts	1.443	1.265

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State-by-state Coverage of the Uninsured through Savings from a Medicare for All Plan

Continued from page 16

	Current uninsured population	Number that could be covered by Medicare for all plan
	Millions of people	
Michigan	2.538	2.040
Minnesota	1.020	1.117
Mississippi	875	.558
Missouri	1.354	1.181
Montana	.246	.199
Nebraska	.400	.359
Nevada	.700	.321
New Hampshire	.259	.249
New Jersey	2.199	1.399
New Mexico	.685	.340
New York	5.646	3.348
North Carolina	2.439	1.652
North Dakota	.144	175
Ohio	2.755	2.483
Oklahoma	1.066	.703
Oregon	.968	.654
Pennsylvania	2.804	2.646
Rhode Island	.249	.224
South Carolina	1.055	.859
South Dakota	.180	.182
Tennessee	1.447	1.284
Texas	8.536	4.049
Utah	.651	.464
Vermont	.136	.112
Virginia	1.836	1.248
Washington	1.639	1.009
West Virginia	.465	.497
Wisconsin	1.253	1.202
Wyoming	.143	.82

Source: CEPR

Table 3 shows the state-by-state breakdown of the savings that would result from allowing drugs to be sold in a more competitive market, as opposed to giving the industry government patent monopolies. It shows that California would save $15.5 billion annually from having a free market in prescription drugs, while Michigan would save $5.0 billion and Pennsylvania would save $7.2 billion.

Table 3
State-by-state Savings from Competitive Market in Drugs

	Current drug spending	Competitive market cost of drugs	Savings from competitive market drugs
		Billions of dollars	
United States	$233.6	$90.1	$143.5
Alabama	3.7	1.4	2.3
Alaska	0.5	0.2	0.3
Arizona	3.4	1.3	2.1
Arkansas	1.9	0.8	1.2
California	25.3	9.8	15.5
Colorado	3.1	1.2	1.9
Connecticut	3.5	1.3	2.1
Delaware	0.7	0.3	0.4
District of Columbia	1.0	0.4	0.6
Florida	13.7	5.3	8.4
Georgia	6.3	2.4	3.8
Hawaii	1.1	0.4	0.7
Idaho	0.8	0.3	0.5
Illinois	10.2	3.9	6.3
Indiana	4.9	1.9	3.0
Iowa	2.3	0.9	1.4
Kansas	2.2	0.8	1.3
Kentucky	3.3	1.3	2.0
Louisiana	3.8	1.5	2.3
Maine	1.1	0.4	0.7
Maryland	4.5	1.7	2.8
Massachusetts	6.9	2.7	4.2
Michigan	8.2	3.2	5.0
Minnesota	4.7	1.8	2.9
Mississippi	2.0	0.8	1.3
Missouri	4.8	1.9	3.0
Montana	0.7	0.3	0.4

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State-by-state Savings from Competitive Market in Drugs

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	Current Drug Spending	Competitive market cost of drugs	Savings from competitive market drugs
		Billions of dollars	
Nebraska	1.4	0.5	0.9
Nevada	1.3	0.5	0.8
New Hampshire	1.1	0.4	0.7
New Jersey	7.5	2.9	4.6
New Mexico	1.2	0.5	0.8
New York	19.7	7.6	12.1
North Carolina	6.3	2.4	3.9
North Dakota	0.6	0.2	0.4
Ohio	9.8	3.8	6.0
Oklahoma	2.5	1.0	1.6
Oregon	2.5	1.0	1.5
Pennsylvania	11.8	4.5	7.2
Rhode Island	1.0	0.4	0.6
South Carolina	3.0	1.2	1.9
South Dakota	0.7	0.3	0.4
Tennessee	5.1	2.0	3.1
Texas	15.6	6.0	9.6
Utah	1.4	0.5	0.8
Vermont	0.5	0.2	0.3
Virginia	5.1	2.0	3.1
Washington	4.4	1.7	2.7
West Virginia	1.6	0.6	1.0
Wisconsin	4.6	1.8	2.8
Wyoming	0.3	0.1	0.2

Source: CEPR

Table 4 shows the number of the uninsured in each state that could be covered with the savings from a more competitive market for prescription drugs. It shows that the savings in California would be enough to insure nearly 7.3 million of the uninsured. The savings from having a more competitive market for prescription drugs in Michigan would be sufficient to provide insurance to 2.6 million people, while the savings in Pennsylvania would be sufficient to cover 3.6 million people – both numbers are larger than the current size of the uninsured population.

Table 4
State-by-state Coverage of the Uninsured through Savings from a Competitive Market in Prescription Drugs

	Current uninsured population	Number covered by competitive market drug savings
	Millions of people	
United States	81.834	71.740
Alabama	1.167	1.361
Alaska	.208	.153
Arizona	1.707	1.230
Arkansas	.801	.778
California	11.945	7.281
Colorado	1.309	.890
Connecticut	.767	.787
Delaware	.185	.211
District of Columbia	.163	.197
Florida	4.793	4.380
Georgia	2.499	2.064
Hawaii	.346	.336
Idaho	.395	.293
Illinois	3.492	2.936
Indiana	1.534	1.649
Iowa	.637	.784
Kansas	.624	.701
Kentucky	1.059	1.226
Louisiana	1.426	1.411
Maine	.290	.381
Maryland	1.354	1.175
Massachusetts	1.443	1.685
Michigan	2.538	2.615
Minnesota	1.020	1.317
Mississippi	.875	.846

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State-by-state Coverage of the Uninsured through Savings from a Competitive Market in Prescription Drugs

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	Current uninsured population	Number covered by competitive market drug savings
	Millions of people	
Missouri	1.354	1.596
Montana	.246	.244
Nebraska	.400	.442
Nevada	.700	.400
New Hampshire	.259	.257
New Jersey	2.199	2.104
New Mexico	.685	.467
New York	5.646	5.237
North Carolina	2.439	2.161
North Dakota	.144	.205
Ohio	2.755	3.175
Oklahoma	1.066	.920
Oregon	.968	.825
Pennsylvania	2.804	3.581
Rhode Island	.249	.316
South Carolina	1.055	1.128
South Dakota	.180	.217
Tennessee	1.447	1.728
Texas	8.536	5.150
Utah	.651	.531
Vermont	.136	.150
Virginia	1.836	1.476
Washington	1.639	1.292
West Virginia	465	644
Wisconsin	1.253	1.441
Wyoming	.143	.96

Source: CEPR

Table 5 shows the savings to each state if the Medicare prescription drug bill had not provided additional subsidies for private insurers. It also shows the number of the uninsured who could have been covered in each state if this money was instead devoted to that purpose. It shows that California would have an additional $810 million annually to insure its population, enough to cover another 385,000 people. Michigan's share of these insurance subsidies would be $260 million, which would be enough to insure 137,000 people. Pennsylvania could have gotten $380 million, enough to cover 187,000 people.

Table 5

State-by-state Savings from the Elimination of the Insurance Subsidies in the Medicare Prescription Drug Bill

	Savings from reversing Medicare subsidies	**Uninsured covered by reversing subsidies**
	Millions	*Thousands*
United States	$7,470	3,749.0
Alabama	120	71.1
Alaska	20	8.0
Arizona	110	64.3
Arkansas	60	47
California	810	385
Colorado	100	46.5
Connecticut	110	41.1
Delaware	20	11.0
District of Columbia	30	13
Florida	440	228.9
Georgia	200	107.9
Hawaii	30	17.6
Idaho	30	15.3
Illinois	330	153.4
Indiana	160	86.2
Iowa	80	41.0
Kansas	70	36.6
Kentucky	110	64.1
Louisiana	120	73.8
Maine	40	19.9
Maryland	140	61.4
Massachusetts	220	88.0
Michigan	260	136.6
Minnesota	150	68.8

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State-by-state Savings from the Elimination of the Insurance Subsidies in the Medicare Prescription Drug Bill

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	Savings from reversing Medicare subsidies	Uninsured covered by reversing subsidies
	Millions	*Thousands*
Mississippi	70	44.2
Missouri	150	83.4
Montana	20	12.8
Nebraska	40	23.1
Nevada	40	29
New Hampshire	30	13.4
New Jersey	240	109.9
New Mexico	40	24.4
New York	630	273.7
North Carolina	200	112.9
North Dakota	20	17
Ohio	310	165.9
Oklahoma	80	48.1
Oregon	80	43.1
Pennsylvania	380	187.1
Rhode Island	30	16.5
South Carolina	100	59.0
South Dakota	20	11.3
Tennessee	160	93
Texas	500	269.1
Utah	40	27.8
Vermont	20	7.8
Virginia	160	77.1
Washington	140	67.5
West Virginia	50	33.7
Wisconsin	150	75.3
Wyoming	10	5.0

Source: CEPR

Table 6 shows the percentage of the uninsured population that can be covered in each state by eliminating each type of waste, as well as the percentage of the uninsured population that can be covered by all three sources of savings taken together. In every state the money that could be saved from all three potential sources is more than enough to cover the entire uninsured population. For example, in California the savings from all three sources taken together would be large enough to cover 110.2 percent of the uninsured population. In Michigan, the savings would be enough to cover 188.8 percent of the uninsured population, while in Pennsylvania the savings would be large enough to cover 228.7 percent of the uninsured.

Table 6
Percentage of the Uninsured that can be Covered with Various Sources of Savings

	Eliminate insurance waste	Competitive market Drugs	Eliminate new insurance Subsidies	Total covered
United States	67.1%	87.7%	4.6%	159.3%
Alabama	91.8%	116.6%	6.1%	214.5%
Alaska	61.1%	73.6%	3.8%	138.5%
Arizona	54.1%	72.1%	3.8%	129.9%
Arkansas	70.3%	97.1%	5.1%	172.5%
California	46.1%	61.0%	3.2%	110.2%
Colorado	58.4%	68.0%	3.6%	129.9%
Connecticut	80.3%	102.6%	5.4%	188.3%
Delaware	95.7%	114.1%	5.9%	215.7%
District of Columbia	96.3%	120.9%	6.3%	223.5%
Florida	68.6%	91.4%	4.8%	164.7%
Georgia	66.0%	82.6%	4.3%	152.9%
Hawaii	89.0%	97.1%	5.1%	191.2%
Idaho	59.2%	74.2%	3.9%	137.3%
Illinois	68.9%	84.1%	4.4%	157.4%
Indiana	85.9%	107.5%	5.6%	199.0%
Iowa	97.5%	123.1%	6.4%	227.0%
Kansas	92.9%	112.3%	5.9%	211.2%
Kentucky	87.3%	115.8%	6.1%	209.1%
Louisiana	66.3%	98.9%	5.2%	170.4%
Maine	97.2%	131.4%	6.9%	235.5%
Maryland	70.7%	86.8%	4.5%	162.0%
Massachusetts	87.7%	116.8%	6.1%	210.5%
Michigan	80.4%	103.0%	5.4%	188.8%
Minnesota	109.5%	129.1%	6.7%	245.4%

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Percentage of the Uninsured that can be Covered with Various Sources of Savings

Continued from page 24

	Eliminate Insurance Waste	Competitive Market Drugs	Eliminate Insurance Subsidies	Total Covered
Mississippi	63.8%	96.7%	5.1%	165.5%
Missouri	87.2%	117.9%	6.2%	211.3%
Montana	80.9%	99.2%	5.2%	185.3%
Nebraska	89.8%	110.5%	5.8%	206.0%
Nevada	45.9%	57.1%	3.0%	106.0%
New Hampshire	96.1%	99.2%	5.2%	200.5%
New Jersey	63.6%	95.7%	5.0%	164.3%
New Mexico	49.6%	68.2%	3.6%	121.4%
New York	59.3%	92.8%	4.8%	156.9%
North Carolina	67.7%	88.6%	4.6%	161.0%
North Dakota	121.5%	142.4%	7.4%	271.3%
Ohio	90.1%	115.2%	6.0%	211.4%
Oklahoma	65.9%	86.3%	4.5%	156.8%
Oregon	67.6%	85.2%	4.5%	157.2%
Pennsylvania	94.4%	127.7%	6.7%	228.7%
Rhode Island	90.0%	126.9%	6.6%	223.5%
South Carolina	81.4%	106.9%	5.6%	193.9%
South Dakota	101.1%	120.6%	6.3%	227.9%
Tennessee	88.7%	119.4%	6.2%	214.4%
Texas	47.4%	60.3%	3.2%	110.9%
Utah	71.3%	81.6%	4.3%	157.1%
Vermont	82.4%	110.3%	5.7%	198.4%
Virginia	68.0%	80.4%	4.2%	152.6%
Washington	61.6%	78.8%	4.1%	144.5%
West Virginia	106.9%	138.5%	7.2%	252.6%
Wisconsin	95.9%	115.0%	6.0%	216.9%
Wyoming	57.3%	67.1%	3.5%	128.0%

Conclusion

The United States spends far more per person on health care than any other country in the world, yet its people have worse health care outcomes. More than 80 million went without insurance at some point in the year and more than 45 million go went without insurance for the whole year. It is possible to cover all of the uninsured by eliminating waste in the system rather than spending more money. The calculations in this paper show that if the United States eliminated the administrative waste in the private health insurance system, replaced drug industry patent monopolies with a more competitive market for prescription drugs, and removed the new insurance subsidies in the new Medicare prescription drug bill, there would be more than enough money to cover the uninsured. This is true both for the country as a whole and for each state.

Eliminating waste, abolishing subsidies for insurance companies, and introducing a more competitive market in the prescription drug industry will be strongly opposed by the insurance and the pharmaceutical industries, two very powerful special interest groups. But there is clearly more than enough money to cover the uninsured. The obstacles to providing health insurance for everyone are purely political, not economic.

This report was prepared by Jobs with Justice, a national campaign for workers' rights. Jobs with Justice is a network of over forty local coalitions throughout the country that unite labor, community, faith based and student organizations to build power for working people. Jobs with Justice has been promoting "health care for all" since 1991. To learn more about our health care reform campaign, visit our website at www.jwj.org or call (202) 434-1106.