



NEW YORK STATE SENATOR

Gustavo Rivera

## RAND CORPORATION STUDY CONFIRMS: NEW YORK HEALTH ACT "COULD EXPAND COVERAGE WHILE REDUCING TOTAL HEALTH SPENDING"

GUSTAVO RIVERA August 1, 2018

| ISSUE: **NEW YORK HEALTH ACT, SINGLE PAYER HEALTH SYSTEM, HEALTH EQUITY**

(New York, NY) - State Senator Gustavo Rivera and Assembly Health Committee Chair Richard Gottfried, sponsors of the New York Health Act in the New York State Legislature, welcomed the findings of a study of the bill by the highly-regarded, independent, non-profit RAND Corporation. The study confirms that New York Health would reduce total health care costs, while increasing spending on actual care rather than administration and insurance company profit; provide full health coverage to every New Yorker; save substantial money for almost all New Yorkers; and generate a net increase in employment due to increases in disposable income.

In December 2017, the New York State Health Foundation commissioned the RAND Corporation to assess the savings, costs, and feasibility of the New York Health Act. Using conservative estimates, the RAND study establishes that New Yorkers would use more health care services under the new single-payer plan than under the current system, even as total health care spending would be slightly lower in 2022 growing to a savings of \$15 billion annually by 2031 due to administrative efficiencies.

The study highlights that the majority of New Yorkers would pay less under the New York Health Plan - New Yorkers in the bottom 90% of household incomes would save an average of \$2,800 per person annually - thanks to an equitable distribution of taxation based on the ability to pay. In addition, premiums, deductibles, copays, out-of-pocket payments, and out-of-network charges would be eliminated.

"This is an important validation of the New York Health Act by one of the most prestigious analytical firms in the country," said Assembly Health Committee Chair Gottfried. "RAND shows we can make sure every New Yorker gets the care they need and does not suffer financially to get it; save billions of dollars a year by cutting administrative costs, insurance company profit, and outrageous drug prices; and pay for it all more fairly. Even though RAND thinks the net savings back in the pockets of New Yorkers will be less than I think we'd actually get, this is still a terrific deal for New York. The study also shows it's feasible to include long term care - home health care and nursing homes - in the bill.

"The RAND study makes it clear that the New York Health Act is not only feasible, but the most fiscally responsible option for our State", said State Senator Gustavo Rivera, Ranking Member of State Senate Health Committee. "While we estimate that the benefits to New York State will be greater than those outlined in the study, we all agree that the implementation of the New York Health Act translates into more savings and jobs, while expanding critical health care coverage and access for all New Yorkers regardless of their wealth. I will continue to work with Assembly Member Gottfried and the many advocate organizations that support the bill as we stand up for what is right and work to implement an efficient and universal healthcare system in New York State."

The RAND study estimates that the NYHA would lead to an estimated 2 percent net increase

in employment - approximately 150,000 jobs in 2022 - due to increased disposable income for almost all New Yorkers and lower costs for employers.

Senator Rivera and Assembly Member Gottfried concur with RAND that NY Health would have substantial benefits to New York by fostering job creation, increased access to health care, wages, long-term care, and overall savings compared to the current system.

However, based on consultation with several health economists and policy experts, Senator Rivera and Assembly Member Gottfried believe the benefits of the NYHA will be greater than highlighted in the RAND study in certain areas, such as:

**Greater Administration Savings:** RAND estimates an administrative cost of 6 percent for running NYH, which is much higher than the administrative cost of traditional Medicare. The cost items that RAND says would raise the rate are actually costs Medicaid already incurs, and are highly automated. Two to 3% is a more reasonable estimate. This additional savings would double RAND's savings estimate.

**Greater Pharmaceutical Savings:** RAND's model bases pharmaceutical prices on what Medicaid is able to negotiate today on behalf of a fraction of the State's population. The State negotiating for its entire population - three times more consumers - would result in lower drug prices and greater savings.

**Greater Health Care Provider Administrative Savings.** RAND's estimates for administrative cost providers bear for dealing with multiple insurance bureaucracies, and the savings from a single-payer system, are not clearly justified and are much lower than many analysts argue.

The findings of the RAND study validate assessments made by Senator Rivera, the ranking Democrat on the Senate Health Committee and Assembly Member Gottfried, the chair of the

Assembly Health Committee, that a universal single-payer health care system under the New York Health Act would benefit the health of New Yorkers and the State's economy.

A copy of the report can be found [here](#) or at <https://tinyurl.com/y8tae83b>

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