

The Cost of Health Care in Maine: “It All Depends”

by Daniel Bryant

INTRODUCTION

In a recent *Maine Policy Review* commentary (Bryant 2024), I examined healthcare costs for Maine in 2020. I outlined these costs for the commercial and government payers of those costs and for the Maine residents who ultimately bear them and compared the costs to those in a universal healthcare system (single-payer system) funded solely through a flat-rate healthcare income tax. To show the variety of apparent as well as hidden healthcare costs in our present system, I offered the example of a hypothetical 30-year-old worker earning a wage of \$49,280 and indirect compensation of \$20,720 in health and other benefits (based on the average wage percentage of compensation [US BLS 2023]), for a total compensation of \$70,000 a year.

This commentary is an extension of that study and examines this hypothetical 30-year-old’s current apparent total healthcare costs under an employer-provided plan alongside estimates of these costs under other coverage scenarios: no insurance, a commercial plan represented by an Anthem Silver policy available through the Maine Health Insurance Marketplace, and the single-payer plan described in the previous commentary. For simplicity’s sake, I do not consider adjusted gross income, family coverage, workplace tax exemptions, other funding mechanisms such as payroll taxes, nor the hidden healthcare costs detailed in the previous commentary and which I assume

would apply in all options described here except the single-payer option.

METHODS

Following are brief explanations of the data I used for plotting the six colored curves that trace the total patient cost (Figure 1), in six different coverage scenarios, for annual care bills (charges for actual clinical care) ranging from \$0 to \$8,000 per year.

Scenario 1—Total Patient Cost with No Insurance

Because insurers negotiate prices with providers, providers often bill patients without insurance more than those with insurance, on average twice as much, according to Healthcare.gov.¹ In Figure 1, therefore, scenario 1 (orange curve) is shown as being billed

twice as much as the insured scenarios are for the same care.

Scenario 2—Total Patient Cost with an Employee Benefit

To calculate the total patient cost under an employee benefit (Figure 1, dark blue curve), I used national averages for both employee and employer premium contributions and deductibles from 2023 KFF data² and a coinsurance rate of 20 percent (KFF 2023) and set copays arbitrarily at 10 percent of billed care costs (no doubt a gross approximation). Maximum out-of-pocket limits vary greatly; I used \$2,000 (at the lower end of the range), so for many employees their patient costs would be higher than those shown in Figure 1.

Scenario 3—Total Patient Cost with an Employee Benefit with Wage Reduction

To pay for their share of employees’ premiums, employers must source the necessary funds. Presumably, they do this from wage reductions or inflation of the price they charge for their goods

FIGURE 1: Total Patient Cost vs Levels of Care Bills for Six Payer Scenarios

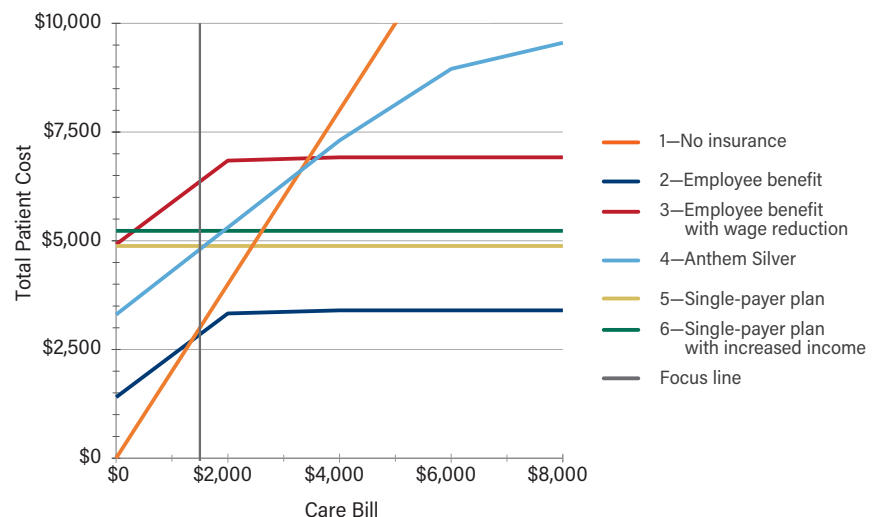


TABLE 1: **Employee Compensation Breakdown for \$70,000 Total Compensation**

Financial element	Compensation (\$)	Amount worker pays for health benefit (\$)
Wage	49,280	1,401 ^a
Health benefit (employer contribution)	7,034 ^a	3,517 ^b
Other benefits	13,686	0
Total compensation	\$70,000	
Employee pay minus healthcare premium	47,879 ^c	

a Worker's healthcare premium (KFF 2023).

b Set arbitrarily at half employer contribution as discussed.

c \$49,280 minus the \$1,401 healthcare premium. Other withholdings like Social Security and Medicare taxes, contributions to retirement, etc., would further reduce take-home pay.

and services (Figure 1, red curve). In this study, I split the difference, assuming the employee's potential wage is reduced by half the cost of the employer's share of the premium. In essence, then, the employee is paying that withheld amount, which I here add to the amount calculated for total patient cost (Table 1).

Scenario 4—Total Patient Cost with an Anthem Silver Plan

For these figures, I entered the hypothetical worker's age, health ("good"), and income into the Maine Health Insurance Marketplace website,³ retrieved the relevant quotes for premium, deductible, and maximum out-of-pocket cost for an Anthem Silver plan (30 percent coinsurance rate), and calculated total patient cost for the various healthcare bills (Figure 1, light blue curve).

Scenario 5—Total Patient Cost in Single-Payer Plan

For this scenario, I envisioned the worker being covered under a single-payer plan as described in Bryant (2024) and funded entirely by a flat-rate income tax on their \$49,280 wage income (Figure 1, yellow curve). Many proposed single-payer plans include

progressive income taxes, payroll and other taxes, and premiums as well, but for simplicity and consistency, I use only a flat-rate tax. It is impossible to specify that rate without a fiscal analysis based on provider reimbursement, benefits, and administrative costs, among other things, and the availability, through waivers, of the federal and state monies now funding much of

health care. As a work-around, I sought out state single-payer plans that have been fiscally analyzed and determined the cost of these plans as a percentage of the state's total personal income.⁴ Differences in study methods, plan provisions, and extent of reliance on federal and state funds, as well as possible bias either in favor of or against single-payer plans make the numbers in Table 2 only gross approximations

Appealing to the *wisdom of crowds*, albeit a small crowd, I used the average of these percentages, 9.9 percent, to position the single-payer curve.

Scenario 6—Total Patient Cost in Single-Payer Plan with Increased Income

Should income-based funding replace employer contribution to employee premiums, employee wages could increase, resulting in higher income-based healthcare taxes (and thus total patient cost) for employees (Figure 1, green curve). This curve parallels and is located just above the

TABLE 2: **Cost of Single-Payer Plan as Percentage of Total Personal Income**

State	Year	Cost of single-payer plan net of federal and state payment (\$ billion)	Total personal income (\$ billion)	Cost of single-payer plan (% of income)
Pennsylvania ^a	2013	49	594	8.2
Minnesota ^b	2014	42	276	15.2
California ^c	2017	200	2,343	8.5
Oregon ^d	2017	36	202	17.8
Maine ^e	2019	5	66	7.6
Colorado ^f	2020	35	377	9.3
New York ^g	2022	139	1562	8.9
Maine ^h	2023	9	92	9.8
Massachusetts ⁱ	2023	23	645	3.6
Average of percentages				9.9

a—Friedman (2013); b—Lewin Group (2012); c—CSCA (2017); d—White et al. (2017); e—Myall (2019); f—McManus et al. (2021); g—Liu et al. (2018); h—Myall (2024); i—Friedman (2023)

TABLE 3: **Total Patient Cost by Scenario**

Payment scenario	Total patient cost (\$) for \$1,500 care bill
Employee benefit (scenario 2)	2,901
No insurance (scenario 1)	3,000
Anthem Silver (scenario 4)	4,804
Single payer (scenario 5)	4,879
Single payer with increased income (scenario 6)	5,227
Employee benefit with wage reduction (scenario 3)	6,418

yellow one. Again, for simplicity, I don’t consider the possible effect of a tax exemption here, as is the case with employer health benefits.

DISCUSSION

To focus attention on the total patient costs at one illustrative care bill amount, I have added a vertical focus line (Figure 1, dark gray) at the \$1,500 care bill level. The total patient costs at that level in the six scenarios are shown in Table 3 in ranked order. All discussion of curves in the following section refer to Figure 1.

As previously noted, the individual under scenario 1 (no insurance, orange curve) will pay top dollar out-of-pocket for any care bills. For yearly bills that total \$1,500 for those with insurance, the uninsured could be billed around \$3,000. What they would owe at that care bill level, though, is still close to what they would pay under scenario 2 (employee benefit) and less than they would owe under all the other scenarios. It is only when their care bills reach about \$3,500 (which would be billed as ~\$7,000) that their total patient cost exceeds their costs under all other scenarios. Of course, there is no cap on what they might owe with more costly care.

With care bills of \$1,500, the individual covered under scenario 2

(employee benefit, dark blue curve) pays \$2,901 per year when their health benefit premium is factored in, the lowest cost of all scenarios. However, if the employee’s wage is reduced by half the employer’s premium contribution (scenario 3, red curve), their total patient cost rises to close to \$6,500, the highest cost of any scenario.

Under scenario 4 (Anthem Silver plan, light blue curve), the individual pays \$3,304 yearly even without any care bills and the total patient cost increases with increasing care bills until the maximum out-of-pocket limit is reached, at which point the cost levels off at a little over \$11,000 (\$3,304 premium plus \$8,000 maximum out-of-pocket). At the \$1,500 care bill level, total patient cost is close to the single-payer cost (scenario 5).

Scenario 5 (single payer, yellow curve) is the only funding option that doesn’t tie the total patient cost of care to the source of funding or to the amount of care they need. The total patient cost under this scenario is always higher than it is under scenarios 2 and 4 (employee benefit and Anthem Silver) with care bills up to \$1,500 and under scenario 1 (no insurance) with care bills up to about \$2,500 (\$5,000 at non-negotiated prices); however, it is never higher than the total patient cost under scenario 3 (employee benefit with wage reduction).

The relation to the other scenarios of total patient cost at the \$1,500 level when income is increased (Scenario 6, green curve) is similar to that of Scenario 5, except for a slightly higher cost than for the Anthem plan (\$273).

Although the single-payer scenario might be financially appealing for someone making \$49,280 in wages, it might not appeal to someone receiving higher wages, beginning, as it so happens, at about \$70,000 (\$99,291 total compensation back-calculated from wage as 70.5 percent of total compensation) (US BLS 2023). At this level of compensation, the single-payer tax would exceed even the cost of the scenario 3 (employee benefit with wage reduction). This issue would challenge advocates of the single-payer scenario. To address this challenge, a single-payer tax cap could be set, similar to the Social Security tax limit. This cap would create a maximum amount of earnings subject to the tax; income above this level would not be taxed. Additionally including the hidden care costs examined in Bryant (2024) in the calculations would raise that \$70,000 wage cutoff.

It is interesting to note that the Urban Institute (OAH C 2024) has found that individuals who earn between 200 percent and 400 percent of federal poverty level (as my hypothetical 30-year-old does) currently spend an average of 13 percent of income on health care, more than the average of 9.9 percent of income for a single-payer plan shown in Table 2. In my 2024 commentary, I concluded that, based on conservative inputs and inclusion of hidden costs, a tax rate of 13.7 percent would be needed to fund my model of a single-payer plan in 2020. Even at that rate, though, the total patient cost in a single-payer plan would be less than the total patient cost under scenario 5 (employee benefit

with wage reduction) for billed care costs over about \$1,800.

CONCLUSION

When policymakers consider reforming Maine's healthcare system to reduce costs for Maine residents, they need to compare the total patient costs in the proposed reform with residents' current costs. The latter include both the hidden costs addressed in Bryant (2024) and the apparent costs outlined here, which depend on the coverage models available to, and the medical needs of, the particular resident. Though at lower care bill levels the total patient cost for my hypothetical 30-year-old is higher under the single-payer scenario (scenario 5) than under some other scenarios, once annual care bills exceed \$1,500, the total patient cost is lower in the single-payer plan than it is in both scenarios 3 and 4 (employee benefit with wage reduction and Anthem Silver).

NOTES

- 1 "Why Health Insurance is Important," <https://www.healthcare.gov/why-coverage-is-important/pay-less-before-meeting-deductible/>
- 2 As opposed to the 2020 figures I used in the previous commentary.
- 3 <https://www.coverme.gov/shop/compare-plans-find-providers>
- 4 <https://fred.stlouisfed.org/release/tables?rid=110&eid=257197&snid=257217>

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