COMMONWEALTH FOUNDATION | FACT SHEET

Pennsylvania Universal Health Care Act

Record Tax Hikes to Empower Bureaucrats Over Patients

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SUMMARY

- Pennsylvania's health care system is broken. Provider shortages persist as premiums increase. Far from being a health care marketplace, federal and state governments dictate health insurance coverage, determine when insurance can be purchased, and heavily influence pricing.
- House Bill (HB) 2763, the Pennsylvania Universal Health Care Act, seeks to address the affordability problem by establishing a single-payer system without copays, deductibles, or coinsurance.
- The plan includes at least a $68.3 billion tax hike funded by a 10 percent tax on income. The second-highest personal income tax rate in the country.
- No state has successfully created a single-payer system due to the exorbitant cost, and countries with universal systems experience major access issues.
- Free market reforms empower patients to successfully lower costs and improve access.

BACKGROUND

Health care costs are high and rising. According to KFF (formerly the Kaiser Family Foundation), the average annual family premium for employer-based health insurance in Pennsylvania is $26,623.[1] That does not include copays and deductibles..

- This year in Pennie (Pennsylvania's health insurance exchange) premiums are increasing 15 percent on average.[2]
- Nationally, employer-based plans are facing an 8.2. percent hike, the biggest increase since 2003.[3]
- Nationally, small business premiums are expected to jump 14.2 percent.[4]

High costs are leading to delayed care. In an August survey, over three in five Pennsylvanians reported delaying or going without health care due to cost in the last twelve months.[5]

About 7 percent of Pennsylvania adults report medical debt each year, just below the national average of 8.6 percent.[6]

Sponsors of HB 2763 also cite the problem of uninsured Pennsylvanians. About 750,000, or 6 percent of Pennsylvanians, are uninsured. Since full implementation of the Affordable Care Act (ACA) in 2010, the percentage of uninsured is holding steady between 5 and 6 percent.[7]

SUMMARY OF THE LEGISLATION

Pennsylvania House and Senate Democrats are proposing a comprehensive government-run health care system funded by a ten percent income tax.[8] HB 2763 creates a new statewide bureaucracy (the Office of Health Care), responsible for collecting new revenues, setting allowable services, and paying providers for care with no out-of-pocket costs for Pennsylvania residents. The bill also proposes opting out of federal Medicare and Medicaid programs, but keeping federal funding to offset costs.

- All Pennsylvania residents could enroll in the system, including incarcerated individuals. Non-residents who work part time, including undocumented individuals, can participate by paying a premium.
- The system would cover physical, mental, behavioral, dental, vision, and prescription services.
- A 20-member Pennsylvania Health Care Board would determine all covered treatments and services.
- The bill instructs the Office of Health Care to negotiate provider rates, prescription discounts, appropriate staffing levels, and charges for out-of-state patients who receive care in Pennsylvania.
- Critically, providers cannot accept alternative payment for services covered by the Office of Health Care. This means Pennsylvanians cannot directly pay a provider for more timely or higher quality treatment. Accepting payment would disqualify the provider. In addition, providers would agree to provide services without, "discrimination on the basis of age, sex, race, national origin, sexual orientation, gender identity, income status, preexisting condition or citizenship status, and meet other requirements as established by the office."
- The Office of Health Care can borrow money to offset capital expenditures, fund medical research and innovation, and fund provider training.

FISCAL IMPACT

The single-payer system is funded by a 10 percent income tax. The tax would be levied on top of the current 3.07 percent rate. The tax is technically two taxes—a 10 percent payroll tax (2.5 percent deducted from employee paychecks, and 7.5 percent paid by employer), and a 10 percent tax on non-wage income. This bifurcation is constitutionally questionable under the Pennsylvania Constitution's Uniformity Clause.

- A 10 percent income tax amounts to about $68.3 billion in revenue.
  - This is more than the entire 2026-27 General Fund budget of $52.2 billion, a 130 percent increase in state spending, and the largest tax hike in Pennsylvania history.
- The median household in Pennsylvania would pay $11,224 in payroll taxes, up from $2,637 today.[9]
  - Overall, Pennsylvania's median income earners would pay the *highest income tax rate in the nation.* The combined 13.07 percent tax rate exceeds even New Yorkers, and only California's *brack*et on income over $1 million, 13.30 percent, is higher.[10]
- Exclusions include unearned income like Social Security, Supplemental Security Income, Social Security Disability Insurance, unemployment, workers' comp, sick pay, leave pay and pension payments.

- The staggering cost of the plan is a floor. The legislation states," No later than June 30 of each year, the office shall submit a projected budget to the General Assembly for the next fiscal year with recommendations for *increasing or declining revenue needs*." And "If necessary to meet the office's projected expenses beyond projected income from dedicated tax revenues, the Secretary of the Budget shall direct the State Treasurer to *transfer the amount necessary from the General Fund to the account*,"
- The cost estimates also assume the federal government will allow Pennsylvania to use Medicare and Medicaid revenues to fund the single payer system. This is a dangerous assumption given the federal government's unwillingness to allow Vermont to merge those revenue streams.[11]

TRACK RECORD OF FAILURE

HB 2763 takes an extreme path to achieve universal health care. The government pays for all physical and mental health, and prevents providers from participating in private systems. Other countries utilize a mix of private and public systems, yet continually deal with long wait times.[12]

- Norwegians pay copays for provider visits and drugs, yet most patients wait more than a month for an appointment with a specialist.[13]
- In Canada, drugs are not covered by the state. Last year the Fraser Institute reported median health care wait times reached 28.6 weeks between appointment and treatment, just shy of the all-time high of 30 weeks in 2024.[14]
- In the United Kingdom, 1 in 10 have secondary private insurance to provide quicker access to care. Meanwhile, waiting times between appointments and treatment continue to climb, with the current median being 12.2 weeks.[15]

Blue states continually reject single-payer systems due to cost.

- California rejected single-payer proposals twice in the last four years due to the burgeoning price tag.[16]
- Several states have tried to put single payer on the ballot. Colorado succeeded in 2016. Voters overwhelmingly rejected it 79 percent to 21 percent.[17] Like HB 2673, it levied an additional 10 percent payroll tax.
- Just one state attempted to implement single-payer health care, but the effort was abandoned due to high costs. Vermont secured single payer legislatively in 2011. The state committed to covering 94 percent of medical expenses (less than the 100 percent in HB 2673) and paying for it with an income tax hike (18 percent for high earners) and an 11.5 percent state payroll tax.[18]
- Massachusetts debated single payer for decades, yet costs prevented the state from moving forward. Instead, they enacted incremental steps toward single payer, now central to the Affordable Care Act.[19] Concepts like the health insurance individual mandate, subsidies to purchase insurance on exchanges, and a list of health care services an insurance company must cover all serve to raise the cost of care.

Eventually, planners realize single payer cannot work in a system where costs are rising at 6 percent a year. Government centralization only increases costs.

SOLUTIONS

The way to bring down costs is through competition, but you cannot have competition without empowering patients to take control of their health care spending. Even the sponsor of HB 2763 wants to see, "decisions on health made by the people impacted and not insurers." The following reforms are actions lawmakers can take now to put patients back in charge:

- Allow association health plans that give small businesses and other associations the freedom to join together and negotiate better rates.[20]
- Allow the renewal of short-term insurance plans beyond three months. Patients in states with this option can see substantial savings. For example, a 2025 short-term plan in Philadelphia for a 40-year-old male ranges from $87 to $362 a month compared to a bronze Pennie plan of $250 to $475 each month.[21]
- Add teeth to hospital price transparency requirements by passing legislation that limits a hospital's ability to send a bill to collections if an online price list of their most common procedures is not accessible.[22]
- Permit Medicaid vouchers, which allow Pennsylvanians using Medicaid to control their health care spending with accounts similar to health savings accounts.
- Increase the supply of care to bring down costs and improve access by expanding scope of practice laws for nurse practitioners and other providers. A Commonwealth Foundation study found nurse practitioners could see 109 additional patients each year with this reform.[23]

CONCLUSION

Care and insurance are not the same thing. HB 2763 will take what little patient control exists today and replace those decisions with a bureaucratic process tasked with rationing care across the commonwealth. The plan is likely to cost Pennsylvanians far more than $68 billion a year. Reforms that give Pennsylvanians more control over their health decisions and invite competition will improve quality and lower costs.

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