

Leaders and Experts Agree that a **Public Insurance Option** is Critical to the Success of Obama's Health Reform Proposals

Here are quotes from leaders calling for the choice of a public insurance plan. And below that, *National Journal* published a variety of views, including attacks.



Barack Obama and Joe Biden's Plan to Lower Health Care Costs and Ensure Affordable, Accessible Health Coverage for All

Obama '08, "Barack Obama's Plan for a Healthy America." p. 5

<http://www.barackobama.com/pdf/HealthPlanFull.pdf>

NEW AFFORDABLE, ACCESSIBLE HEALTH INSURANCE OPTIONS. The Obama-Biden plan will create a National Health Insurance Exchange to help individuals purchase new affordable health care options if they are uninsured or want new health insurance. Through the Exchange, any American will have the opportunity to enroll in the new public plan or an approved private plan, and income-based sliding scale tax credits will be provided for people and families who need it. Insurers would have to issue every applicant a policy and charge fair and stable premiums that will not depend upon health status. The Exchange will require that all the plans offered are at least as generous as the new public plan and meet the same standards for quality and efficiency.

Insurers would be required to justify an above-average premium increase to the Exchange. The Exchange would evaluate plans and make the differences among the plans, including cost of services, transparent. The Exchange will have the following features:

- **Comprehensive benefits.** The benefit package will be similar to that offered through the Federal Employees Health Benefits Program (FEHBP), the program through which Members of Congress get their own health care. Plans will include coverage of all essential medical services, including preventive, maternity and mental health care.
- **Affordable premiums, co-pays and deductibles.** Participants will be charged fair premiums and minimal co-pays for deductibles for preventive services.
- **Simplified paperwork.** The plan will simplify paperwork for providers and will increase savings to the system overall.
- **Easy enrollment.** All Exchange health insurance plans will be simple to enroll in and provide ready access to coverage.
- **Portability and choice.** Participants will be able to move from job to job without changing or jeopardizing their health care coverage.
- **Quality and efficiency.** Participating hospitals and providers that participate in the new public plan will be required to collect and report data to ensure that standards for health care quality, health information technology and administration are being met.



Senate Finance Committee Chairman Max Baucus (D-Mont.)

Sen. Max Baucus, Chairman, Senate Finance Committee.

From "**Call to Action: Health Reform 2009.**" Pg 18.

<http://finance.senate.gov/healthreform2009/finalwhitepaper.pdf>

The Exchange would also include a new public plan option, similar to Medicare. This option would abide by the same rules as private insurance plans participating in the Exchange (e.g., offer the same levels of benefits and set the premiums the same way). Rates paid to health care providers by this option would be determined by balancing the goals of increasing competition and ensuring access for patients to high-quality health care. A number of options could be considered to determine who runs the plan, who is eligible for it, and how to ensure that the public-private insurance competition lowers costs and improves quality.



Tom Daschle Incoming Director of HHS and the Office of Health Reform

He is also the author, with Jeanne Lambrew, of the important new book, ***Critical: What We Can Do About the Health-Care Crisis***, from which this is taken. Tom Daschle: *Critical*. New York: St. Martin's Press, 2008. p 146.

"One of the options under the expanded FEHBP should be a government-run insurance program modeled after Medicare, a proven and popular program. Together with traditional Medicare, this new program would have tremendous clout to bargain for the lowest prices from providers and push them to improve the quality of care. It also could take advantage of the administrative efficiencies, further lowering costs. (Medicare's administrative costs are significantly lower than those in the private sector.)"

Here is a journalistic account of Daschle's views: Daschle's Solution to Health Care: One Proposed Answer to the American Health Care Crisis

By Missy Kavanaugh March 29, 2008

http://americanaffairs.suite101.com/article.cfm/daschles_solution_to_health_care

Daschle believes that the answer lies in building on the system we currently have in place. The difference being that every American would be covered, regardless of employment status or pre-existing condition. And, the system would be regulated by a Federal Health Board (FHB). Employers would have a choice between keeping the health care plan they currently have with a private company, or choosing a public plan provided and regulated by the federal government.



Jeanne M. Lambrew, Incoming Deputy Director of HHS and the Office of Health Reform

She has been a senior fellow at American Progress and an associate professor of public affairs at the Lyndon B. Johnson School of Public Affairs at the University of Texas.

"Dear 44: Take a pragmatic approach." Politico. 7 July, 2009.

<http://www.politico.com/news/stories/0708/11512.html>

"Instead, a pragmatic approach to achieving an affordable, fair and high-quality health system is within reach. It would deploy effective health policy tools through strength in numbers, achieved through large insurance exchanges, employer-based coverage and improved public programs. People would have the choice of staying in employer coverage or joining a private or public plan - letting them, rather than politicians, decide which types of coverage are best. Plans that choose to participate in the new system would agree to adopt best practices, such as emphasizing wellness and using information technology."



Cong. Henry Waxman, Chairman of the Committee on Oversight and Government Reform

"Waxman: Public Program 'Critical' to Universal Coverage Plan" CQ Healthbeat

http://www.commonwealthfund.org/healthpolicyweek/healthpolicyweek_show.htm?doc_id=811986&#doc812000

"Reject the false dichotomy of everyone in the government plan or left at the mercies of the market. There will be a significant role for private insurance, but it is critically important that we have a public program alternative. Both will work better if there's some creative tension between the two different choices. Put both in place, let individuals and families make choices about what's best for them."



Cong. Charlie Rangel, Chairman, House Ways and Means Committee

Hon. Charlie Rangel. *"Better Health Care Will Strengthen Economy."* Roll Call. 8 December, 2008.

http://www.rollcall.com/features/Agenda-Ahead_2008/agenda_ahead/30569-1.html

"As we undertake health reform next year, we must remember that a strong public health insurance program is a central component of a healthy and workable public-private partnership. A public program would serve as a safeguard available to everyone, protected from the whims of the marketplace, and we must ensure their future for generations to come."



Karen Davis, President of the Commonwealth Fund

Karen Davis. "Testimony to the Committee on House Ways and Means Subcommittee on Health," September 23, 2008.

<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=7414>

"Extending a Medicare-like plan to small businesses and individuals without access to employer-sponsored coverage would provide them with a much more affordable option. Estimated premiums for family coverage under a Medicare-like public plan (with benefits comparable to the standard Blue Cross Blue Shield option in the Federal Employees Health Benefits Program) would be \$8,424 annually in 2008, compared with \$12,106 in a typical employer private plan. This 30 percent reduction in premiums would go a long way toward making coverage much more affordable for small businesses and individuals than available either in the small business insurance market or in the individual insurance market. This premium differential occurs in part because Medicare buys physician and hospital services at a discount to rates paid by private insurers. Yet, a Medicare Payment Advisory Commission survey finds that, if anything, Medicare beneficiaries have a better experience than the privately insured in finding a physician and in getting an appointment promptly."



Gerald McEntee, President 1.4 Million-Member AFSCME Union

Gerald McEntee. "Health Care Reform Needs a Public Option," Huffington Post, 24 December, 2008.

http://www.huffingtonpost.com/gerald-mcentee/health-care-reform-needs_b_153341.html

"America needs to guarantee [quality, affordable health care for all](#). Americans recognize that real reform must include a public plan as an option for families looking for health care that meets their needs, so that they are not at the mercy of insurance companies. A new report, released by the Institute for America's Future and the University of California Berkeley School of Law's Center on Health, Economic & Family Security, demonstrates that [a public insurance option is vital](#) to guaranteeing quality, affordable health care to all. The study finds that a public health insurance plan that competes directly with private insurers is essential to controlling health care costs, potentially saving the nation \$1 trillion over ten years and improving the quality of care."

<http://healthcare.nationaljournal.com/2008/12/assessing-a-new-public-insurance-program.php>

NationalJournal.com

nationaljournal.com > [Expert Blogs](#) > Health Care

Thursday, Dec. 11, 2008

Monday, December 8, 2008

Assessing A New Public Insurance Program

President-elect Barack Obama has proposed creating a public health insurance program to compete against private insurance plans for people not getting coverage through an employer.

Is this a good idea? How would a public program change the existing health care system? Some feel that it would lead to a single-payer health care system. Can Republicans and stakeholders live with this idea, in any form?

-- Marilyn Werber Serafini, *NationalJournal.com*

10 Comments



Responded on December 11, 2008 12:04 PM

Glenn Hackbarth, Chairman, Medicare Payment Advisory Commission

I agree with Uwe Reinhardt's comments, and I will not repeat them. Having worked in a top HMO and in government, I realize that private plans have strengths -- and so does Medicare. Their respective strengths are different, making competition between them desirable. Private plans have the potential to change patterns of care: substitute outpatient for inpatient care, while reducing unnecessary admissions and readmissions; substitute effective primary care for unduly expensive sub-specialty care; substitute cognitive services for a rote use of expensive imaging. Private plans are better positioned to achieve these goals than Medicare because they have tools at their disposal that Medicare does not have -- namely, the ability to steer patients toward high-value providers and flexibility in payment methods. Medicare, on the other hand, has different strengths. Because of its size, Medicare is able to command low payment rates, and it has low administrative costs. These are important advantages given research done by Uwe and others indicating that high unit prices and high administrative costs are important contributors to the difference between U.S. health care costs and those in other developed countries. Rather than rely on one model or the other, we should strive to offer Americans a fair choice between the two different approaches, a public plan modelled on Medicare and more flexible, innovative private plans. That "fair choice" should include a strong incentive to select a low-cost, high value plan. Some private plans will not survive this competition -- namely, plans that do little more than offer free-choice of provider, fee-for-service coverage. We don't need those plans; a public plan can do that better. By combining a public plan with universal coverage, we would instead be providing a strong market signal, and opportunity, for innovative private plans, those that do things that a public plan finds very difficult.



Responded on December 10, 2008 2:48 PM

Uwe Reinhardt, James Madison Professor of Political Economy, Professor of Economics and Public Affairs

After following the health-policy debate in this country ever since coming to America a while ago, I have learned to my amazement that Americans crave a free choice among health insurance products more so even than free choice among doctors and hospitals, which is why many Americans have given up the latter choice to have the former.

People in other countries do not quite understand this, because they typically crave free choice among providers more than free choice among insurance products. I view it as the essential difference between Americans and peoples elsewhere. (The latter-day de Tocqueville going by the name Ian Morrison would add another essential difference: in other countries, having health insurance is a right while owning a gun is a privilege. In the U.S. it is the other way around. Thus he defines Canadians as "unarmed North Americans with health insurance.")

Now, given this fervent yearning for free choice among health insurance products among Americans, what is wrong with giving Americans under age 65 the same privilege their elders have, namely, choice of a publicly administered health insurance program, alongside the plethora of health insurance products among which Americans now can choose (unless they work for the many mid-size or small employers who offer their employees only one insurance product as an option)?

Some commentators on this bog have argued that the public plan may have a price advantage in the market for health care, which would give them an advantage in the market for health

insurance products, which they consider unfair. That may well turn out to be the case; but I would ask these worriers two questions.

First, large insurance companies, such as Aetna or Wellpoint, also have a price advantage vis a vis smaller insurance carriers in the market for health services. Is that unfair? Does that make for a level playing field?

Second, did you express in writing an equal concern over an uneven playing field when, with the MMA '03, Congress voted to grant the private Medicare Advantage plans a subsidy – really a tip – equal to an average of 13% above what a Medicare beneficiary choosing a private plan would have cost under Traditional FFS Medicare? (For some Medicare Advantage FFS plan the tip amount to some 20%). If so, would you share that writing with me? If not, why did you not raise that concern?

Finally, John Goodman worries that the public plan would set fees so low that doctors and hospitals would not accept patients covered by the plan. If that obtained, then presumably Americans having a choice of private plans alongside the public plan would not opt for the latter, which would then either whither away or have to raise fees until it is competitive in the market for enrollees. This is how competitive markets work, John.



Responded on December 10, 2008 10:08 AM

Andy Stern, International President, Service Employees International Union

Fixing health care means offering choice and flexibility as part of any solution. Too often, Americans are presented with false options: either a government-run system funded by high taxes or a deregulated private market that puts profits ahead of patient care. Neither extreme would get the job done.

That's why we were pleased to see Sen. Max Baucus's "Call to Action" offers strong support for access and coverage – including a public plan option that ensures coverage for every American – as well as strategies for cost containment, payment and delivery system reform, transparency, and more options for long-term care. President-Elect Obama has also called for a new public plan – not exclusively, but as an option offered by a National Health Insurance Exchange along with a range of private options.

Clearly, government has a role to play as a watchdog to guarantee quality, affordable health care for all Americans. Government already sponsors the Medicare program for seniors and people with disabilities, and workers and employers pay to support Medicare on a fairly progressive basis. Medicare is popular because its benefits are guaranteed and don't vary depending on where you live, its red tape and administrative costs are minimal, and beneficiaries have a wide choice of providers. In addition, private insurers have not been able to compete to deliver Medicare's guaranteed benefits on a consistent, cost-effective basis.

Our public programs should be modernized and strengthened as part of fixing health care, and SEIU supports HHS Secretary-designate Tom Daschle's vision of an entity that would harness the buying power of the federal government and use cutting edge payment strategies to promote prevention, chronic care management, and improved patient outcomes. We know a small proportion of patients account for a large proportion of healthcare costs, and we already know many ways to help these patients treat their asthma, diabetes, depression, and other conditions—yet we don't consistently provide the care and supports that would both control their conditions and control costs. Our public programs can and should set standards and goals for the delivery system.

The bottom line is, everyone should have a meaningful healthcare benefit similar to the one that is available to federal employees and Members of Congress. And financing should be shared fairly by employers, individuals, and the government. The result would be a system that works for everyone.



Responded on December 9, 2008 3:15 PM

John C. Goodman, President and CEO, National Center for Policy Analysis

I agree with Stuart and James and would add two additional points.

If it really looks like Medicare, it will not be very attractive. Most Medicare enrollees pay three premiums to three plans (basic Medicare, Medigap, and prescription drug insurance) and still have less coverage (e.g. the "donut hole") than the rest of the population typically has.

It will be even more unattractive if the public plan pays Medicare rates. Many doctors today will not accept new Medicare patients and in some specialties Medicare patients face much longer waits for treatment than younger patients. If a large number of people are added to plans that pay well below private fees, there will be inexorable pressure to evolve into a two-tier payment system with two-tier quality of care.



Responded on December 9, 2008 3:08 PM

Sen. Mike Enzi, R-Wyoming, Ranking Republican, Health Education Labor and Pensions Committee, U.S. Senate

As we discuss how to ensure access to affordable health insurance for all Americans – a goal I hope to achieve in a bipartisan manner in the next Congress – we must focus on promoting new options and choices for patients. This means expanding competitive, free market plans – not moving toward a single payer health care system.

When insurance plans compete freely, market forces provide the best chance to drive down costs, get better value for every dollar spent, and encourage innovative efforts to expand coverage. Government programs like Medicaid, on the other hand, undermine the free market through price controls, cost-shifting to other purchasers, and underpayment to health care providers. In addition, public plans can hide their true costs, because various government agencies pick up many of the costs that private plans have to account for in their premiums. If Congress forces private plans to compete against a public plan, the public program will have an inherently unfair advantage. Over time, this will drive more and more individuals to choose the public option – at the taxpayer's expense.

Creating a Medicaid-for-all program, and requiring free market plans to compete with it, would undermine true competition and could be a giant step toward single-payer, Washington-run health care. Ultimately, this would limit patient options and drive up costs to the taxpayers. It would take health care decisions out of the hands of patients and doctors and place them in the hands of another costly, inefficient federal bureaucracy, complete with burdensome over-regulation and mountains of red tape.

Instead, we must reduce health care costs through substantial reforms, and then let Americans keep more of their money so they can choose the health care plans they want and need.

One way to do this would be by combining standard tax deductions for most Americans who purchase health insurance with tax subsidies for low-income Americans in order to help everyone afford health insurance. We need to reform our flawed, unfair tax code so that individuals who do not receive insurance through their employer can purchase it without being penalized by the IRS.

If you work hard to provide a living for yourself and your family, the government should make it easier – not harder! – for you to afford health insurance.

We also should expand options for small business owners and working families who do not receive insurance through their employers by giving them the flexibility to pool their members

across state lines, and even across the country, and use their combined purchasing power to negotiate affordable health care options. This kind of flexibility would allow small business owners and their employees to choose the plan that best suits their needs, at prices they can afford.



Responded on December 9, 2008 10:50 AM

[Marilyn Werber Serafini](#), Staff Correspondent, National Journal

Here's what **Jason Rosenbaum**, deputy director of online campaigns for Health Care for America Now, a national grassroots campaign advocating quality, affordable health care for all, has to say about public health programs:

Mr. Gelfand raises good questions that deserved to be answered.

Indeed, some of the answers are already apparent.

(1) Medicare is indeed in dire financial straights, because it operates outside the normal logic of insurance. In an insurance system, risk is spread over a large pool of people. In a good insurance system, those who are less at risk still pay into the system, in effect subsidizing those who are more at risk. Because Medicare is only available to Americans over the age of 65, it functions against this logic. It should come as a surprise to nobody that health care for older Americans is more expensive than health care for younger Americans. With no younger, healthier people in the Medicare system, risk is concentrated and costs rise. This ends up being a subsidy for private health insurance, which can make money insuring less costly, younger Americans, then dump them onto the public dole when they reach the age of 65. The solution for eliminating this subsidy and rising Medicare costs is to allow a public insurance plan to cover everyone, fairly sharing the risk.

(2) and (3) Senator Max Baucus (D-MT), one of the leaders in Congress taking charge of Obama's health care vision, specifically addressed this point in a [letter to the editor of the Wall Street Journal last week](#).

According to Senator Baucus:

"[the public plan] will require affordability, but premiums will not be set. It will require a minimum level of benefits, but Congress will not prescribe specific packages or even require insurers to participate . . . The public option would not "offer generous packages . . . no private company could ever afford or justify." The Baucus plan specifically says a public option must offer benefits similar to private plans in the Exchange. Nor does the Baucus plan import Medicare's price rules into the public option. Rates would be determined by balancing the goals of increased competition and affordable access to quality health care.

Put simply, Barack Obama's vision for health care reform would force all players in the health insurance system - private and public - to play by the same set of fair rules. There would be no special advantages given to a public health plan, it would simply be created to compete with private insurance on a level playing field. If private insurers truly believe that their product adds value, they should not be afraid of a little competition.



Responded on December 9, 2008 9:03 AM

Marilyn Werber Serafini, Staff Correspondent, National Journal

House Ways and Means Committee Chairman Charles Rangel, D-N.Y., indicated his strong support for a "strong public health insurance program" in an op ed in Roll Call Monday. Here is what he said:

"As we undertake health reform next year, we must remember that a strong public health insurance program is a central component of a healthy and workable public-private partnership. A public program would serve as a safeguard available to everyone, protected from the whims of the marketplace, and we must ensure their future for generations to come.

"Unfortunately, some of my colleagues like to scapegoat public programs because it is convenient to rail against "big government." They argue that costs in these programs are unsustainable.

"However, the problem of rising health costs is not unique to Medicare or Medicaid. Just as the problem of rising health costs is system-wide, we need a system-wide solution. By undertaking reform, we cannot toss out the backbone of our health system; we need to build on what is working. I hope my colleagues will abandon political rhetoric and join me in health reform efforts, and in shoring up and building on our public programs in the short and long term.

"To that end, Congress will soon revisit SCHIP, and under the leadership of a new president, we will finally accomplish the goal of expanding the program to cover millions more needy children. We also need to bolster the social safety net by helping state and local governments pay for the growing Medicaid costs that they will face as more individuals turn to them for help.

"We should also provide short-term help to individuals who are losing their jobs and their health care through no fault of their own, especially those who may not be able to turn to Medicaid. Finally, we must strengthen Medicare by eliminating wasteful corporate welfare for private insurance plans, improving efficiencies and ensuring patients continued access to their physicians."



Responded on December 8, 2008 4:30 PM

Stuart Butler, Vice President for Domestic Policy, Heritage Foundation

If the government runs a national exchange, determining the rules for competing plan, and also operates a public plan as one of the competitors, the end result is inevitable. There will be no level playing field. Instead the rules will be designed to favor the government's public plan. And Medicare-style plan, with its heavy subsidies, would enjoy an artificially low price advantage. Very soon it will drive out the private plans.

Little wonder that the Lewin Group estimates that over 20 million Americans would discover very soon that their employers had assigned them to the public plan.

Understandably, many advocates of single-payer or "Medicare for All" see a Medicare-style public plan within a national exchange as the route to achieving public coverage for all.

To be sure, working Americans need to be able to count on at least one affordable, adequate option no matter what their medical or financial situation. In the Federal Employee Health Benefits Plan, the supposed model for the exchange/public plan idea, there is no public plan. Instead, a group of private national plans, with community rating and government premium subsidies, provide affordable coverage to all federal workers and their dependents in an exchange with the same level playing-field rules applying to every plan. The major private insurers have offered to design guaranteed issue coverage in a future national system. Congress should work with them to do that, not create a public plan designed ultimately to drive them out of the market.



Responded on December 8, 2008 2:32 PM

Karen Davis, President, The Commonwealth Fund

The creation of a public health insurance plan has the potential to not only help extend affordable coverage to all Americans, but also drive efficiencies and innovative practices throughout the health care system.

First, it is estimated that a public plan option modeled on Medicare, offered through a national health insurance exchange, would have 30-percent lower premiums than those for the private plans. Recent analysis conducted by the Lewin Group for The Commonwealth Fund show family coverage under a Medicare-like public plan would be \$8,424 annually in 2008, compared to \$12,106 in a typical employer private plan. This 30 percent reduction in premiums would go a long way toward making coverage more affordable for small businesses and individuals.

Modeling of a comparable Commonwealth Fund "[Building Blocks](#)" [proposal](#) showed that 40 million of the estimated 60 million Americans gaining coverage through a national insurance connector would enroll in the new public plan option. Competition from a public plan could transform the private market, as private insurers endeavored to "meet the competition" by lowering overhead and adopting innovative practices in pursuit of greater value. For example, private insurers might form more highly integrated delivery systems or select high-value providers for participation in networks.

A Medicare-like public plan also provides a model for the private sector with respect to satisfaction, access, and financial protection, all key components of insurance coverage. The Commonwealth Fund 2007 Biennial Health Insurance Survey shows that Medicare beneficiaries are much more likely to rate their insurance as excellent or very good than are those covered by employer plans or individual coverage. Meanwhile, Medicare beneficiaries are less likely to report going without needed care in the past year due to costs and less likely than adults under age 65 to report problems paying medical bills. If private plans can meet the same level of performance, consideration could be given to opening up Medicare payment rates to private plans as well.

Finally, when combined with selected provider payment and health system reforms, this strategy could make it possible to cover nearly everyone at minimal cost to the federal budget. [Modeling by the Lewin Group](#) shows that offering a public plan option in a national health insurance exchange, along with payment and system reforms, will help bend the curve of the nation's unsustainable health spending, with savings of at least \$1.6 trillion over 10 years possible. It is clear that the nation's public programs are especially valuable components of health reform. It is time to build on what works and provide a public health insurance plan option to Americans.



Responded on December 8, 2008 8:36 AM

James P. Gelfand, Senior Manager, Health Policy, U.S.

Chamber of Commerce

I don't think anyone is 100 percent positive what kind of effects or market distortions a new government health plan would bring about, but here is what we know for sure:

(1) **The plan would be modeled after Medicare.** Medicare is in dire financial straights. Listing the problems with Medicare would take a lot of space – but the question is, will Medicare be modernized and improved? Will the new plan include cost-saving efficiencies, or would it just be more of the same?

(2) **The plan might have undue market advantages.** Government is always able to “negotiate” the lowest rates – after all, they have the guns, the money, and the regulating authority. How much below market rates will the government plan pay – as bad as Medicare or Medicaid? Will the plan have to advertise at all? Probably not. This will make the government plan artificially cheaper than the other plans.

(3) **Private plans might be too strangled to compete.** The proposal to create a new Medicare-like plan is always coupled with strict regulations for private plans – they must accept all comers, charge similar rates to the sick and the healthy, young and old. They must cover a long list of specific drugs, services, and conditions. Are we, in essence, forcing the private plans to be the same as the public plan? And then artificially lowering the costs of the public plan? That kind of competition would not bode well.

Would a new public plan be the beginning of the end for private plans? Would this be creating a massive new debt to pass on to our grandchildren? Both of these questions will need very clear answers before many will support such a plan.