

HEALTH CARE FOR AMERICA NOW!

Health Policy Experts Explain Why a Public Health Insurance Plan Option Is Essential for Health Reform

A national public health insurance option is critically important if we are to rein in skyrocketing health care costs, according to numerous experts. A public health insurance option will slow growth in medical costs, inject competition into the private health insurance market, and foster payment and delivery system reforms. It will remedy disparities in access to care and guarantee that high-quality, affordable coverage will be there for individuals and families no matter what happens to their jobs or their health. A public option – not nonprofit co-operatives scattered around the country – can bring about system reforms and efficiencies that have eluded private insurers for too long. The most prominent public plan, the Medicare program for the elderly and disabled, has delivered annual spending growth significantly below private insurers over the last decade, with per capita cost growing 4.4 percent under Medicare versus 7.4 percent under private health insurance.¹

After nine months of intense political and policy discussions, surveys show strong continued support for a public option. Recent polling indicates 68 percent of voters favor the inclusion of a public option in the reform package.² And according to a recent survey of physicians published in the *New England Journal of Medicine*, 73 percent of medical doctors also support the public option.³ Voters want that choice immediately, without waiting several more years to have a “trigger” pulled. Sixteen years since the last effort at health reform – and the last time insurers promised to contain costs – is long enough to wait. It is time to finally give Americans the choice they want and need.

Wendell Potter, Former Insurance Company Spokesman, Pennsylvania:

“The idea of nonprofit cooperatives being able to compete effectively with the cartel of large for-profit insurers that dominate the market today is so naive one has to wonder if the legislative language proposing their creation was written by insurance company lobbyists.”⁴

Congressional Budget Office, Sept. 16:

“The proposed co-ops had very little effect on the estimates of total enrollment in the exchanges or federal costs because, as they are described in the specifications [of the Baucus bill], they seem unlikely to establish a significant market presence in many areas of the country or to noticeably affect federal subsidy payments.”*

Mark Hall, Professor, Wake Forest University, North Carolina:

“A public health insurance option can exercise the bargaining leverage that health insurers need to negotiate effectively for all medical services. Currently, private insurers do not negotiate over rates for out-of-network care. Even within the network, they often are unable to negotiate favorable rates with key specialists or for critical hospital services when there is little or no competition locally among these providers. A public insurer can help remedy these market defects.”⁵

Glenn Hackbarth, Chairman, MedPAC, Washington D.C.:

"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 modeled 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.”⁶

Harold Pollack, University of Chicago Professor, Illinois:

“The public option rightly commands broad support among health policy experts, citizens, and health care providers. The choice of a strong public option alongside private plans would provide a valuable backstop for millions of consumers and would improve the quality and efficiency of our health system.”⁷

Karen Davis, President of the Commonwealth Fund, New York:

"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.”⁸

David Balto, Former Federal Trade Commission Policy Chief, Washington, D.C.:

“Trying to cure the epidemic of anticompetitive and fraudulent activity by health insurers with a little dose of regulatory reform is like trying to cure cancer with a Band-aid. Only a public plan, which will be dedicated to the public interest and not profits, offers the promise of reversing the rampant harm that consumers have suffered from health insurers who wrote the book on how to exploit consumers.”⁹

Len Nichols, Health Policy Director, New America Foundation, Washington, D.C.:

“In many of our small group markets there is precious little effective competition. A public option in these markets could be catalytic to the kinds of market competition that we need and that the President has always supported.”¹⁰

Senator Jay Rockefeller, West Virginia:

"Without the steady, positive influence of a public plan option in the marketplace, we will never truly solve the health care crisis in this country. Private health insurance has a long history of cutting people off or charging too much for too little... Shared responsibility – that includes insurers – is the only answer and a public plan is the only real solution."¹¹

Gerald Kominski, UCLA Professor, California:

"The Medicare program itself provides the best evidence of the importance of a public option. Medicare Advantage private plans do not compete effectively on price, costing taxpayers on average about 14 percent more for the same care provided for less within traditional Medicare, which is the public option."¹²

James Morone, Brown University Professor, Rhode Island:

"What a strange, strange argument. The public option might be too effective and too popular. Therefore, let's not have it. America's favorite programs are all public option – Social Security and Medicare. Come to think of it, the Republicans opposed those too!"¹³

Rick Brown, UCLA Professor, California:

"Public health insurance, like Medicare, is coverage that people can count on. Its eligibility and benefits are the same throughout the nation. If you meet the eligibility requirements in Montana, you will also be eligible in New York, Florida or California. If a service is covered in one state, you will know that it's covered in all states. The same transparent decision-making process, required of all public agencies, will apply nationwide, in contrast to private health plans."¹⁴

Robert Reich, Former Labor Secretary, California:

"The public option works because it would have the scale and authority to negotiate lower prices from health care providers. This would push the private insurers to get the same deals. The public option has to be big and national to do that, so don't be fooled by the idea of so-called cooperatives. They'd be too small and scattered to have the scale and bargaining leverage of a public option, and would therefore be designed to fail."¹⁵

Arindrajit Dube, Research Economist, UC Berkeley, California:

"A strong public option that can pool risk and set rates nationally will insert much needed competition in the health insurance market. Naturally, health insurance companies prefer protection from competition; but Congress should not."¹⁶

Uwe Reinhardt, Princeton University Professor, New Jersey:

“[T]he 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 [opponents] consider unfair. [But], 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?”

“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 wither away or have to raise fees until it is competitive in the market for enrollees. This is how competitive markets work, John.”¹⁷

Jacob Hacker, Yale University Professor, Connecticut:

“There is absolutely no reason to think that cooperatives of any sort could achieve the three crucial goals that a competing public plan must accomplish—provide a *backup* option offering health and financial security to individuals without employer coverage, a cost and quality *benchmark*, and a cost-control *backstop* that drives payment and delivery system reform.”¹⁸

Timothy Jost, Washington and Lee University Professor, Virginia:

"Most hospital and insurer markets are now highly concentrated and non-competitive. Competition law has proved completely ineffective in stemming the growing concentration of market power in both provider and insurer markets over the past two decades. An outside force is necessary to introduce competition and choice, bending the price-increase curve. This is what a public plan using the Medicare network offers.”¹⁹

* Accessed at http://www.cbo.gov/ftpdocs/105xx/doc10572/09-16-Proposal_SFC_Chairman.pdf

¹ National Health Expenditures -- Historical Data for 1960-2007, Table 13. Accessed at <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf>

² CBS News, "President Obama's Health Care Speech," September 10, 2009. Accessed at http://www.cbsnews.com/htdocs/pdf/poll_health_care_091109.pdf

³ Salomeh Keyhani, M.D., M.P.H., and Alex Federman, M.D., M.P.H., "Doctors on Coverage — Physicians' Views on a New Public Insurance Option and Medicare Expansion," New England Journal of Medicine. Accessed at <http://healthcarereform.nejm.org/?p=1790&query=home>.

⁴ <http://blogs.reuters.com/great-debate/2009/07/30/experts-weigh-in-on-nonprofit-healthcare-cooperatives/>

⁵ E-mail statement, Sept. 17, 2009

⁶ http://institute.ourfuture.org/files/Public_plan_quotes_Obama_Baucus_others.pdf

⁷ E-mail statement, Sept. 17, 2009

⁸ <http://healthcare.nationaljournal.com/2008/12/assessing-a-new-public-insurance-program.php#1188079>

⁹ E-mail statement, Sept. 17, 2009

¹⁰ E-mail statement, Sept. 17, 2009

¹¹ <http://rockefeller.senate.gov/press/record.cfm?id=314224>

¹² E-mail statement, Sept. 17, 2009

¹³ E-mail statement, Sept. 17, 2009

¹⁴ E-mail statement, Sept. 17, 2009

¹⁵ <http://www.ourfuture.org/blog-entry/2009093711/need-clear-and-simple-explanation-why-public-health-insurance-plan-necessary>

¹⁶ E-mail statement, Sept. 17, 2009

¹⁷ http://institute.ourfuture.org/files/Public_plan_quotes_Obama_Baucus_others.pdf

¹⁸ http://www.ourfuture.org/files/Hacker_Public_Plan_August_2009.pdf

¹⁹ E-mail statement, Sept. 17, 2009