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A Health Plan for All and the Concerns It Raises

By [REED ABELSON](#)

It is one of the most contentious health care proposals [President Obama](#) has floated: offer a federal, [Medicare](#)-like insurance plan to anyone, at any age. And let commercial insurers offer their private health plans alongside it.

“It gives consumers more choices, and it helps keep the private sector honest, because there’s some competition out there,” Mr. Obama said this month at a health care forum in Washington.

But the insurance industry and others wary of too much government intervention vehemently oppose the idea. They say the heavy hand of the government will eventually push out the private insurers, leaving the government option as the only option. That is why the industry seems unwilling to give ground on the issue, even while making other concessions to national health reform — like the industry’s announcement on Tuesday that it might be willing to stop charging sick people higher rates than healthy customers.

The debate is over how best to provide coverage to the nearly 50 million people in the United States who do not have [health insurance](#), while also trying to rein in the nation’s galloping health care costs. While the details of a federal insurance plan remain vague, a central question is whether it would function like Medicare — wielding the government’s size and clout to essentially dictate the prices it pays for medical care.

If so, the government’s main advantage over the private sector would be to demand much lower prices from doctors and [hospitals](#) than private insurers are able to negotiate. It could then pass those savings along to consumers in much lower premiums than the private plans might be able to offer. Critics say such a system would eventually force private insurers out of business.

“There’s no way to run a side-by-side competition within the current structure,” said Karen Ignagni, the chief executive of America’s Health Insurance Plans, the industry’s trade association. If the unstated and eventual goal of the public plan is to push private insurers out of the way — a de facto nationalization of health care — “let’s have a debate on a government-run system,” Ms. Ignagni said.

The president's idea has been supported by many in Congress, including Senator [Max Baucus](#), the Democrat from Montana who is chairman of the Finance Committee and has proposed a similar kind of public option. But across the aisle, some legislators who are considered critical to achieving bipartisan support for health reform have voiced concerns.

"There's a lot of us that feel that the public option, that the government is an unfair competitor," Senator [Charles E. Grassley](#), a Republican from Iowa who is influential on health issues, said at the president's meeting.

Even Mr. Obama has acknowledged that those concerns are valid, and it is unclear how the government plan could be set up to give insurers a fair chance to compete.

The main selling point for a government-run program would be its low cost. It would have a much lower overhead than private plans, with no need to make a profit or spend money on marketing or brokers' commissions. And, if allowed to flex its muscle, the government would buy medical care at much lower prices.

Bryan Dowd, a health policy expert at the [University of Minnesota](#), is critical of private insurers but does not necessarily favor a government plan. He agrees that the private insurers will never be able to match the steep discounts the government can demand. "If discount-getting is all you do, a large public plan is always going to clean your clock," he said.

But supporters of a public plan say that its low price would impose greater discipline on insurers by forcing them to keep costs in check and make their policies affordable — something they say commercial insurers have seemed especially unable to do in providing coverage to small businesses and individuals.

"It would transform the market for private insurance," said Karen Davis, the president of the Commonwealth Fund, a health policy research group. She estimates the average premium for a family of four would run around \$9,000 a year under a public plan, in contrast to nearly \$11,000 for a typical private alternative. The savings to the nation's health care bill over the next decade could run into the trillions of dollars, she said.

And many supporters say the government must be able to curb costs if it is going to expand coverage for people who are not poor enough to qualify for [Medicaid](#) but might still require some sort of subsidy to buy insurance. The only way to control costs, they say, is to engage the purchasing power of a Medicare-like system.

"The Medicare program is a real success story," said Jacob S. Hacker, a professor at the University of

California, Berkeley, who is a longtime advocate of a federal plan.

While private health insurance premiums increased an average of 7.3 percent annually from 1997 to 2006, Mr. Hacker said, Medicare spending per enrollee rose only 4.6 percent a year for the same benefits.

Private insurers will be able to compete with a federal plan, he said, by offering a wider range of benefits and being more flexible in how they work with doctors and hospitals. “A lot of people are going to want to be in a private plan,” he said.

But many hospital executives object strenuously to the idea of a new program that would behave like Medicare.

“Medicare has systematically been underpaying for services,” said Dr. Denis A. Cortese, the chief executive of the [Mayo Clinic](#), the highly regarded health system in Minnesota. If more patients are enrolled in a Medicare-like program, he predicted, “your very best providers will go out of business” or stop seeing patients covered by the government plan.

Doctors also worry about being underpaid. Dr. Nancy H. Nielsen, president of the [American Medical Association](#), issued a statement saying in part: “Advocates for a public plan need to put a concrete proposal on the table so we can evaluate the details. We have a long history of public programs that are not adequately funded, resulting in cuts to those who provide health care.”

No consensus has yet emerged over exactly how a federal plan might work. Some proponents envision an expansion of the current Medicare program to those younger than 65 — although with fewer government subsidies.

Others argue that an entirely new government program should be created. And some contend that the only way a public plan would be viewed as fair to private insurers would be if the government did not try to use its pricing power.

“The definition of what a public plan option is is all over the place,” said Amanda Austin, senior manager for legislative affairs for the National Federation of Independent Business, which represents the interests of small businesses. Her group prefers to work with private insurers, she said, but is withholding judgment on whether to support some variation of a public option until the proposal has been made clear.

Some policy experts say a compromise can be struck. They advocate a public plan that would be required to negotiate with doctors and hospitals on a level playing field with commercial insurers, rather than have the government set prices à la Medicare.

Because the public plan would still have much lower overhead costs, it would encourage private insurers to work harder for customers, said Len Nichols, a health economist at the New America Foundation, a public policy institute that advocates health care changes.

“It puts pressure on the private sector status quo,” he said, but avoids using “the nuclear weapon” of government price controls — which he thinks is so controversial that it could derail the discussion.

But some wonder if there is any point in having the government play the insurance game at all if it cannot use its full advantage. “It isn’t a public plan, so why have it?” said Stuart M. Butler, a policy analyst at the [Heritage Foundation](#), a policy research organization that advocates limited government involvement in the marketplace.

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