

## **The Public Health Insurance Option: What Doctors Need to Know**

Perhaps the single most important goal of healthcare reform is to provide high quality, affordable, accessible healthcare for all Americans. Although there are many proposals about how best to expand access to care for the growing number of Americans who are currently uninsured, providing a public health insurance option has been at the center of these discussions. The question of whether and how to provide a public health insurance option has become one of the most contentious questions in the health reform debate today. Yet, a recent survey by Lake Research Partners in January 2009 showed that 73% of Americans favored having a choice between public and private health insurance plans, primarily because they felt it would control overall healthcare costs. Below, we review the issues surrounding a public health insurance option as they pertain to physicians,

### **WHY HAVE A PUBLIC HEALTH INSURANCE OPTION?**

- ***To ensure that Americans can always find a high quality, affordable health insurance plan regardless of their situation.*** The public health insurance option provides individuals with greater choice, as well as a safety net for those with chronic illnesses, disabilities, or who otherwise do not have access to private plans. Patients' ability to choose between public and private plans will serve as an essential check on both.
- ***To serve as a competitive yardstick for private plans.*** A public health insurance plan could serve to establish quality and cost benchmarks, setting a standard that the private sector would have to match.
- ***To help slow the rapid growth in healthcare costs.*** In addition to increasing access to care, competition between public and private plans will serve to reduce premiums and healthcare costs. Like Medicare, a public health insurance plan also might do a better job of slowing the growth of healthcare costs overall.
- ***To keep private plans honest.*** Proponents of the public health insurance option argue that the private insurance market, even if regulated, will lack incentives to provide quality, affordable care without competition from a public health insurance plan. Competition from a public plan provides a set of essential healthcare guarantees for enrollees. Moreover, many people who do not trust private insurers to have their own interests at heart would have a safety valve in the form of a public plan.

Compared to private plans, a public health insurance plan can offer:

- Stability
- Transparency
- Wide pooling of risks
- Lower premiums
- Broader access to health care professionals
- Capacity to collect patient information on a large scale for use in improving quality
- Large scale adoption of quality standards and use of electronic medical records, in concert with Medicare and Medicaid
- Lower administrative expenses
- No need to earn profits

## WHAT WOULD A PUBLIC HEALTH INSURANCE PLAN LOOK LIKE?

Numerous proposals for how a public health insurance plan would be structured exist, including “Health Care for America” by Jacob Hacker and “A Modest Proposal for a Competing Public Health Plan” by Len Nichols and John Bertko. These proposals vary primarily in the structure of the public health insurance plan as well as the relationship between the public and private insurance plans.

Some of the proposed reforms to the insurance markets, including a public health insurance option, include:

- Protections for individuals with pre-existing conditions
- A minimum benefit package
- Subsidies for low-income individuals
- Risk-adjustment and reinsurance
- A National Insurance Exchange to supervise and regulate the insurance markets

One of the most important issues discussed in proposals for a public health insurance plan is how best to regulate the public plan to create a level playing field. Proposed regulations include:

- Enforcing the same rules governing enrollment, rating, and marketing for both public and private plans
- Using risk adjustment to prevent plans from being disadvantaged by enrolling a less healthy group of patients
- Regional pricing allowing public and private plans to compete within a region on the same terms
- Ensuring that the administration of the public plan be separate from the agency that contracts with and regulates private insurers
- No special government subsidy to provide an unfair advantage to the public health insurance plan

## HOW WOULD A PUBLIC HEALTH INSURANCE PLAN HELP PHYSICIANS?

- ***More Insured Americans Means Less Uncompensated Care*** Fewer uninsured patients will lead to physicians worrying less about recouping costs, allowing physicians to focus on what we do best—take care of our patients.
- ***Guaranteed defined benefits for patients, ensuring fewer coverage gaps and healthier patients.***
- ***Prohibits insurance companies from denying coverage because of pre-existing conditions.***

## WHAT ARE THE CONCERNS FOR PHYSICIANS?

- ***How will a new public health insurance plan use its bargaining power?*** Critics are concerned that the government could provide an unfair advantage to the public health insurance plan through regulatory and pricing powers, or even through subsidies. For this reason, rules such as those described above are critical to level the playing field and maintaining a balance between public and private plans.

- **Could the public health insurance plan force doctors and hospitals to accept lower reimbursements than they negotiate with private insurers?** If the public health insurance plan drops reimbursements, physicians will simply opt not to participate in the program. One of the critical features of competition between public and private plans is that in addition to competing for patient participation, plans have to compete for physician participation as well.
- **Can the public health insurance plan use the Medicare program to bargain with physicians?** This is an essential issue for physicians. The proposals being discussed now would include a rule that would prevent the public health insurance plan from forcing physicians to treat patients participating in the public plan as a condition of participating in Medicare (or any other public program).
- **Will there be a large and systematic enrollment shift to the public health insurance plan, effectively eliminating private insurance markets?** With open competition between public and private plans, both markets should be able to coexist. In fact, an independent analysis of Jacob Hacker's proposal, "Health Care for America," actually suggests that more Americans would have private insurance after reform than before, provided rules to level the playing field are enacted.
- **Will the public health insurance plan become the plan of choice for high-cost patients?** Risk adjustment and wide pooling of risks remain essential parts of any public health insurance option. The public plan will allow many high-cost patients, who would otherwise be uninsured, to afford health insurance.
- **Will the public health insurance plan be "government-run health care" or "socialized medicine"?** **No.** The proposals on the table now allow free and open competition, consumer choice, and private ownership – the very opposite of socialism. Including a public health insurance option provides more insurance *choices* to Americans. It will also make the private insurance market function more efficiently and fairly – but will not eliminate private insurance. Physicians will also have choices, and can decide not to participate in the public insurance plan – which means that a public health insurance plan will preserve physicians' autonomy and the doctor-patient relationship.

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