

## ***When is a Public Option Not a Public Option?***

**A DailyKos.com Dairy Entry, a My.BarackObama.com Blog Entry,  
An OpEdNews.com Article, and an E-Mail to Progressive Activists**

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I just read this in the *New York Times* online, in a article titled, "Take Public Option 'Off the Table,' Snowe Says":

"Max Baucus, the Democratic chairman of the Senate Finance Committee, has said in recent interviews that he cannot get the committee to support a government-run health plan. Instead, he said, the committee is coalescing around a bill that would expand Medicaid coverage to several income brackets above the poverty level and require all American[s] to be insured through private plans or through the existing public plans of Medicare and Medicaid. Subsidies would be provided for those who could not afford medical insurance."

<http://www.nytimes.com/2009/09/14/health/policy/14talkshows.html?th&emc=th>

Unfortunately, the polls continue to show that public support for a new public option has been severely eroded ...

<http://www.washingtonpost.com/wp-dyn/content/article/2009/09/13/AR2009091302962.html>

... after the "full frontal assault" by mobs incited in large part by the insurance industry fearing a

nonprofit competitor. So this proposal to use the existing public insurance plans of Medicare and Medicaid to "fill the gaps" of coverage at first sounds intriguing.

But there are several important requirements, in order to make that compromise do what a new public option would, in terms of controlling costs as well as filling gaps. Among those considerations, not stated by anyone in that article above, are the following.

There must be true freedom of choice for those in the "several income brackets above poverty level" in selecting either private or public plans. Otherwise there will be no competition, no means by which the setting of fees by the government, in Medicare or Medicaid, will lower costs in the private sector.

There must be fines imposed upon employers, of considerable size, who want to simply "dump" their employees into a public system; there must be no profit in setting up "second rate" care. And the government must not become caretaker of choice for the sickest patients, the most costly to care for. Risks must be shared as broadly as possible, to lower costs as much as possible.

To the extent that Medicaid will serve as a public plan for those not insured by private plans, then it must be significantly reformed, to be more like present-day Medicare than present-day Medicaid. There are several very important concerns here, among them being:

- Medicaid varies widely from state to state; by contrast, Medicare is national.
- Medicaid suffers from very unstable funding, particularly now that state budgets are being cut; Medicare has more stable funding.
- Medicaid pays on average less than 75% what Medicare does for medical fees, and in some cases much less than that; unsurprisingly, there are far fewer medical providers who choose to participate in Medicaid than in Medicare.
- Medicaid has typically very difficult application processes, which exclude many who need and deserve care; Medicare is much more readily available.
- Medicaid has become largely privatized; Medicare is still a government-run, nonprofit plan, with costs growing slower than private plans.

These and other important distinctions between Medicaid and Medicare are examined more closely here ...

[http://www.insurancecompanyrules.org/blog/entry/medicaid\\_is\\_not\\_an\\_alternative\\_to\\_a\\_new\\_public\\_health\\_insurance\\_option/](http://www.insurancecompanyrules.org/blog/entry/medicaid_is_not_an_alternative_to_a_new_public_health_insurance_option/)

... with reference to the "bible" of the public option, the report by Jacob S. Hacker, PhD, of the Institute for America's Future, at the University of California–Berkeley, which originally laid out the need for and the nature of a public option: *The Case for Public Plan Choice in National Health Reform: Key to Cost Control and Quality Coverage ...*

[http://institute.ourfuture.org/files/Jacob\\_Hacker\\_Public\\_Plan\\_Choice.pdf](http://institute.ourfuture.org/files/Jacob_Hacker_Public_Plan_Choice.pdf)

(BTW Barry Gordon interviewed Dr. Hacker on one of our *Left Field* shows in 2006—

<http://barrytalk.com/archives/0611.html#061119> (with audio available)—about his book *The Great Risk Shift*.)

In short, in his now-famous report, Dr. Hacker states that "public plan choice is essential to set a standard against which private plans must compete. Without a public plan competing with private plans, we will continue to lack strong mechanisms to rein in costs and drive value down the road."

If a new public option will indeed be "off the table," then the existing public insurance plans, of Medicare and Medicaid, must "fill the gap" not only in terms of coverage—reforming Medicaid to be more like Medicare—but also in terms of competitiveness—with freedom of choice for a significant number of Americans between private plans and these public plans and with subsidies paid in large part by employers who choose to not insure their employees.

However, I've not yet heard anything about any of that in this discussion of substituting Medicare and Medicaid for a new public option. I will continue to keep an open ear and an open mind. But we don't want to end up with a situation in which a large share of Americans are "dumped" into a second-class system, with no significant controls on costs in any part of the system, which everyone is paying for—a significant share of the costs perhaps even shifted, via Medicaid, onto the already budget-strained states.

In short, we need real health care reform, not "No Patient Left Behind."