

Health Care Reform – The Public Option

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Do we need another government-run health care plan?

Creating another government-run health care plan, often referred to as the public option, isn't the answer for reforming the health care system. Building on the existing employer-based coverage system is a more effective way to expand coverage, control premium costs and provide the best quality of care.

More than 160 million people have health care coverage through their employers. In a 2007 poll*, over two-thirds of employees rated their employer-based coverage as "excellent" or "very good." A new government plan would have dramatic effects for members of private plans who are happy with their coverage.

Up to 88 million people would lose private coverage, according to an estimate by the Lewin Group. For many of those people, the government plan will be the only option.

Why would so many people lose private coverage?

Many employers would be forced to drop their insurance plans due to increased cost-shifting. Cost-shifting happens when government plans, like Medicare and Medicaid, underpay doctors and hospitals. The underpayment from Medicare and Medicaid causes doctors and hospitals to charge higher prices to patients with private insurance.

A recent Milliman study found that a family of four with a private health care plan already pays an extra \$1,788 per year to make up for Medicare and Medicaid underpayments. A new government plan would drive that cost even higher.

By underpaying doctors and hospitals, a new government plan would also place enormous strain on health care providers. The Lewin Group estimates hospital revenue would decline by \$7.3 billion, and physician revenue would decline by \$17 billion. These revenue shortfalls would limit the ability of many providers to deliver effective care.

The introduction of a new government plan would also stifle innovations in health care delivery by private health plans. Health plans have been responsible for developments like provider networks, tiered drug formularies and treatment management. In contrast, Medicare has offered almost no innovations in over 40 years and is struggling just to stay financially viable.

Introducing a new government health plan will drive up costs for employers with health coverage, put a financial strain on providers and restrict future health care innovation.

Improving on the current employer-based system of health care coverage will allow people to keep the employer-based coverage they like, maintain current levels of provider access and quality of care, and allow for continued innovation in the health care system.

* National Business Group on Health Employer-based Health Benefits Survey, 2007.