Independent Women's Forum®

POLICY focus

RECIPES FOR RATIONAL GOVERNMENT

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The Public Option for Health Coverage

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What You Should Know

For decades, progressive policy leaders have pushed to create a national public option for health coverage, which would allow all Americans to buy health insurance through a government program. So far, they have failed to enact such a policy, but the idea continues to show up in bills at the federal and state levels.

Supporters argue that the public option is necessary to increase the number of Americans with health coverage, particularly in areas where the health insurance market is not competitive. Indeed, many Americans who buy health insurance through the exchanges created by the Affordable Care Act (or ObamaCare) have only one "choice" of insurer. The portion of enrollees in this predicament **peaked in 2018 at 26 percent.**

Policymakers should work to make health insurance more affordable and competitive, but adding a public option won't achieve this. Any new government-run health plan is likely to face the problems already present in Medicare and Medicaid (programs for seniors and low-income people, respectively), namely: unsustainable budgets, less access to health *care* (in spite of health insurance *coverage*) and worse health outcomes.

Perhaps of greatest concern, a public option would speed the U.S. along a path to completely government-run health care. When the public option becomes the only option, the government becomes the only payer, or single payer, for health care. We should avoid this path, which will result in fewer options, not more, for patients, as well as a decrease in the overall quality of health care available and a less healthy society.

IN THIS ISSUE

Why You Should Care

All Americans want a healthcare policy that maximizes access to the care people need when they need it. But despite good intentions, a public option will reduce quality and accessibility.

- **The focus on universal coverage ignores the reality of supply and demand in health care.** While offering more Americans health "coverage" is well-intended, coverage doesn't guarantee care. In fact, existing public health plans (e.g. Medicare and Medicaid) often provide insurance coverage but fail to enable patients to get care, because fewer and fewer providers accept these plans. This translates into longer wait times for appointments, reduced access and inferior outcomes for those using the "public option."

- **A public option will ultimately reduce competition, not increase it.** When the government competes with private companies, the competition isn't fair. It's the equivalent of the referee participating in the game. Government actors get subsidies, while private companies face tax and regulatory burdens. If a subsidized public option pulls enough market share away from the higher-quality private options, those private options will go away.

- **Americans deserve more high-quality options for health coverage.** Universal care, not coverage, should be the goal of health policy. Private health insurance and other private payment arrangements offer better access to a wider network of providers, thus offering more timely and better care. We should work toward offering more Americans these superior options, rather than an inferior public option.

More Information

Already-Existing Public "Options"

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Americans over age 65 are eligible for the federal program, Medicare. In fact, Medicare is hardly an option for senior citizens: All working Americans pay a payroll tax to fund the program during their working years, and opting out of Medicare benefits requires opting out of Social Security benefits, too. But occasionally seniors who are still working opt to stay in an employer health plan, delaying Medicare enrollment.

Medicare, while wildly popular, faces some challenges. As America's population ages, more and more people are Medicare-eligible while relatively fewer working-age Americans are

contributing to the program's funding. This demographic mismatch has led Medicare's Trustees to estimate that the program will face bankruptcy **in just five short years, in 2026.**

Medicare is, in the public-policy use of the term, an "entitlement" because beneficiaries are legally entitled to their benefits. And yes, some seniors feel a rightful sense of entitlement after paying into the program for their working years. But the reality is that, due to the high cost of health care and the high volume of healthcare services received by seniors, the average retired couple will receive far more in Medicare benefits than they paid in, **about three times more**.

Thus, every year, Medicare runs a budget shortfall. In order to cover this shortfall, Medicare "borrows" money from general tax revenues and contributes to the national debt. Future shortfalls in the program are described as "unfunded liabilities." This path is not sustainable.

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Ironically, the most popular, efficient, and well-managed "parts" of Medicare are Parts C and D, which are **the market-driven parts**. Part C is also known as Medicaid Advantage coverage, which is technically private. Part D is the competitive prescription drug benefit program.

Medicaid is different. The program for low-income people is operated jointly by the federal government and states. Income thresholds for eligibility vary by state, although some populations—such as low-income pregnant women and children—are eligible in all states.

Medicaid's budget structure is different, too. Medicaid, alongside K-12 education, is one of all states' top two budget items. The federal government "matches" states' Medicaid spending at a rate that varies by state.

Despite this, Medicaid reimburses healthcare providers at a rate that is much lower than private insurance and even Medicare. Private insurance pays nearly twice (**189 percent**) as much money for inpatient services and even more than twice (**264 percent**) as much for outpatient services, on average, compared to Medicare; Medicaid pays even less than Medicare for both inpatient and outpatient services. Medicaid on average pays **72 percent** of what Medicare pays.

These low reimbursement rates—as well as **administrative problems** that often result in disputed and denied claims from healthcare providers—make it less attractive for providers to participate in Medicaid. To a lesser degree, the same is true for Medicare.

Across all types of physicians, **90 percent** said they were accepting new patients with private insurance, 85 percent said they were accepting new Medicare patients, and 71 percent said they were accepting Medicaid patients.

Efforts to Expand and Increase Public Options

Adding more Americans to the already lengthy rolls of Medicare (**61 million people**) or Medicaid (**83 million people**) would only exacerbate the shortage of providers available to these patients. Yet that is exactly what lawmakers in Congress and in some states are trying to do.

The **Improving Medicare Coverage Act**—a bill in the U.S. House—would lower the Medicare eligibility age to 60 (from 65) and make approximately 23 million more people eligible for the program. Other bills, like the **Medicare Buy-In and Health Care Stabilization Act**, would allow Americans aged 50-64 to "buy in" to Medicare coverage before becoming fully eligible for benefits at 65.

In 2014, Congress greatly expanded Medicaid via the Affordable Care Act. While the Supreme Court ultimately ruled that the Medicaid expansion was optional for states, today lawmakers in Congress are considering ways to circumvent the policy choice of some states to abstain from Medicaid expansion.

Opposition to the Medicaid expansion is often characterized as concern about cost or size of government, but a main concern is overloading a safety-net program to the point that it cannot serve its originally intended purpose well—to provide coverage for the indigent poor, including pregnant women, children, people with disabilities, and the elderly poor.

Even so, some states are considering ways to add even more people to the program through a Medicaid "buy in," which is the public option by another name.

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A few states have already passed legislation to offer public health plans: Washington, Nevada, and Colorado. Of these, only Washington's state program has launched. Consumers first had the opportunity to enroll in the public option plan for 2021 coverage.

The first year of Washington's experiment with a public option was not a success. Only **1443 public option plans were sold**, representing less than 1 percent of all exchange policies. Premiums for the public option were higher (**as much as 29 percent higher**) than those for comparable private plans in many parts of the state, even though the public option offered hospitals and doctors lower reimbursement for services.

Many hospitals in the state of Washington refused to take part in the public option plan this year, limiting the healthcare options of enrollees. Instead of recognizing this shortcoming in the program's design, lawmakers in Washington state passed new legislation this summer that *requires* hospitals to contract with the public option plans (and accept the low reimbursement

rates) in certain situations. Similarly, Nevada will require hospital participation in the public option there as a condition of participation in Medicaid and the state's employee health plan.

Hospitals say that if enough people eventually enroll in the public option plans (and not enough in the higher-reimbursing private insurance plans), they will take a financial hit, and ultimately, patients will suffer the consequences: Chelene Whiteaker, senior vice president for government affairs at the Washington Hospital Association, **said**, "When that equation gets unbalanced, we can't make a go of it and have to look at closing hospitals or mergers or reducing our services."

High-Quality Private Options, Not the Public Option

Efforts to expand or increase the coverage options available to Americans are, of course, well intended. These efforts also represent dissatisfaction with the non-competitive status quo. But the solution lies not in government-run options for coverage, but rather in harnessing the competitive elements of the private sector to offer more options at lower prices.

Sadly, a public option in health care will result in fewer high-quality private options for health insurance. While it might seem counterintuitive that an inferior product could gain market share, the reality is that public options enjoy government favor (and taxpayer subsidies), while the private companies they compete with face tax and regulatory burdens. It's not a fair competition.

When the public option becomes the only option, it's no longer optional. But according to some lawmakers who favor the public option, this is a feature, not a bug. They want to see a completely government-run healthcare financing system, or single payer. Some, like **Pete Buttigieg** and **Elizabeth Warren**, have explicitly outlined two-step plans to move first to a public option, then to single payer.

Americans who do not wish to see a single payer system should not support a public option. Instead, we should make a variety of private insurance coverages and arrangements available, and use the force of market competition to push premiums down. This will make private coverage affordable for more people, allowing them to benefit not just from "being covered," but also from having access to a bigger network of providers, more timely care, and ultimately, higher quality of care.

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Universal high-quality care should be the goal. A public option deflects from this goal.

What You Can Do

Get Informed

Learn more about the public option for health coverage. Visit:

- American Enterprise Institute
- Manhattan Institute
- American Action Forum

Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.