

Why a Public Health Insurance Option?

A public health insurance plan is a vital and innovative component of health reform. A choice of public health insurance **has the support of three-quarters of voters, even after hearing the sharpest industry attacks against it.**¹ The public health insurance plan would provide an added choice and would compete on a level playing field to drive better value from private health plans and the health care system as a whole.

✓ **A Public Health Insurance Option Will Lower Health Care Costs.**

Our current trend of health care cost growth is unsustainable for individuals, businesses and the government. A public health insurance option can achieve lower growth and, through fair market competition, can provide an incentive for private insurers to find efficiencies as well. Between 1997 and 2006, per enrollee spending in private insurance grew 59% faster than in Medicare. If private insurance controlled growth as well as the public Medicare plan has over the past decade, employers and families would have much lower premiums today. Most markets also have provider conglomerates that can force insurers to pay unnecessarily high rates. A national public health insurance plan will have enough bargaining power to ensure providers are giving quality, affordable care.

✓ **A Public Health Insurance Option Will Promote Competition.**

Today, consolidation in the private insurance industry has greatly narrowed price and quality competition. In fact, in 2005 the PPO/HMO industry was considered highly concentrated, or anti-competitive, in 96% of metropolitan areas, severely limiting consumer choice.² A public health insurance option coupled with a more structured and robust private insurance market will break the stranglehold a handful of companies have in each insurance market. Most importantly, under these reforms individuals will be able to vote with their feet when their health plan – public or private – doesn't work for them.

✓ **A Public Health Insurance Option Will Provide a Guaranteed Back Up.**

Just as Medicare has been there for older Americans and people with disabilities for more than 40 years, a public insurance option would always be there for you when you need it. Private insurance companies can close, merge, leave your community, lose the contract with your employer. But the public insurance option will always be ready to provide you with the health security you need.

✓ **A Public Health Insurance Option Will Care for You When You Are Sick.**

Private for-profit health plans have a legal obligation to put their shareholders' financial interests ahead of their members' health care needs. To them, paying for your health care is a loss of profits, and they try to keep their medical expenditures as low as possible. A public health insurance plan doesn't have that profit incentive. Diabetes management illustrates the point. Researchers have found that too often diabetics with insurance do not have adequate coverage for their diabetes care, reducing access to treatment and driving some into medical debt.³ Another study found insurance companies have little financial incentive to provide good diabetes management coverage or preventive care in general because people move from one health plan to another. Thus the plan is unlikely to recoup its investment in early treatment, which can take a decade.⁴ The public health insurance plan, on the other hand, has a vested interest in keeping its members healthy because we will all end up in another public health insurance plan—Medicare—at some point in our lives.

✓ **A Public Health Insurance Option Will Advance Innovation and Transparency.**

America's health care system does not deliver the value we need. Today, private insurers have little incentive to develop sophisticated disease management programs, since such programs may attract sicker patients into their plans. And when care improvements are achieved, private plans have no incentive to share best practices with industry competitors. A new public health insurance plan would create a mechanism for the development of innovative and transparent payment mechanisms, the expansion of quality incentives, and the adoption of evidence-based protocols. The Veterans Health Administration and Medicare have proven federal program leadership in transparency and innovation, and a new public health insurance program could lead the way in advancing electronic medical records, creating incentives for greater integration of delivery systems, and establishing improved measures of quality.

¹ Lake Research Partners. Poll conducted January 2009 among 800 voters. http://hcfan.3cdn.net/6051a7401af9ed732b_ktm6bxbfu.pdf0

² American Medical Association. "Competition in Health Insurance: A Comprehensive Study of U.S. Markets." 2007. (www.ama-assn.org/ama1/pub/upload/mm/368/compstudy_52006.pdf)

"2006 Market Share Reports: For the Top 125 Accident and Health Insurers by State and Countrywide," National Association of Insurance Commissioners, 2007 (http://www.naic.org/store_pub_statistical.htm#market_share)

³ Karen Pollitz, et al., "Falling through the Cracks: Stories of How Health Insurance Can Fail People with Diabetes," (www.healthinsuranceinfo.net/diabetes_and_health_insurance.pdf)

⁴ Ray Fisman, "Taking Our Medicine: The Bad Economics of Switching Health-care Plans," Slate Magazine, (www.slate.com/id/2173459/)